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PROVIDENCE CIVIC CENTER AUTHORITY

FINANCIAL STATEMENTS

AND

SUPPLEMENTARY INFORMATION

YEARS ENDED JUNE 30, 1983 AND 1982

WITH

AUDIT REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

IN CITY COUNCIL
NOV 17 1983

READ:

WHEREUPON IT IS ORDERED

THE SAME BE RECORDED

Stae M. Mendonca

MURPHY & COMPANY / CERTIFIED PUBLIC ACCOUNTANTS

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FINANCIAL STATEMENTS
AND
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YEARS ENDED JUNE 30, 1983 AND 1982
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IN CITY COUNCIL
NOV 17 1983

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WHEREUPON IT IS ORDERED
THAT THE SAME BE RECEIVED

Rose M. Mendonca

MURPHY & COMPANY/CERTIFIED PUBLIC ACCOUNTANTS
111 Westminster Street, Providence, R.I. 02903/401-274-1200

Board of Directors
Providence Civic Center Authority
Providence, Rhode Island

We have examined the accompanying balance sheet of the Providence Civic Center Authority at June 30, 1983 and 1982, and the related statements of operations, Authority's equity 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.

As described in Note 6 to the financial statements, the Authority is contesting an assessment from the Rhode Island Department of Employment Security. The ultimate liability of the Authority for the assessment is not presently determinable and no provision has been made in the financial statements for such assessment.

In our opinion, subject to the effects, if any, on the financial statements of the ultimate resolution of the matter discussed in the preceding paragraph, the financial statements mentioned above present fairly the financial position of the Providence Civic Center Authority at June 30, 1983 and 1982, 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.

The accompanying supplementary information has been subjected to the tests and other auditing procedures applied in the examination of the financial statements mentioned above and, in our opinion, subject to the effects, if any, of the matter mentioned in the second paragraph above, is fairly stated in all respects material in relation to the financial statements taken as a whole.

Murphy + Company

September 6, 1983

PROVIDENCE CIVIC CENTER AUTHORITY

BALANCE SHEET
June 30, 1983 and 1982

ASSETS			LIABILITIES AND AUTHORITY'S EQUITY		
	<u>1983</u>	<u>1982</u>		<u>1983</u>	<u>1982</u>
Current assets			Current liabilities		
Cash and certificates of deposit, unrestricted	\$ 46,585	\$ 55,006	Revenue anticipation notes payable	\$ 196,000	\$ 196,000
Cash and certificates of deposit, restricted (Note 3)	471,289	552,657	Accounts payable	65,783	132,684
Accounts receivable, less allowance for doubtful accounts (1983 - \$17,000; 1982 - \$6,158)	77,401	76,544	Due to City of Providence (Notes 3 and 4)	329,688	318,259
Inventory of operating supplies, at cost	49,299	52,178	Accrued payroll	11,475	27,513
Prepaid expenses	<u>13,236</u>	<u>9,986</u>	Accrued expenses	42,015	55,715
	<u>657,810</u>	<u>746,371</u>	Advance ticket sales receipts and promoters' deposits (Note 3)	141,601	234,398
Plant and equipment (Note 5)			Deferred advertising income	11,187	11,621
Building and building improvements	13,848,418	13,846,598	Long-term debt due within one year	<u>12,750</u>	<u>11,898</u>
Furnishings and equipment	<u>892,507</u>	<u>861,984</u>		810,499	988,088
	14,740,925	14,708,582	Long-term debt (Note 5)	<u>-</u>	<u>12,750</u>
Less accumulated depreciation	<u>5,313,234</u>	<u>4,785,710</u>		<u>810,499</u>	<u>1,000,838</u>
	9,427,691	9,922,872	Authority's equity (Notes 6 and 7)		
			Contributed capital from the City of Providence	14,192,229	13,951,414
			Accumulated deficit (Note 8)	<u>(4,917,227)</u>	<u>(4,283,009)</u>
				9,275,002	9,668,405
	<u>\$10,085,501</u>	<u>\$10,669,243</u>		<u>\$10,085,501</u>	<u>\$10,669,243</u>

See accompanying notes.

