

Agenda

Joint Meeting of Board of Directors & Committees

Friday | December 2, 2016

7:30 a.m.

**Banquet Rooms | Van Andel Arena®
130 West Fulton | Grand Rapids | MI**

- | | | |
|----|---|----------------|
| 1. | Call to Order and Chairman's Comments | Steve Heacock |
| 2. | Minutes of November 4, 2016 | Action |
| 3. | Committee Reports | |
| | A. Operations Committee | |
| | i. Capital Expenditures Practices | Information |
| | ii. Updated Long-Term Capital | Information |
| | B. Finance Committee | |
| | i. SMG Special Purpose Financial Statements as of and for the
Years Ended June 30, 2016 and 2015 – Rehmann Robson | Action |
| | ii. Financial Statements and Supplementary Information for the
Years Ended June 30, 2016 and 2015 – Rehmann Robson | Action |
| | iii. Audit Wrap-up Letter for the Year Ended June 30, 2016 | Information |
| | iv. Consolidated Financial Report, for the Year Ended
June 30, 2016, Recap - Budget to Actual | Information |
| | v. Acceptance of October 2016 Consolidated Financial Statements | Action |
| | vi. SMG – Oct. 2016 Van Andel Arena® and DeVos Place® Financials | Information |
| 4. | 2017 Proposed Meeting Schedule | Action |
| 5. | Consumers Energy Contract Update | Information |
| 6. | SMG Report and Facilities Calendars | Rich MacKeigan |
| 7. | Public Comment | |
| 8. | Adjournment | |

Next CAA Meeting Date: Friday, January 6, 2017

**MINUTES OF THE GRAND RAPIDS-KENT COUNTY
CONVENTION/ARENA AUTHORITY
MEETING OF BOARD OF DIRECTORS
Friday, November 4, 2016**

Attendance

Members Present: Steve Heacock, Chairperson
Birgit Klohs
Charlie Secchia
Floyd Wilson, Jr.
Richard Winn

Members Absent: Rosalynn Bliss
Lew Chamberlin

Staff/Others:	Daryl Delabbio	Kent County
	Tim Gortsema	Grand Rapids Griffins
	Chris Machuta	SMG
	Rich MacKeigan	SMG
	Greg Sundstrom	City of Grand Rapids
	Hilarie Szarowicz	SMG
	Susan Waddell	CAA
	Richard Wendt	Dickinson Wright
	Robert White	CAA

1. Call to Order

Chair Heacock called the meeting to order at 8:30 a.m. Secretary/Treasurer Richard Winn recorded the meeting minutes. Staff noted that the Minutes included in the agenda packet were an incorrect version and that the Minutes presented today are correct version. An action item regarding a contract with Consumers Energy was added as agenda item #4.B.iv.

2. Van Andel Arena® 20th Anniversary Recap

Hilarie Szarowicz stated that the Arena hosted a 20th Anniversary Halloween Open House on Sunday, October 23, 12 PM – 4 PM. The event was free and open to the public. Over 5,000 people attended and enjoyed a very special day. Activities included trick-or-treating, bag decorating, self-guided tours, hockey, basketball, costume contests, family fun in the photo booth, and the chance to climb on one of the Zambonis. A live DJ provided lively music. Free hot dogs, popcorn, Pepsi, and cupcakes were served to a hungry crowd. Ms. Klohs inquired whether we could do this every year, as it sounds like a great community event. Mr. MacKeigan will look into it as an option. Ms. Klohs suggested a partnership with the Downtown Market to hold a community trick-or-treat. Mr. Secchia stated that the Downtown Market held a Halloween event the same day and many Arena patrons attended that one, as well.

3. Minutes of Prior Meetings

Motion by Mr. Winn, support by Mr. Secchia, to approve the October 7, 2016, Minutes. Motion carried.

4. Committee Reports

A. Operations Committee

No report was given.

B. Finance Committee

- i. Acceptance of September 2016 Consolidated Financial Statements

Motion: Mr. Winn, supported by Ms. Klohs, moved to accept the September 2016 Consolidated Financial Statements. Motion carried.

- ii. SMG September 2016 Van Andel Arena® and DeVos Place® Financial Statements

The SMG September 2016 financial statements were included as an information item.

- iii. Contract with Consumers Energy

Motion: Mr. Winn, supported by Ms. Klohs, approved authority for SMG to enter into a contract with Consumers Energy regarding new rate structures, provided the contract has been reviewed and approved as to form and content by Attorney Richard Wendt. Motion carried.

5. SMG Report and Facilities Calendars

Mr. MacKeigan reported that the Wine, Beer & Food Festival will feature a bacon station. Jon O'Connor from Long Road Distillery will give a presentation at the Chairman's Reception. On behalf of the Community Inclusion Group, a couple of Committee members will join Mr. MacKeigan and attend a conference in New York in January 2017 to explore the concept of an artists' series with an African-American theme.

6. Public Comment

None.

7. Adjournment

The meeting adjourned at 8:50 a.m.

