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PROVIDENCE CIVIC CENTER AUTHORITY

Financial Statements

June 30, 1979 and 1978

(With Accountants' Report Thereon)

IN CITY COUNCIL
DEC 20 1979

READ:

WHEREUPON IT IS ORDERED THAT
THE SAME BE RECEIVED.

Rose M. Meadows CLERK



Peat, Marwick, Mitchell & Co.

FILED

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DEPT. OF CITY CLERK
PROVIDENCE, R.I.

PEAT, MARWICK, MITCHELL & CO.

CERTIFIED PUBLIC ACCOUNTANTS

40 WESTMINSTER STREET

PROVIDENCE, RHODE ISLAND 02903

Providence Civic Center Authority
Providence, Rhode Island:

We have examined the balance sheets of the Providence Civic Center Authority as of June 30, 1979 and 1978, and the related statements of operations and deficit and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The Authority is currently contesting an assessment from the Rhode Island Department of Employment Security, as described in Note 9. The final determination as to whether the Authority is liable for unemployment compensation payments is not presently determinable and no provision has been made in the financial statements for the effect, if any, of such assessment.

In our opinion, subject to the effect, if any, on the financial statements of the ultimate resolution of the matter discussed in the preceding paragraph, the aforementioned financial statements present fairly the financial position of the Providence Civic Center Authority at June 30, 1979 and 1978, and the results of its operations and changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Peat, Marwick, Mitchell & Co.

August 21, 1979

PROVIDENCE CIVIC CENTER AUTHORITY

Balance Sheets

June 30, 1979 and 1978

<u>Assets</u>	<u>1979</u>	<u>1978</u>
Current assets:		
Cash (note 5)	\$ 367,972	324,766
Certificates of deposit (note 5)	150,000	465,000
Accounts receivable, less allowance for doubtful receivables of \$34,880 in 1979 and \$21,451 in 1978	50,735	48,714
Prepaid expenses	<u>49,699</u>	<u>40,612</u>
Total current assets	<u>618,406</u>	<u>879,092</u>
Plant and equipment, at cost (notes 2 and 4)	14,502,657	14,395,929
Less accumulated depreciation	<u>3,227,612</u>	<u>2,718,405</u>
Net property, plant and equipment	<u>11,275,045</u>	<u>11,677,524</u>
	\$ <u>11,893,451</u>	<u>12,556,616</u>

See accompanying notes to financial statements.

<u>Liabilities and Deficit</u>	<u>1979</u>	<u>1978</u>
Current liabilities:		
Current installments of long-term debt (note 4)	\$ 94,374	84,371
6.85% revenue anticipation notes due August 31, 1979	100,000	150,000
Accounts payable - trade	119,263	66,820
Due to City of Providence (note 5)	317,748	321,430
Accrued payroll, taxes and withholdings (note 7)	37,570	44,704
Accrued expenses	8,324	11,028
Advance ticket sales receipts and promoters' deposits	<u>143,588</u>	<u>376,957</u>
Total current liabilities	820,867	1,055,310
Long-term debt, excluding current installments (note 4)	128,438	196,145
Contributed capital from the City of Providence (note 3)	<u>13,479,930</u>	<u>13,352,669</u>
Total liabilities	<u>14,429,235</u>	<u>14,604,124</u>
Deficit:		
Accumulated earnings before depreciation	697,202	676,271
Accumulated depreciation charged to operations since inception	<u>(3,232,986)</u>	<u>(2,723,779)</u>
	<u>(2,535,784)</u>	<u>(2,047,508)</u>
Contingencies (note 9).	\$ <u>11,893,451</u>	<u>12,556,616</u>

PROVIDENCE CIVIC CENTER AUTHORITY
 Statements of Operations and Deficit
 Years ended June 30, 1979 and 1978