PROVIDENCE CIVIC CENTER AUTHORITY

STATEMENT OF OPERATIONS
Years Ended June 30, 1983 and 1982

	<u>1983</u>	<u>1982</u>
Operating revenue		
Arena rent	\$ 957,013	\$ 964,187
Concession income	250,119	223,929
Interest income	30,293	44,018
Advertising and other	83,984	61,526
Total operating revenue	<u>1,321,409</u>	<u>1,293,660</u>
Operating expenses, excluding depreciation		
Salaries and wages:		
Admissions control	241,056	225,754
Operating	851,976	795,754
Administrative	133,736	137,977
Event expenses	239,398	213,132
Interest	18,432	29,046
Other	<u>758,719</u>	<u>746,868</u>
Gross operating expenses, excluding depreciation	2,243,317	2,148,531
Less expenses reimbursed by promoters	<u>815,214</u>	<u>739,206</u>
Net operating expenses, excluding depreciation	<u>1,428,103</u>	<u>1,409,325</u>
Operating loss before depreciation	106,694	115,665
Depreciation expense	<u>527,524</u>	<u>522,840</u>
Net loss for the year	<u>\$ 634,218</u>	<u>\$ 638,505</u>

See accompanying notes.

PROVIDENCE CIVIC CENTER AUTHORITY

STATEMENT OF AUTHORITY'S EQUITY
Years Ended June 30, 1983 and 1982

	<u>Contributed Capital</u>	<u>Accumulated Deficit</u>	<u>Total</u>
Balance (deficit) at July 1, 1981	\$13,727,131	\$ (3,644,504)	\$10,082,627
Net (loss) for the year ended June 30, 1982	-	(638,505)	(638,505)
Contributions from City of Providence (Note 4)	<u>224,283</u>	<u>-</u>	<u>224,283</u>
Balance (deficit) at June 30, 1982	13,951,414	(4,283,009)	9,668,405
Net (loss) for the year ended June 30, 1983	-	(634,218)	(634,218)
Contributions from City of Providence (Note 4)	<u>240,815</u>	<u>-</u>	<u>240,815</u>
Balance (deficit) at June 30, 1983	<u>\$14,192,229</u>	<u>\$ (4,917,227)</u>	<u>\$ 9,275,002</u>

See accompanying notes.

PROVIDENCE CIVIC CENTER AUTHORITY

STATEMENT OF CHANGES IN FINANCIAL POSITION
Years Ended June 30, 1983 and 1982

	<u>1983</u>	<u>1982</u>
Funds used		
Operations		
Net loss for the year	\$ 634,218	\$ 638,505
Deduct charges against loss not requiring funds, depreciation	<u>527,524</u>	<u>522,840</u>
Funds used for operations	106,694	115,665
Additions in plant and equipment	32,343	37,754
Decrease in long-term debt	12,750	11,899
Increase in working capital	<u>89,028</u>	<u>58,965</u>
	<u>\$ 240,815</u>	<u>\$ 224,283</u>
Funds provided		
Additional contributed capital from City of Providence	<u>\$ 240,815</u>	<u>\$ 224,283</u>

Analysis of Increase in Working Capital

Increase (decrease) in current assets		
Cash and certificates of deposit, unrestricted	\$ (8,421)	\$ (30,005)
Cash and certificates of deposit, restricted	(81,368)	113,551
Accounts receivable, net	857	15,631
Inventory of operating supplies	(2,879)	(10,056)
Prepaid expenses	<u>3,250</u>	<u>(22,853)</u>
	<u>(88,561)</u>	<u>66,268</u>
Increase (decrease) in current liabilities		
Accounts payable	(66,901)	(45,330)
Due to City of Providence	11,429	54,158
Accrued payroll	(16,038)	5,637
Accrued expenses	(13,700)	2,958
Advance ticket sales receipts and promoters' deposits	(92,797)	59,393
Deferred advertising income	(434)	(8,001)
Long-term debt due within one year	<u>852</u>	<u>(61,512)</u>
	<u>(177,589)</u>	<u>7,303</u>
Increase in working capital	<u>\$ 89,028</u>	<u>\$ 58,965</u>

See accompanying notes.

PROVIDENCE CIVIC CENTER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 1983 and 1982

Note 1: Significant Accounting Policies

Plant and equipment are recorded at cost, except that property under capital leases are recorded at the lower of the present value of the future minimum rental payments or the fair value of the property at the beginning of the lease term. The cost and accumulated depreciation of assets sold or retired are removed from the respective accounts and any gain or loss is recorded in operations. Maintenance and repairs are charged to expense when incurred. Depreciation is provided on the straight-line method over estimated useful lives of assets as follows:

<u>Assets</u>	<u>Life</u>
Building and building improvements	10-30 years
Furnishings and equipment	3-20 years

Note 2: Basis of Presentation

The Authority was created by an Act of the Rhode Island State Legislature in 1969 to provide a public facility for various civic, athletic and cultural events. The facility was built and paid for from the proceeds of bonds sold by the City of Providence and contributed to the Authority. The Authority leases its facilities to various promoters and groups, at rental charges calculated usually as a percentage of gross ticket sales and/or a minimum rental fee. Rental charges for certain events are based upon a fixed fee. In addition to rental income, the Authority is reimbursed by lessees for expenses the Authority incurs in connection with the various events.