Richard A. Winn, Recording Secretary

DeVos Place,
as Managed by SMG

Years Ended
June 30, 2016 and
2015

Special-Purpose
Financial
Statements

DEVOS PLACE, AS MANAGED BY SMG

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INDEPENDENT AUDITORS' REPORT

September 29, 2016

DeVos Place, as Managed by SMG
Grand Rapids, Michigan**Report on the Financial Statements**

We have audited the accompanying special-purpose financial statements of *DeVos Place, as Managed by SMG* ("SMG-DeVos Place"), which comprise the special-purpose statements of assets, liabilities, and amount due Operator arising from activities managed by SMG as of June 30, 2016, and the special-purpose statements of operating revenues and operating expenses arising from activities managed by SMG; special-purpose statements of changes in amount due Operator arising from activities managed by SMG; and special-purpose statements of operating cash flows arising from activities managed by SMG for the year then ended, and the related notes to the special-purpose financial statements (collectively, the "Special-Purpose Financial Statements"). The special-purpose financial statements of SMG-DeVos Place as of and for the year ended June 30, 2015, were audited by other auditors whose report dated September 30, 2015, expressed an unmodified opinion on those statements.

Management's Responsibility for the Special-Purpose Financial Statements

Management is responsible for the preparation and fair presentation of these special-purpose financial statements in accordance with the basis of presentation referred to in Note 1 to the special-purpose financial statements; this includes determining that the basis of presentation is an acceptable basis for the preparation of the special-purpose financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of special-purpose financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditors' Responsibility

Our responsibility is to express opinions on these special-purpose financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the special-purpose financial statements. The procedures selected depend on the auditors' 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 special-purpose 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 special-purpose 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 special-purpose financial statements referred to above present fairly, in all material respects, the assets, liabilities, and amount due Operator of SMG-DeVos Place as of June 30, 2016, and its operating revenues, operating expenses, changes in amount due Operator, and operating cash flows for the year then ended in accordance with the basis of presentation described in Note 1 to the special-purpose financial statements.

Basis of Presentation

The special-purpose financial statements are prepared to present the assets, liabilities, amount due Operator, operating revenues, operating expenses, and operating cash flows of SMG-DeVos Place arising from the management activities of SMG, pursuant to the basis of presentation referred to in Note 1 to the special-purpose financial statements, which is a basis of accounting other than accounting principles generally accepted in the United States of America, and are not intended to be a complete presentation of SMG-DeVos Place assets and liabilities or its results of operations and cash flows. Our opinion is not modified with respect to this matter.

Restriction on Use

Our report is intended solely for the information and use of the management of SMG-DeVos Place and officials of the Grand Rapids-Kent County Convention/Arena Authority and is not intended to be and should not be used by anyone other than these specified parties.

Rehmann Lobson LLC

DEVOS PLACE, AS MANAGED BY SMG

Special-Purpose Statements of Assets, Liabilities, and Amount

Due Operator Arising from Activities Managed by SMG

	June 30,	
	2016	2015
Assets (all current)		
Cash and cash equivalents:		
Operating	\$ 888,435	\$ 529,742
Ticket sales escrow	982,582	656,314
Accounts receivable, net of allowance of \$1,286 and \$76,759 in 2016 and 2015, respectively	906,879	1,135,040
Prepaid expenses	126,454	96,344
	<u>\$ 2,904,350</u>	<u>\$ 2,417,440</u>
Total assets		
Liabilities (all current)		
Accounts payable	\$ 108,747	\$ 227,037
Accrued expenses	720,375	551,095
Unearned revenue:		
Advance ticket sales	982,582	656,314
Advance deposits	298,771	337,346
Other unearned revenue	97,965	59,872
	<u>2,208,440</u>	<u>1,831,664</u>
Total liabilities (all current)		
Amount due Operator	<u>695,910</u>	<u>585,776</u>
Total liabilities and amount due Operator	<u>\$ 2,904,350</u>	<u>\$ 2,417,440</u>

See notes to special-purpose financial statements

DEVOS PLACE, AS MANAGED BY SMG

Special-Purpose Statements of Operating Revenues and Operating Expenses Arising from Activities Managed by SMG

	Year Ended June 30,	
	2016	2015
Operating revenues		
Events	\$ 3,520,845	\$ 3,154,482
Ancillary revenues, net:		
Food and beverage	1,119,401	1,065,571
Decorating	334,548	309,107
Electrical	436,211	408,619
Equipment rental	593,073	541,767
Other	170,352	142,254
	<u>2,653,585</u>	<u>2,467,318</u>
Other operating revenues	<u>656,198</u>	<u>464,852</u>
Total operating revenues	<u>6,830,628</u>	<u>6,086,652</u>
Operating expenses		
Personnel	2,422,332	2,370,117
Utilities	1,572,437	1,664,612
Supplies and expenses	261,436	209,142
Repairs and maintenance	582,919	547,891
General and administrative	1,287,125	1,268,584
Total operating expenses	<u>6,126,249</u>	<u>6,060,346</u>
Operating revenues over operating expenses before incentive management fee	704,379	26,306
Incentive management fee	<u>219,439</u>	<u>234,002</u>
Operating revenues over (under) operating expenses	<u>\$ 484,940</u>	<u>\$ (207,696)</u>