	<u>1979</u>	<u>1978</u>
Operating revenue:		
Arena rent	\$ 831,454	827,897
Concession income	208,853	199,890
Telespot income	3,200	3,059
Interest income	31,675	20,809
Advertising and other	<u>39,451</u>	<u>44,985</u>
Total operating revenue	<u>1,114,633</u>	<u>1,096,640</u>
Operating expenses, excluding depreciation:		
Salaries and wages - admissions control	209,912	196,381
Salaries and wages - operating	633,393	577,320
Salaries and wages - administrative	120,352	119,196
Security	4,727	4,848
Payroll taxes	57,206	46,477
Utilities	134,357	123,197
Telephone	28,737	22,437
Employee benefits	76,812	66,967
Retirement Plan (note 8)	13,180	-
Event expenses	210,708	194,720
Advertising	2,842	3,067
Professional services	18,025	21,275
Insurance	65,569	52,153
Vehicle leasing	3,370	3,040
Uniforms	3,264	4,546
Travel and entertainment	2,086	2,048
Office supplies	11,337	9,414
Data processing and credit card service fees	11,232	8,896
Maintenance	67,344	60,054
Interest	24,788	33,267
Miscellaneous	<u>34,661</u>	<u>37,094</u>
Gross operating expenses, excluding depreciation	1,733,902	1,586,397
Less expenses reimbursed by promoters	<u>640,200</u>	<u>590,057</u>
Total operating expenses, excluding depreciation and loss on sale of equipment	<u>1,093,702</u>	<u>996,340</u>
Operating income before depreciation and loss on sale of equipment	20,931	100,300
Depreciation expense	509,207	502,356
Loss on sale of equipment	<u>-</u>	<u>280</u>
Net loss	(488,276)	(402,336)
Deficit at beginning of year	(2,047,508)	(1,645,172)
Deficit at end of year	(\$ <u>2,535,784</u>)	(<u>2,047,508</u>)

See accompanying notes to financial statements.

PROVIDENCE CIVIC CENTER AUTHORITY

Statements of Changes in Financial Position

Years ended June 30, 1979 and 1978

	<u>1979</u>	<u>1978</u>
Sources of working capital:		
Net loss	(\$ 488,276)	(402,336)
Items which do not use working capital:		
Depreciation	509,207	502,356
Loss on sale of equipment	<u>-</u>	<u>280</u>
Working capital provided by operations	20,931	100,300
Increase in contributed capital from City of Providence	127,261	134,599
Proceeds from long-term borrowings	26,667	-
Proceeds from sale of equipment	-	1,000
Decrease in working capital	<u>26,243</u>	<u>-</u>
	\$ <u>201,102</u>	<u>235,899</u>
Uses of working capital:		
Additions to plant and equipment	106,728	10,447
Current installments and repayment of long-term debt	94,374	84,490
Increase in working capital	<u>-</u>	<u>140,962</u>
	\$ <u>201,102</u>	<u>235,899</u>
Changes in components of working capital:		
Increase (decrease) in current assets:		
Cash	43,206	141,305
Certificates of deposit	(315,000)	215,000
Accounts receivable	2,021	20,226
Prepaid expenses	<u>9,087</u>	<u>2,878</u>
	(260,686)	379,409
Increase (decrease) in current liabilities:		
Current installments of long-term debt	10,003	(29,291)
Revenue anticipation notes	(50,000)	(50,000)
Accounts payable - trade	52,443	(15,759)
Due to City of Providence	(3,682)	63,841
Accrued payroll, taxes and withholdings	(7,134)	17,312
Accrued expenses	(2,704)	3,777
Advance ticket sales receipts and promoters' deposits	<u>(233,369)</u>	<u>248,567</u>
	(234,443)	238,447
Increase (decrease) in working capital	\$ <u>(26,243)</u>	<u>140,962</u>

See accompanying notes to financial statements.

PROVIDENCE CIVIC CENTER AUTHORITY

Notes to Financial Statements

June 30, 1979 and 1978

(1) Summary of Significant Accounting Policies(a) Depreciation

Depreciation of plant and equipment is provided over the estimated useful lives of the respective assets on the straight-line basis.

(b) Rental Income and Reimbursed Expenses

The Authority leases its facilities to various promoters and groups. Rental income is calculated as a percentage of gross ticket sales or a minimum rental fee, whichever is higher or, occasionally, on a fixed prearranged fee. In addition to rental income, the Authority is reimbursed by lessees for expenses the Authority incurs in connection with the various events.

(2) Plant and Equipment

A summary of plant and equipment follows:

	Cost at June 30	
	<u>1979</u>	<u>1978</u>
Building and building improvements	\$ 13,458,743	13,456,151
Plaza	250,000	250,000
Arena equipment	529,165	426,697
Office furniture and fixtures	36,705	35,037
Telespot	211,675	211,675
Decorating equipment	<u>16,369</u>	<u>16,369</u>
	<u>\$ 14,502,657</u>	<u>14,395,929</u>

(3) Contributed Capital from the City of Providence

Contributions from the City of Providence are to be repaid from the excess of the Authority's revenues over its expenses in any fiscal year, provided, however, that the Authority may carry forward a working capital reserve in such amount as may be determined by the Authority, with the approval of the Mayor. Such working capital reserve has not yet been determined. A reconciliation of capital contributed by the City of Providence is as follows:

