

AGENDA

SPECIAL COMMITTEE ON CIVIC CENTER

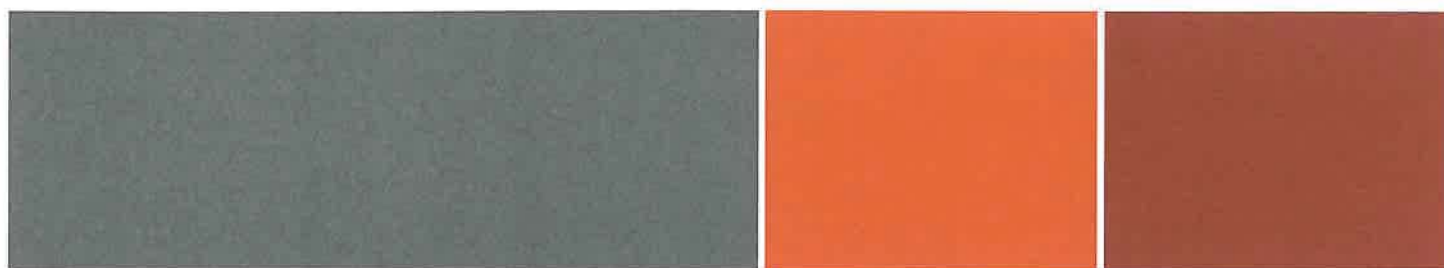
March 12, 2013

**Aldermen O'Neil, Corriveau, Long,
Ludwig, Shea**

4:00 p.m.

**Aldermanic Chambers
City Hall (3rd Floor)**

1. Chairman O'Neil calls the meeting to order.
2. The Clerk calls the roll.
3. Annual financial report of the Verizon Wireless Arena/SMG.
Gentlemen, what is your pleasure?
4. Communication from Sharon Wickens, Assistant Director-Treasury,
regarding the Civic Center Capital Improvement Fund as of
October 31, 2012.
Gentlemen, what is your pleasure?
5. If there is no further business, a motion is in order to adjourn.



VERIZON WIRELESS ARENA/SMG

SPECIAL PURPOSE STATEMENTS

October 31, 2012 and 2011

With Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

To the Management of the
City of Manchester, New Hampshire
and the Verizon Wireless Arena/SMG

We have audited the accompanying special purpose statements of assets, liabilities, and accumulated deficit of Verizon Wireless Arena/SMG as of October 31, 2012 and 2011, and the related special purpose statements of revenues, expenses, and change in accumulated deficit, and cash flows for the years then ended (as defined by a management agreement between SMG and the City of Manchester [the City] related to the management of the Verizon Wireless Arena [the Arena]). These special purpose statements are the responsibility of SMG, the manager of the Arena. Our responsibility is to express an opinion on these special purpose statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special purpose statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special purpose statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall special purpose statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1, the accompanying special purpose statements were prepared for the purpose of complying with the terms of the management agreement between the City and SMG related to the management of the Arena. They are not intended to be a complete presentation of the financial position, results of operations and cash flows of the Arena, SMG, or the City in conformity with U.S. generally accepted accounting principles.

In our opinion, the special purpose statements referred to above present fairly, in all material respects, the assets, liabilities and accumulated deficit of Verizon Wireless Arena/SMG as of October 31, 2012 and 2011, and its revenues, expenses, and change in accumulated deficit, and cash flows for the years then ended, on the basis of accounting described in Note 1.

This report is intended solely for the information and use of SMG and the management of the City of Manchester, New Hampshire and is not intended to be, and should not be, used by anyone other than these specified parties.