See notes to special-purpose financial statements

DEVOS PLACE, AS MANAGED BY SMG

Special-Purpose Statements of Changes in Amount Due Operator Arising from Activities Managed by SMG

	Year Ended June 30,	
	2016	2015
Amount due Operator, beginning of year	\$ 585,776	\$ 904,819
Excess (deficiency) of operating revenues over operating expenses	484,940	(207,696)
Contributions received from Operator	1,652,373	1,525,189
Amounts paid to Operator	<u>(2,027,179)</u>	<u>(1,636,536)</u>
Amount due Operator, end of year	<u>\$ 695,910</u>	<u>\$ 585,776</u>

See notes to special-purpose financial statements

DEVOS PLACE, AS MANAGED BY SMG

Special-Purpose Statements of Operating Cash Flows

Arising from Activities Managed by SMG

	Year Ended June 30,	
	2016	2015
Cash flows from operating activities		
Operating revenues over (under) operating expenses	\$ 484,940	\$ (207,696)
Changes in assets and liabilities:		
Accounts receivable	228,161	91,520
Prepaid expenses	(30,110)	23,026
Accounts payable	(118,290)	(64,215)
Accrued expenses	169,280	279,040
Advance deposits	(38,575)	(14,558)
Other unearned revenue	38,093	(9,214)
Net cash provided by operating activities	<u>733,499</u>	<u>97,903</u>
Cash flows from financing activities		
Contributions received from Operator	1,652,373	1,525,189
Amounts paid to Operator	<u>(2,027,179)</u>	<u>(1,636,536)</u>
Net cash used in financing activities	<u>(374,806)</u>	<u>(111,347)</u>
Net change in cash and cash equivalents	358,693	(13,444)
Operating cash, beginning of year	<u>529,742</u>	<u>543,186</u>
Operating cash, end of year	<u>\$ 888,435</u>	<u>\$ 529,742</u>

See notes to special-purpose financial statements

NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS

DEVOS PLACE, AS MANAGED BY SMG

Notes to Special-Purpose Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DeVos Place provides space for conventions, trade shows, concerts, meetings, banquets, and other performances. DeVos Place is operated by the Grand Rapids-Kent County Convention/Arena Authority (the "Operator").

The Operator has entered into a Management Agreement with SMG to manage the operations of DeVos Place. The activities of DeVos Place that are managed by SMG are referred to herein as SMG-DeVos Place.

The Operator, from time to time, provides funding to SMG-DeVos Place to pay the obligations of DeVos Place when due. The Operator is contractually obligated to fund all liabilities and expenses of DeVos Place.

Measurement Focus and Basis of Accounting

The accompanying special-purpose financial statements were prepared to present the assets, liabilities, amount due Operator, operating revenues, operating expenses, and operating cash flows of DeVos Place arising from the management activities of SMG and are not intended to be a complete presentation of DeVos Place's financial position, results of operations, and operating cash flows. Such special-purpose financial statements have been prepared on the accrual basis of accounting and include transactions managed by SMG in accordance with the Management Agreement, measured in conformity with accounting principles generally accepted in the United States of America. Accordingly, the special-purpose financial statements do not include property and equipment, noncontractual repair expenditures, and related-fund equity associated with DeVos Place or certain other activities of the Operator related to DeVos Place that are not part of the activities managed by SMG. Payroll and related expenses are for employees hired by SMG to manage DeVos Place under the Management Agreement. These employees are not employees of the Operator.

Assets and Liabilities

Cash and Cash Equivalents

SMG-DeVos Place considers cash and all highly liquid investments with a maturity of three months or less to be cash equivalents for the special-purpose statements of cash flows.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

DEVOS PLACE, AS MANAGED BY SMG

Notes to Special-Purpose Financial Statements

Unearned Revenues

SMG-DeVos Place incurs a liability for all cash received from ticket sales in advance of an event; a corresponding amount is held in a separate escrow account. Revenues are not recognized until the related event occurs. Unearned revenue is comprised primarily of advanced billings, which are recognized as revenues on a straight-line basis over the lives of the related contracts. Also included are ticket rebates received from the ticket agent prior to an event, which are not recognized as revenue until the event occurs.

Event Revenues

SMG-DeVos Place records event revenue upon the completion of the event. Accordingly, amounts received for advance ticket sales or deposits by promoters are recorded as liabilities until that time. Costs incurred prior to an event are recorded as prepaid expenses and charged to expense upon completion of the event. Event revenues are reported net of related event expenses of \$3,569,196 and \$2,986,536 for the years ended June 30, 2016 and 2015, respectively.

Ancillary Revenues

All concession and catering, decorating, electrical, and audiovisual revenues are recognized when earned. Ancillary revenues are a contractually determined percentage of gross receipts collected by the vendor for each event.

Other Operating Revenues

Other operating revenues are comprised of interest income, nonevent equipment rental income, ticket rebates, and other miscellaneous items.

Noncontractual Repairs

At times, SMG-DeVos Place incurs costs funded by the Operator's capital projects budget, which is separate and distinct from the operating funds provided by the Operator to DeVos Place. The Operator ultimately decides which expenses will be capitalized or expensed. These costs are excluded from operating expenses in the accompanying special-purpose statements of operating revenues and operating expenses.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassifications

Certain amounts in the June 30, 2015 information have been reclassified to conform to the June 30, 2016 presentation.