	June 30	
	<u>1979</u>	<u>1978</u>
Balance at beginning of year	\$ 13,352,669	13,218,070
Additional capital contribution received from the City of Providence	<u>127,261</u>	<u>134,599</u>
Balance at end of year	<u>\$ 13,479,930</u>	<u>13,352,669</u>

PROVIDENCE CIVIC CENTER AUTHORITY

Notes to Financial Statements, Continued

(4) Long-Term Debt

A summary of long-term debt follows:

	<u>June 30</u>	
	<u>1979</u>	<u>1978</u>
Equipment lease-purchase agreement (Telespot), 4.4% interest, \$10,751 payable every four months (including interest) to November 1980, collateralized by equipment with a depreciated cost of \$157,774	\$ 28,074	56,145
Notes payable (chairs), 6.31% interest, \$833 payable monthly to April 1982, collateralized by equipment with depreciated cost of \$28,901	26,667	-
Serial notes, 7.25% interest, \$56,300 payable annually to October 1981 with interest payable semiannually (April and October) each year on the unpaid principal	<u>168,071</u>	<u>224,371</u>
Total long-term debt	222,812	280,516
Less current installments of long-term debt	<u>94,374</u>	<u>84,371</u>
Long-term debt, excluding current installments	\$ <u>128,438</u>	<u>196,145</u>

(5) Due to the City of Providence

The balance due to the City of Providence represents a five cents per dollar ticket surcharge enacted by the Rhode Island General Assembly and assessed on all paid admissions to the Providence Civic Center. Cash and certificates of deposit amounting to \$317,748 and \$321,430 in 1979 and 1978, respectively, are restricted for this purpose. During the past two years, the City of Providence allowed the Providence Civic Center to retain a portion of the surcharge proceeds to reduce long- and short-term indebtedness. The funds retained have been treated as additional contributed capital from the City of Providence. This policy is expected to continue in future years.

PROVIDENCE CIVIC CENTER AUTHORITY

Notes to Financial Statements, Continued

(6) Rentals under Operating Leases

The Authority derives income by leasing office space within the building and advertising space within the arena. The minimum future rentals on noncancelable operating leases as of June 30, 1979 are as follows:

Year ended June 30:	
1980	\$ 28,800
1981	16,700
1982	16,700
1983	<u>5,600</u>
Total minimum future rentals	\$ <u>67,800</u>

(7) Employee Benefits

The Authority is required to make contributions to the Central Pension Fund of the Stationary Operating Engineers' Union and the National Pension Fund of the Laborers International Union of North America. In addition, the Authority makes fringe benefit contributions to the International Brotherhood of Electrical Workers. The various contribution rates are based on contractual agreements between the respective unions and the Providence Civic Center Authority. Total contributions amounted to \$19,554 and \$16,170 for the years ended June 30, 1979 and 1978, respectively.

The Authority is also required to make contributions to the Rhode Island Legal Service Trust for those employees in the Laborers International Union. Total contributions amounted to \$6,020 and \$2,588 for the years ended June 30, 1979 and 1978, respectively.

(8) Retirement Plan

During fiscal 1979, the Authority established a noncontributory retirement plan for all management employees. The Authority contributed \$13,180 to the plan for the year ended June 30, 1979. Contributions from the Authority are based on stated percentages applied to salaries paid. The Authority's policy is to fund all retirement costs.

(9) Contingent Liability

On August 4, 1977, the Authority received an invoice from the Rhode Island Department of Employment Security seeking reimbursement from the Authority of approximately \$60,000 in unemployment benefits paid by the Department of Employment Security to individuals who were alleged employees of the Authority and who had received unemployment benefits during 1975 and 1976. Additional invoices were received amounting to \$19,000 for benefits received by alleged employees through December 31, 1977. The Authority contends it is not liable for such amounts and has raised the following defenses to support its position:

PROVIDENCE CIVIC CENTER AUTHORITY

Notes to Financial Statements, Continued

- (a) Certain individuals who received unemployment benefits for which the Authority has been charged were not direct employees of the Authority, but rather were employees of independent contractors who performed services for the Authority.
- (b) The Authority is a municipal entity and, as such, any benefits paid to its employees prior to January 1, 1978 are chargeable to the Supplemental Unemployment Assistance Program and not the Authority.
- (c) Benefits charged to the Authority's account for certain individuals should have been charged to previous employers of such individuals.

The Authority is unaware of any additional charges which might be assessed by the Department of Employment Security for unemployment benefits paid during 1977; however, any additional assessments would be vigorously contested and subject to the same defenses mentioned above. No provision has been made in the financial statements for the effect, if any, of such assessment.