Under Sec. 10(b) of the Act, the Authority is required to pay annually all excess revenues, as defined in the Act, to the City of Providence. Because of original capital funding deficiencies and capital additions since operations began in 1972 no payments have been required under this provision of the Act. The Center and all funds and assets of the Authority shall become the property of the City of Providence upon the payment and retirement of all bonds issued by the City of Providence to fund the Authority. The bonds are scheduled for payment and retirement in 1992.

PROVIDENCE CIVIC CENTER AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Ended June 30, 1983 and 1982

Note 3: Restricted Funds

Cash and certificates of deposit, of \$471,289 and \$552,657 at June 30, 1983 and 1982 respectively, represent funds restricted by the Authority as follows:

	<u>1983</u>	<u>1982</u>
Obligation to the City of Providence (See Note 4)	\$329,688	\$318,259
Collections from advance ticket sales and promoters' deposits	<u>141,601</u> <u>\$471,289</u>	<u>234,398</u> <u>\$552,657</u>

Note 4: Due to the City of Providence

The balance due to the City of Providence represents a 5% ticket surcharge enacted by the Rhode Island General Assembly. This surcharge was created to assist the Authority in the completion of the construction of the premises and also to generate funds sufficient to operate the premises without a deficit. Consequently, the Authority will deduct from the surcharge an amount equal to principal and interest on long and short-term borrowings and also an amount equal to the prior year's deficit (if any) and any capital purchases made during the current year. Such deductions have been added to contributed capital. All remaining funds are to be remitted to the City of Providence.

Note 5: Long-term Debt

Long-term Debt at June 30, 1983 and 1982 consisted of the following:

	<u>1983</u>	<u>1982</u>
6.25% capitalized lease obligation, secured by equipment, with an original capitalized cost of \$49,399, due \$956 monthly, including interest, to 1984	\$ 11,984	\$ 22,350
20.1% capitalized lease obligation, secured by equipment, with an original capitalized cost of \$4,597, due \$519 quarterly, including interest, to 1983	766 <u>12,750</u>	2,298 <u>24,648</u>
Less amounts due within one year	<u>12,750</u> <u>\$ -</u>	<u>11,898</u> <u>\$ 12,750</u>

PROVIDENCE CIVIC CENTER AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 1983 and 1982

Note 6: Contingent Liability

The Authority is contesting a \$78,000 assessment from the Rhode Island Department of Employment Security for reimbursement from the Authority for unemployment benefits paid to individuals who were alleged employees of the Authority and who received unemployment benefits during 1975 and 1976. The Authority has raised several defenses and has instituted an action, in the Superior Court, to declare these taxes unconstitutional. No provision has been made in the financial statements for this assessment. Counsel for the Authority believes that the action is meritorious and should result in an abatement of the greater portion of the taxes claimed.

Note 7: Retirement Plan

The Authority has established a non-contributory, defined contribution retirement plan for all management employees. Contributions for the years ended June 30, 1983 and 1982 were \$12,198 and \$12,842 respectively and were based on a percentage of salaries paid. The Authority's policy is to fund all retirement costs accrued.

Note 8: Accumulated Deficit

The deficit at June 30, 1983 and 1982 consisted of the following:

	<u>1983</u>	<u>1982</u>
Accumulated earnings before depreciation	\$ 403,833	\$ 510,527
Accumulated depreciation charged to operations since inception	<u>(5,321,060)</u>	<u>(4,793,536)</u>
	<u><u>\$ (4,917,227)</u></u>	<u><u>\$ (4,283,009)</u></u>

SUPPLEMENTARY INFORMATION

PROVIDENCE CIVIC CENTER AUTHORITY

SCHEDULE OF OTHER EXPENSES
Years Ended June 30, 1983 and 1982

	<u>1983</u>	<u>1982</u>
Security	\$ 5,480	\$ 9,487
Payroll taxes	94,834	89,046
Utilities	246,278	238,243
Telephone	33,025	36,970
Employee benefits	116,077	89,639
Service contracts	13,287	11,705
Professional services	36,005	24,250
Insurance	74,074	80,667
Vehicle leasing	3,974	4,297
Uniforms	1,900	2,765
Office supplies and expense	29,226	22,475
Data processing	3,900	5,539
Credit card fees	15,479	14,699
Maintenance	57,014	85,744
Bad debts	12,315	4,555
Miscellaneous	15,851	26,787
	<u>\$758,719</u>	<u>\$746,868</u>