DEVOS PLACE, AS MANAGED BY SMG

Notes to Special-Purpose Financial Statements

2. MANAGEMENT AGREEMENT AND FEES

SMG and the Operator have a Management Agreement (the "Agreement") that has an effective date of July 1, 2011, originally expiring on June 30, 2014, with two two-year renewal periods extending through 2018. During the current year, the second two-year renewal period was accepted extending the contract until June 30, 2018. The Agreement provides for both an annual base and incentive management fee. The annual base management fee was set at \$162,500 for the first year of the agreement and is adjusted upward annually by the percentage change in the Consumer Price Index (not to exceed 3% in any one year). A decrease in the Consumer Price Index will not have an effect on the management fee.

The incentive fee is based on the combined results of operations of SMG-DeVos Place and SMG-Van Andel Arena compared to a combined operating revenue benchmark of \$9,100,000, which escalates by \$100,000 annually for the remainder of the term, as defined in the Agreement. The maximum incentive to be paid in any fiscal year is equal to 100% of the base management fee. To qualify for the incentive fee, combined operating revenues of SMG-Van Andel Arena and SMG-DeVos Place must exceed combined operating expenses before incentive management fee by an established benchmark, as follows:

	Year Ended June 30,	
	2016	2015
Excess of operating revenue over operating expenses, as defined, SMG-Van Andel Arena	\$ 1,883,043	\$ 1,540,269
Excess of operating revenue over operating expenses, as defined, SMG-DeVos Place	704,379	26,306
Total	<u>\$ 2,587,422</u>	<u>\$ 1,566,575</u>
Incentive benchmark	\$ 750,000	\$ 750,000
Benchmark met?	Yes	Yes

In the event the combined operations of SMG-Van Andel Arena and SMG-DeVos Place exceed the established operating revenue benchmark, and the operating revenues exceed operating expenses by the benchmark discussed above, the incentive fee is determined based on the below calculation. The amount of the incentive fee paid based on the calculation below is determined by the amount by which combined operating revenues exceed combined operating expense in accordance with the threshold levels set forth below:

Amount by Which Operating Revenues Exceed Operating Expenses	Percentage of Incentive Fee Payable to SMG
\$700,000 or more and less than \$750,000	75%
\$750,000 or more	100%

DEVOS PLACE, AS MANAGED BY SMG

Notes to Special-Purpose Financial Statements

The following calculation is only performed when combined operating revenues of SMG-Van Andel Arena and SMG-DeVos Place exceed combined operating expenses by the established benchmark. A schedule of the base and incentive management fees for the years ended June 30, 2016 and 2015, is as follows:

	Year Ended June 30,	
	2016	2015
SMG-DeVos Place base management fee, included in general and administrative expense (A)	<u>\$ 171,942</u>	<u>\$ 171,770</u>
Total operating revenues - SMG-Van Andel Arena	\$ 6,400,073	\$ 5,789,536
Total operating revenues - SMG-DeVos Place	<u>6,830,628</u>	<u>6,086,652</u>
	<u>13,230,701</u>	<u>11,876,188</u>
Revenue benchmark - SMG-Van Andel Arena	5,000,000	5,000,000
Revenue benchmark - SMG-DeVos Place	<u>4,500,000</u>	<u>4,400,000</u>
	<u>9,500,000</u>	<u>9,400,000</u>
Revenues in excess of benchmark	<u>\$ 3,730,701</u>	<u>\$ 2,476,188</u>
Computation of incentive fee resulting from revenues in excess of revenue benchmark:		
25% of the first \$500,000, collectively	\$ 125,000	\$ 125,000
30% of the amount in excess of \$500,000, collectively, up to base fee of \$343,884 and \$343,540, respectively	<u>218,884</u>	<u>218,540</u>
	<u>343,884</u>	<u>343,540</u>
Percent payable	100%	100%
Total incentive fee payable	<u>\$ 343,884</u>	<u>\$ 343,540</u>
Incentive fee allocated to SMG-Van Andel Arena	\$ 124,445	\$ 109,538
Incentive fee allocated to SMG-DeVos Place (B)	<u>219,439</u>	<u>234,002</u>
Total incentive fee	<u>\$ 343,884</u>	<u>\$ 343,540</u>
Total management fees - SMG-DeVos Place (A + B)	<u>\$ 391,381</u>	<u>\$ 405,772</u>

The incentive fee shall be allocated between facilities by the percentage of each facilities contribution to the excess revenue above benchmark. The base fee is contingent upon the Operator maintaining the SMG-Van Andel Arena concessions agreement with SMG Food and Beverage LLC. If that agreement were to be terminated, the base management fee would increase \$25,000 for each managed facility, adjusted annually by the percentage change in the Consumer Price Index from the base year.

DEVOS PLACE, AS MANAGED BY SMG

Notes to Special-Purpose Financial Statements

3. RETIREMENT PLAN

Employees at SMG-DeVos Place may elect to participate in the SMG Retirement and Savings Plan, a 401(k) defined contribution plan covering SMG employees who have completed one year of employment and 1,000 hours of service. SMG-DeVos Place makes matching contributions equal to 67% of each participants contribution up to a maximum of 5% of the employee's eligible compensation. Discretionary contributions may also be made on a monthly basis for active participants. SMG-DeVos Place made \$22,981 and \$22,805 in matching contributions for the years ended June 30, 2016 and 2015, respectively.

