

AUDIT REPORT
CITY OF MANCHESTER
NEW HAMPSHIRE



BASEBALL STADIUM MANAGEMENT AGREEMENT
DECEMBER 2016

Prepared by
City of Manchester, NH
Office of the Independent City Auditor

**INDEPENDENT AUDIT REPORT
CITY OF MANCHESTER, NEW HAMPSHIRE
BASEBALL STADIUM MANAGEMENT AGREEMENT
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April 5, 2017

Committee on Accounts, Enrollment and Revenue Administration
City of Manchester, New Hampshire
Honorable Aldermen: Levasseur, Hirschmann, Ludwig, Sapienza and Katsiantonis

Dear Honorable Committee Members:

A request was given to the Independent City Auditor to conduct a performance audit of The Baseball Stadium Management Agreement

I have completed my audit of The Baseball Stadium Management Agreement for the calendar year ended December 31, 2016. My audit was conducted for the purpose of determining whether the Management of the baseball stadium operations was complying with the management agreement terms.

I conducted this compliance audit in order to obtain sufficient, appropriate evidence to provide a reasonable basis for my findings and conclusions based on my audit objectives. I believe that the evidence obtained provides a reasonable basis for my findings and conclusions based on the audit objectives.

Scope and Audit Objectives

- This engagement was to be a contract compliance audit of the amended and restated management and operations agreement between the City of Manchester and 6 to 4 to 3 LLC (Subsequently NH Triple Play, LLC) dated January 25, 2005 and its subsequent amendments in force during calendar year 2016.
- Determined compliance points to test including:
 1. Financial reporting requirements
 2. Insurance and reserves requirements
 3. Guaranteed Minimum Payments
 4. Additional Payments
 5. Capital Reserves and Capital Projects

Procedures

The engagement procedures began with obtaining the original contract and all subsequent amendments.

Interviews of officials in the City Finance Department and stadium management's offices.

Obtaining financial information from the City HTE financial system and stadium management.

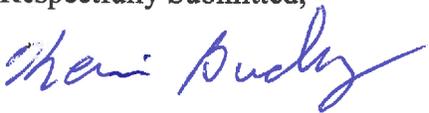
Determining compliance points to test.

Obtaining evidence that selected compliance requirements were met.

Findings and Conclusion

There were no findings generated during this audit and in my opinion the NH Triple Play LLC was in compliance of requirements selected from the management and operations agreement between the City of Manchester and NH Triple Play LLC dated August 27, 2003 and its subsequent amendments in force during calendar year 2016.

Respectfully Submitted,

A handwritten signature in blue ink that reads "Kevin Buckley". The signature is written in a cursive style with a long, sweeping underline.

Kevin Buckley, CPA
Internal Audit Manager

RESULTS OF TEST WORK

The City of Manchester and 6 to 4 to 3 LLC entered into a management agreement to provide management, operation and administration of, and fiduciary responsibility for, the franchise and ballpark in the City of Manchester. The original agreement and first amendment was signed on August 27, 2003. Several subsequent amendments to the agreement were made in the intervening years. The agreement was amended and restated on January 25, 2005. In 2016 the agreement was once again amended with New Hampshire Triple Play, LLC the successor manager to provide services under the prior management agreements and to undertake several capital improvement projects to the stadium.

Financial Reporting and Operating Account

Management is required to maintain comprehensive and accurate books and records and make these records available to City's representatives for review. Within 30 days from the end of each calendar month and within 120 days of after the close of each fiscal year management shall furnish monthly financial reports and audited annual financial statements which includes a summary of expenses, revenues and net revenues.

My testing found that the Finance Department has not been requiring the monthly financial statements but reserves the right to request them in the future. The annual audited financial statements appear to be complete and delivered by the required date. The monthly financial statements for calendar year 2016 were prepared and delivered immediately upon my request for testing.

In addition, management is required to establish an FDIC insured operating account for the deposit of all revenues and payment of operating expenses. This account has been established and testing reveals it is being used as intended.

Insurance Requirements

Management is required to procure and maintain insurance coverage for CGL, automobile, liquor liability, workers' compensation, crime/fidelity, key-man, contractor and umbrella liability in amounts designated by the agreement. Testing has revealed that they are in compliance with the insurance requirements of the agreement.

Guaranteed Minimum Payment

The GMP was set by the Amended and Restated Management and Operations Agreement at \$750,000 per year until calendar year 2015 when it would be increased based on lessor of CPI for the region or 3%. Payment is to be done in two equal installments on April 1st and July 1st. In 2015 the GMP was increased by the CPI of 1.50% or \$740, 950. My testing has verified that the correct amount is being paid in a timely manner.

Additional Minimum Payment

If the City's debt issuance for the ball park exceeds \$25,000,000 the GMP will be increased to compensate the City for the full cost to the City. As of the audit period the debt issuance had not exceeded the threshold.

Net Revenue Participation

Net Revenue Participation payment is 25% of Net Revenue over \$975,000. From managements audited financial statements for last five years the stadium has not earned net revenue in excess of the required amount so no NRP has been necessary.

	2012	2013	2014	2015	2016 Unaudited
Net Income	\$ (117,519.00)	\$ 19,317.00	\$ 15,393.00	\$ 123,136.00	\$ 339,618.56

Capital Reserve

As additional security for the satisfaction of the Manager's obligations under the agreement, the City has established and controls, and the Manager has been funding a capital reserve account. After an initial funding of \$250,000 the manager has been making quarterly payments into the account. Starting in 2015 the amount deposited has been increased from \$6,250 to \$8,750 quarterly. The 2016 amendment to the agreement has increased this amount to \$25,000 quarterly. Management is able to withdraw from the account upon a written request to the City. As of December 31, 2016 the amount in the Capital Reserve Account was \$37,338.

CONCLUSION:

Based on the test work performed it appears that the Management of the ball park appears to be in compliance with the Amended and restated Management and operations agreement and its subsequent amendments for the year ended December 31, 2016.