Manchester, New Hampshire
November 29, 2012

VERIZON WIRELESS ARENA/SMG

Statements of Assets, Liabilities, and Accumulated Deficit

October 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Cash and cash equivalents	\$ 3,485,108	\$ 2,558,134
Accounts receivable	803,105	418,597
Due from SMG	517,423	244,356
Prepaid expenses	<u>99,525</u>	<u>138,510</u>
Total assets	<u>\$ 4,905,161</u>	<u>\$ 3,359,597</u>
LIABILITIES AND ACCUMULATED DEFICIT		
Liabilities		
Accounts payable	\$ 168,776	\$ 189,480
Accrued expenses	386,515	387,364
Deferred revenue	1,522,559	1,494,473
Advance ticket sales	<u>3,011,663</u>	<u>1,472,632</u>
Total liabilities	5,089,513	3,543,949
Commitments (Note 3)		
Accumulated deficit	<u>(184,352)</u>	<u>(184,352)</u>
Total liabilities and accumulated deficit	<u>\$ 4,905,161</u>	<u>\$ 3,359,597</u>

The accompanying notes are an integral part of these special purpose statements.

VERIZON WIRELESS ARENA/SMG

Statements of Revenues, Expenses, and Change in Accumulated Deficit

Years Ended October 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Direct event income, net of related expenses of \$1,932,359 and \$1,641,618 in 2012 and 2011, respectively	\$ 424,383	\$ 449,326
Ancillary income, net of related expenses of \$2,551,323 and \$2,285,651 in 2012 and 2011, respectively	622,317	646,321
Other event income	<u>660,071</u>	<u>518,677</u>
Total event income	1,706,771	1,614,324
Other income	<u>1,860,213</u>	<u>2,182,877</u>
Operating revenues	3,566,984	3,797,201
Operating expenses	<u>3,128,845</u>	<u>3,093,485</u>
Net operating income	<u>438,139</u>	<u>703,716</u>
Fees incurred under management agreement		
Base management fee - SMG	<u>438,139</u>	<u>703,716</u>
Net change in accumulated deficit	-	-
Accumulated deficit, beginning of year	<u>(184,352)</u>	<u>(184,352)</u>
Accumulated deficit, end of year	\$ <u>(184,352)</u>	\$ <u>(184,352)</u>

The accompanying notes are an integral part of these special purpose statements.

VERIZON WIRELESS ARENA/SMG

Statements of Cash Flows

Years Ended October 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities	\$ -	\$ -
Net change in accumulated deficit		
Adjustments to reconcile net change in accumulated deficit to net cash provided (used) by operating activities		
Changes in working capital assets and liabilities		
Accounts receivable	(384,508)	(107,458)
Due from SMG	(273,067)	17,775
Prepaid expenses	38,985	(56,282)
Accounts payable	(20,704)	7,475
Accrued expenses	(849)	21,179
Deferred revenue	28,086	(731,612)
Advance ticket sales	<u>1,539,031</u>	<u>(19,376)</u>
Net cash provided (used) by operating activities	<u>926,974</u>	<u>(868,299)</u>
Net increase (decrease) in cash and cash equivalents	926,974	(868,299)
Cash and cash equivalents, beginning of year	<u>2,558,134</u>	<u>3,426,433</u>
Cash and cash equivalents, end of year	<u>\$ 3,485,108</u>	<u>\$ 2,558,134</u>

The accompanying notes are an integral part of these special purpose statements.

VERIZON WIRELESS ARENA/SMG

Notes to Special Purpose Statements

October 31, 2012 and 2011

1. Nature of Business and Ownership

Verizon Wireless Arena (the Arena) is a multi-purpose venue located in Manchester, New Hampshire. It was opened on November 15, 2001 and includes entertainment options, such as sporting events, concerts, and various family events.

The Arena is managed by Verizon Wireless Arena/SMG, a partnership, under a management agreement initially entered into on March 1, 2000 (the old management agreement) between the City of Manchester, New Hampshire (the City) and SMG, as the assignee of Aramark Entertainment, Inc. (f/k/a Ogden Entertainment, Inc.). Effective April 1, 2010, SMG and the City entered into a new management agreement (the management agreement) in order to terminate the old management agreement and, among other things, extend SMG's management services at the Arena beyond the terms of the old management agreement. Under the management agreement, the City contracts SMG to staff, manage, operate, and maintain the Arena at the highest industry standards and in the best financial interest of the City. The special purpose statements were prepared for the purpose of complying with the management agreement.