4. RELATED PARTY TRANSACTIONS

In addition to the operations of SMG-DeVos Place, SMG personnel also manage the operations of SMG-Van Andel Arena. The two facilities share certain expenses, such as payroll, employee fringe benefits, and insurance, resulting in frequent billings and payments between the two facilities. The two facilities also share a box office, resulting in frequent billings and payments between the two facilities for ticket sales. Accounts receivable include \$117,255 and \$78,550 due from the SMG-Van Andel Arena as of June 30, 2016 and 2015, respectively. Accounts payable include \$20,921 and \$55,843 due to SMG-Van Andel Arena as of June 30, 2016 and 2015, respectively.

5. CONTINGENCIES

SMG-DeVos Place is exposed to a number of asserted and unasserted potential claims encountered in the normal course of business. In the opinion of management, the resolution of these matters will not have a material effect on the financial position of the entity.

6. RISK MANAGEMENT

SMG-DeVos Place is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2016, the SMG-DeVos Place carried commercial insurance to cover all risks of losses. The SMG-DeVos Place has had no settled claims resulting from these risks that exceeded their commercial coverage in the past fiscal year.

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Van Andel Arena,
as Managed by SMG

Years Ended
June 30, 2016 and
2015

Special-Purpose
Financial
Statements

VAN ANDEL ARENA, AS MANAGED BY SMG

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INDEPENDENT AUDITORS' REPORT

September 29, 2016

Van Andel Arena, as Managed by SMG
Grand Rapids, Michigan**Report on the Financial Statements**

We have audited the accompanying special-purpose financial statements of *Van Andel Arena, as Managed by SMG* ("SMG-Van Andel Arena"), which comprise the special-purpose statements of assets, liabilities, and amount due Operator arising from activities managed by SMG as of June 30, 2016, and the special-purpose statements of operating revenues and operating expenses arising from activities managed by SMG; special-purpose statements of changes in amount due Operator arising from activities managed by SMG; and special-purpose statements of operating cash flows arising from activities managed by SMG for the year then ended, and the related notes to the special-purpose financial statements (collectively, the "Special-Purpose Financial Statements"). The special-purpose financial statements of SMG-Van Andel Arena as of and for the year ended June 30, 2015, were audited by other auditors whose report dated September 30, 2015, expressed an unmodified opinion on those statements.

Management's Responsibility for the Special-Purpose Financial Statements

Management is responsible for the preparation and fair presentation of these special-purpose financial statements in accordance with the basis of presentation referred to in Note 1 to the special-purpose financial statements; this includes determining that the basis of presentation is an acceptable basis for the preparation of the special-purpose financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of special-purpose financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditors' Responsibility

Our responsibility is to express opinions on these special-purpose financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the special-purpose financial statements. The procedures selected depend on the auditors' 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 special-purpose 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 special-purpose 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 special-purpose financial statements referred to above present fairly, in all material respects, the assets, liabilities, and amount due Operator of SMG-Van Andel Arena as of June 30, 2016, and its operating revenues, operating expenses, changes in amount due Operator, and operating cash flows for the year then ended in accordance with the basis of presentation described in Note 1 to the special-purpose financial statements.

Basis of Presentation

The special-purpose financial statements are prepared to present the assets, liabilities, amount due Operator, operating revenues, operating expenses, and operating cash flows of SMG-Van Andel Arena arising from the management activities of SMG, pursuant to the basis of presentation referred to in Note 1 to the special-purpose financial statements, which is a basis of accounting other than accounting principles generally accepted in the United States of America, and are not intended to be a complete presentation of SMG-Van Andel Arena assets and liabilities or its results of operations and cash flows. Our opinion is not modified with respect to this matter.

Restriction on Use

Our report is intended solely for the information and use of the management of SMG-Van Andel Arena and officials of the Grand Rapids-Kent County Convention/Arena Authority and is not intended to be and should not be used by anyone other than these specified parties.

Rehmann Lohman LLC

VAN ANDEL ARENA, AS MANAGED BY SMG

Special-Purpose Statements of Assets, Liabilities, and Amount

Due Operator Arising from Activities Managed by SMG

	June 30,	
	2016	2015
Assets (all current)		
Cash and cash equivalents:		
Operating	\$ 982,108	\$ -
Ticket sales escrow	5,532,518	3,931,329
Accounts receivable, net of allowance of \$0 and \$44,800 in 2016 and 2015, respectively	1,054,288	1,123,979
Prepaid expenses	73,992	68,368
	<u>\$ 7,642,906</u>	<u>\$ 5,123,676</u>
Total assets		
Liabilities (all current)		
Accounts payable	\$ 703,153	\$ 629,988
Accrued expenses	734,600	645,623
Unearned revenue:		
Advance ticket sales	5,532,518	3,931,329
Advance deposits	33,425	33,425
Other unearned revenue	1,486,776	1,621,627
	<u>8,490,472</u>	<u>6,861,992</u>
Total liabilities (all current)		
Amount due Operator (deficit)	<u>(847,566)</u>	<u>(1,738,316)</u>
Total liabilities and amount due Operator	<u>\$ 7,642,906</u>	<u>\$ 5,123,676</u>

See notes to special-purpose financial statements

VAN ANDEL ARENA, AS MANAGED BY SMG

Special-Purpose Statements of Operating Revenues and Operating Expenses Arising from Activities Managed by SMG

	Year Ended June 30,	
	2016	2015
Operating revenues		
Events	\$ 1,275,844	\$ 1,170,991
Ancillary revenues, net:		
Food and beverage	1,763,571	1,516,032
Novelties	120,917	99,311
Other	1,035	3,228
	<u>1,885,523</u>	<u>1,618,571</u>
Other operating revenues:		
Premium seating	1,827,841	1,636,396
Advertising income	665,272	630,379
Other	745,593	733,199
	<u>3,238,706</u>	<u>2,999,974</u>
Total operating revenues	<u>6,400,073</u>	<u>5,789,536</u>
Operating expenses		
Personnel	1,822,712	1,743,382
Utilities	971,456	971,216
Supplies and expenses	254,712	191,031
Repairs and maintenance	353,766	340,167
General and administrative	1,114,384	1,003,471
	<u>4,517,030</u>	<u>4,249,267</u>
Total operating expenses	<u>4,517,030</u>	<u>4,249,267</u>
Operating revenues over operating expenses before incentive management fee	1,883,043	1,540,269
Incentive management fee	<u>124,445</u>	<u>109,538</u>
Operating revenues over operating expenses	<u>\$ 1,758,598</u>	<u>\$ 1,430,731</u>

See notes to special-purpose financial statements

VAN ANDEL ARENA, AS MANAGED BY SMG

Special-Purpose Statements of Changes in Amount Due Operator Arising from Activities Managed by SMG

	Year Ended June 30,	
	2016	2015
Amount due Operator (deficit), beginning of year	\$ (1,738,316)	\$ (848,576)
Excess of operating revenues over operating expenses	1,758,598	1,430,731
Contributions received from Operator	986,481	905,411
Amounts paid to Operator	<u>(1,854,329)</u>	<u>(3,225,882)</u>
Amount due Operator (deficit), end of year	<u>\$ (847,566)</u>	<u>\$ (1,738,316)</u>

See notes to special-purpose financial statements

VAN ANDEL ARENA, AS MANAGED BY SMG

Special-Purpose Statements of Operating Cash Flows

Arising from Activities Managed by SMG

	Year Ended June 30,	
	2016	2015
Cash flows from operating activities		
Operating revenues over operating expenses	\$ 1,758,598	\$ 1,430,731
Changes in assets and liabilities:		
Accounts receivable	69,691	(271,651)
Prepaid expenses	(5,624)	9,683
Accounts payable	73,165	(261,893)
Accrued expenses	88,977	248,573
Advance deposits	-	(9,900)
Unearned revenue	(134,851)	68,452
Net cash provided by operating activities	<u>1,849,956</u>	<u>1,213,995</u>
Cash flows from financing activities		
Contributions received from Operator	986,481	905,411
Amounts paid to Operator	<u>(1,854,329)</u>	<u>(3,225,882)</u>
Net cash used in financing activities	<u>(867,848)</u>	<u>(2,320,471)</u>
Net change in cash and cash equivalents	982,108	(1,106,476)
Operating cash, beginning of year	<u>-</u>	<u>1,106,476</u>
Operating cash, end of year	<u>\$ 982,108</u>	<u>\$ -</u>

See notes to special-purpose financial statements

NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS

VAN ANDEL ARENA, AS MANAGED BY SMG

Notes to Special-Purpose Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Van Andel Arena (the "Arena") provides space for family shows, concerts, sporting events, meetings, and other performances. The Arena is operated by the Grand Rapids-Kent County Convention/Arena Authority (the "Operator").

The Operator has entered into a Management Agreement with SMG to manage the operations of the Arena. The activities of the Arena that are managed by SMG are referred to herein as SMG-Van Andel Arena.

The Operator, from time to time, provides funding to SMG-Van Andel Arena to pay the obligations of the Arena when due. The Operator is contractually obligated to fund all liabilities and expenses of the Arena.

Measurement Focus and Basis of Accounting

The accompanying special-purpose financial statements were prepared to present the assets, liabilities, amount due Operator, operating revenues, operating expenses, and operating cash flows of the Arena arising from the management activities of SMG and are not intended to be a complete presentation of the Arena's financial position, results of operations, and operating cash flows. Such special-purpose financial statements have been prepared on the accrual basis of accounting and include transactions managed by SMG in accordance with the Management Agreement, measured in conformity with accounting principles generally accepted in the United States of America. Accordingly, the special-purpose financial statements do not include property and equipment, noncontractual repair expenditures, and related-fund equity associated with the Arena or certain other activities of the Operator related to the Arena that are not part of the activities managed by SMG. Payroll and related expenses are for employees hired by SMG to manage the Arena under the Management Agreement. These employees are not employees of the Operator.