2. Summary of Significant Accounting Policies

Revenue Recognition

The Arena recognizes revenues from events as the events occur. Revenues not earned are classified as either deferred revenue or advance ticket sales. Other event income includes luxury box ticket sales for individual events, facility charges and ticket incentive rebates.

Other Income

Included in other income are revenues generated from luxury boxes, club seating, advertising, and interest earned. Luxury box revenue is recognized over the course of the suite agreement. Club seat revenue is recognized over the course of the hockey season. Advertising revenue is recognized over the course of the advertising agreements.

Use of Estimates

Management uses estimates and assumptions in preparing the special purpose statements that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

VERIZON WIRELESS ARENA/SMG

Notes to Special Purpose Statements

October 31, 2012 and 2011

Cash and Cash Equivalents

Cash equivalents consist of all highly liquid investments with an original maturity of three months or less. For purposes of reporting cash flows, SMG considers all cash accounts and money market accounts to be cash and cash equivalents.

SMG maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. SMG has not experienced any losses in such accounts. Management believes it is not exposed to any significant risk on cash and cash equivalents.

Accounts Receivable and Due from SMG

Accounts receivable and the amount due from SMG are stated at the amounts management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Management believes accounts receivable to be fully collectible as of October 31, 2012 and 2011.

The management agreement provides for a senior base management fee to be paid to SMG from the net operating surplus of the Arena, as defined by the management agreement. During the years ended October 31, 2012 and October 31, 2010, the senior base management fee paid to SMG exceeded the net operating surplus earned by SMG, resulting in a receivable due from SMG to the Arena for each of those years. The receivable due from SMG to the Arena was \$517,423 and \$244,356 as of October 31, 2012 and 2011, respectively.

Building Improvements, Furnishings and Equipment

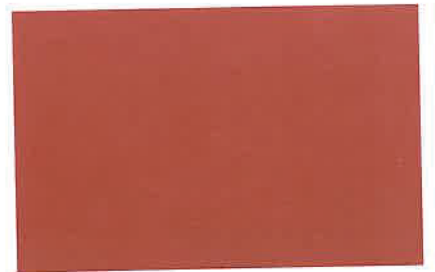
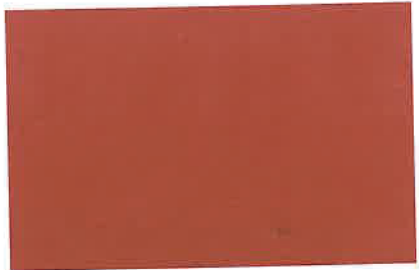
Building improvements, furnishings and equipment purchased by SMG are expensed when received at the Arena.

Subsequent Events

For purposes of the preparation of these special purpose statements in conformity with the terms of the management agreement, the Arena has considered transactions or events occurring through November 29, 2012, which was the date the special purpose statements were available to be issued.

3. Defined-Contribution Plan

SMG sponsors a defined-contribution 401(k) plan covering substantially all full-time employees that have more than one year of service. Employer contributions under the plan totaled \$15,505 and \$14,536 for the years ended October 31, 2012 and 2011, respectively.





*William E. Sanders
Finance Officer*

CITY OF MANCHESTER
Finance Department

February 27, 2013

Special Committee on Civic Center
C/O Mr. Matthew Normand, City Clerk
One City Hall Plaza
Manchester NH 03101

Dear Honorable Committee Members,

The balance the Civic Center Capital Improvement Fund as of October 31, 2012, is \$1,717,689.10. Account activity detail can be furnished by the Finance Department upon request.

Respectfully submitted,

Sharon Y. Wickens
Assistant Director-Treasury

Cc: William E. Sanders

Brian Boyer
Director of Finance
Verizon Wireless Arena / SMG