Assets and Liabilities

Cash and Cash Equivalents

SMG-Van Andel Arena considers cash and all highly liquid investments with a maturity of three months or less to be cash equivalents for the special-purpose statements of cash flows.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

VAN ANDEL ARENA, AS MANAGED BY SMG

Notes to Special-Purpose Financial Statements

Unearned Revenues

SMG-Van Andel Arena incurs a liability for all cash received from ticket sales in advance of an event; a corresponding amount is held in a separate escrow account. Revenues are not recognized until the related event occurs. Unearned revenue is comprised primarily of advanced billings and collections for luxury boxes and advertising contracts, which are recognized as revenues on a straight-line basis over the lives of the related contracts. Also included are ticket rebates received from the ticket agent prior to an event, which are not recognized as revenue until the event occurs.

Event Revenues

SMG-Van Andel Arena records event revenue upon the completion of the event. Accordingly, amounts received for advance ticket sales or deposits by promoters are recorded as liabilities until that time. Costs incurred prior to an event are recorded as prepaid expenses and charged to expense upon completion of the event. Event revenues are reported net of related event expenses of \$2,901,198 and \$2,724,636 for the years ended June 30, 2016 and 2015, respectively.

Ancillary Revenues

All concession and catering, decorating, electrical, and audiovisual revenues are recognized when earned. Ancillary revenues are a contractually determined percentage of gross receipts collected by the vendor for each event.

Other Operating Revenues

Other operating revenues include revenues associated with luxury seating, advertising, ticket rebates, interest income, and other miscellaneous items.

Noncontractual Repairs

From time to time, SMG-Van Andel Arena incurs costs funded by the Operator's capital projects budget, which is separate and distinct from the operating funds provided by the Operator to the Arena. The Operator ultimately decides which expenses will be capitalized or expensed. These costs are excluded from operating expenses in the accompanying special-purpose statements.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassifications

Certain amounts in the June 30, 2015 information have been reclassified to conform to the June 30, 2016 presentation.

VAN ANDEL ARENA, AS MANAGED BY SMG

Notes to Special-Purpose Financial Statements

2. MANAGEMENT AGREEMENT AND FEES

SMG and the Operator have a Management Agreement (the "Agreement") that has an effective date of July 1, 2011, originally expiring on June 30, 2014, with two two-year renewal periods extending through 2018. During the current year, the second two-year renewal period was accepted extending the contract until June 30, 2018. The Agreement provides for both an annual base and incentive management fee. The annual base management fee was set at \$162,500 for the first year of the agreement and is adjusted upward annually by the percentage change in the Consumer Price Index (not to exceed 3% in any one year). A decrease in the Consumer Price Index will not have an effect on the management fee.

The incentive fee is based on the combined results of operations of SMG-DeVos Place and SMG-Van Andel Arena compared to a combined operating revenue benchmark of \$9,100,000, which escalates by \$100,000 annually for the remainder of the term, as defined in the Agreement. The maximum incentive to be paid in any fiscal year is equal to 100% of the base management fee. To qualify for the incentive fee, combined operating revenues of SMG-Van Andel Arena and SMG-DeVos Place must exceed combined operating expenses before management incentive fees by an established benchmark, as follows:

	Year Ended June 30,	
	2016	2015
Excess of operating revenue over operating expenses, as defined, SMG-Van Andel Arena	\$ 1,883,043	\$ 1,540,269
Excess of operating revenue over operating expenses, as defined, SMG-DeVos Place	704,379	26,306
Total	<u>\$ 2,587,422</u>	<u>\$ 1,566,575</u>
Incentive benchmark	\$ 750,000	\$ 750,000
Benchmark met?	Yes	Yes

In the event the combined operations of SMG-Van Andel Arena and SMG-DeVos Place exceed the established operating revenue benchmark, and the operating revenues exceed operating expenses by the benchmark discussed above, the incentive fee is determined based on the below calculation. The amount of the incentive fee paid based on the calculation below is determined by the amount by which combined operating revenues exceed combined operating expense in accordance with the threshold levels set forth below:

Amount by Which Operating Revenues Exceed Operating Expenses	Percentage of Incentive Fee Payable to SMG
\$700,000 or more and less than \$750,000	75%
\$750,000 or more	100%

VAN ANDEL ARENA, AS MANAGED BY SMG

Notes to Special-Purpose Financial Statements

The following calculation is only performed when combined operating revenues of SMG-Van Andel Arena and SMG-DeVos Place exceed combined operating expenses by the established benchmark. A schedule of the base and incentive management fees for the years ended June 30, 2016 and 2015, is as follows:

	Year Ended June 30,	
	2016	2015
SMG-Van Andel base management fee, included in general and administrative expense (A)	\$ 171,942	\$ 171,770
Total operating revenues - SMG-Van Andel Arena	\$ 6,400,073	\$ 5,789,536
Total operating revenues - SMG-DeVos Place	6,830,628	6,086,652
	<u>13,230,701</u>	<u>11,876,188</u>
Revenue benchmark - SMG-Van Andel Arena	5,000,000	5,000,000
Revenue benchmark - SMG-DeVos Place	4,500,000	4,400,000
	<u>9,500,000</u>	<u>9,400,000</u>
Revenues in excess of benchmark	\$ 3,730,701	\$ 2,476,188
Computation of incentive fee resulting from revenues in excess of revenue benchmark:		
25% of the first \$500,000, collectively	\$ 125,000	\$ 125,000
30% of the amount in excess of \$500,000, collectively, up to base fee of \$343,884 and \$343,540, respectively	218,884	218,540
	<u>343,884</u>	<u>343,540</u>
Percent payable	100%	100%
Total incentive fee payable	\$ 343,884	\$ 343,540
Incentive fee allocated to SMG-Van Andel Arena (B)	\$ 124,445	\$ 109,538
Incentive fee allocated to SMG-DeVos Place	219,439	234,002
Total incentive fee	<u>\$ 343,884</u>	<u>\$ 343,540</u>
Total management fees - SMG-Van Andel Arena (A + B)	<u>\$ 296,387</u>	<u>\$ 281,308</u>

The incentive fee shall be allocated between facilities by the percentage of each facilities contribution to the excess revenue above benchmark. The base fee is contingent upon the Operator maintaining the SMG-Van Andel Arena concessions agreement with SMG Food and Beverage LLC. If that agreement were to be terminated, the base management fee would increase \$25,000 for each managed facility, adjusted annually by the percentage change in the Consumer Price Index from the base year.

VAN ANDEL ARENA, AS MANAGED BY SMG

Notes to Special-Purpose Financial Statements

3. RETIREMENT PLAN

Employees at SMG-Van Andel Arena may elect to participate in the SMG Retirement and Savings Plan, a 401(k) defined contribution plan covering SMG employees who have completed one year of employment and 1,000 hours of service. SMG-Van Andel Arena makes matching contributions equal to 67% of each participants contribution up to a maximum of 5% of the employee's eligible compensation. Discretionary contributions may also be made on a monthly basis for active participants. SMG-Van Andel Arena made \$12,373 and \$11,232 in matching contributions for the years ended June 30, 2016 and 2015, respectively.

4. RELATED PARTY TRANSACTIONS

In addition to the operations of SMG-Van Andel Arena, SMG personnel also manage the operations of SMG-DeVos Place. The two facilities share certain expenses, such as payroll, employee fringe benefits, and insurance, resulting in frequent billings and payments between the two facilities. The two facilities also share a box office, resulting in frequent billings and payments between the two facilities for ticket sales. Accounts receivable include \$20,921 and \$55,843 due from the SMG-DeVos Place as of June 30, 2016 and 2015, respectively. Accounts payable include \$117,255 and \$78,550 payable to SMG-DeVos Place as of June 30, 2016 and 2015, respectively.

On July 1, 2006, the Operator entered into a concessions agreement for the Arena with SMG-Food and Beverage LLC, a related party to SMG. Accounts receivable include \$25,902 and \$26,146 from SMG-Food and Beverage LLC, as of June 30, 2016 and 2015, respectively.

5. CONTINGENCIES

SMG-Van Andel Arena is exposed to a number of asserted and unasserted potential claims encountered in the normal course of business. In the opinion of management, the resolution of these matters will not have a material effect on the financial position of the entity.

6. RISK MANAGEMENT

SMG-Van Andel Arena is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2016, the SMG-Van Andel Arena carried commercial insurance to cover all risks of losses. The SMG-Van Andel Arena has had no settled claims resulting from these risks that exceeded their commercial coverage in the past fiscal year.



INDEPENDENT AUDITORS' COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

September 29, 2016

To the Management of
DeVos Place and Van Andel Arena, as Managed by SMG

We have audited the special-purpose financial statements of *DeVos Place ("SMG-DeVos Place")* and *Van Andel Arena ("SMG-Van Andel Arena")*, as managed by SMG as of and for the year ended June 30, 2016, and have issued our reports thereon dated September 29, 2016. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Special-Purpose Financial Statement Audit

As communicated in our engagement letter dated July 29, 2016, our responsibility, as described by professional standards, is to form and express opinions as to whether the special-purpose financial statements are fairly presented, in all material respects, in conformity with the Management Agreement with the Grand Rapids-Kent County Convention/Arena Authority (the "Authority"). Our audit of the special-purpose financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the special-purpose financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of SMG-DeVos Place and SMG-Van Andel Arena solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Our findings regarding internal control over financial reporting, compliance, and other matters noted during our audit are included in Attachment A to this letter.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter and in our meeting about planning matters on May 24, 2016.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm has complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by SMG-DeVos Place and SMG-Van Andel Arena are included in Note 1 to the special-purpose financial statements.

There have been no initial selections of accounting policies and no changes in significant accounting policies or their application during the year.

No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the special-purpose financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the special-purpose financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the special-purpose financial statements were:

- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of vacation banks.
- Management's estimate of the allowance for uncollectible receivable balances is based on past experience and future expectation for collection of various account balances.
- The allocation of shared costs between SMG-DeVos Place and SMG-Van Andel Arena has been determined based on related time expended, services performed or other applicable activities and data.

We evaluated the key factors and assumptions used to develop these estimates and determined that they are reasonable in relation to the special-purpose financial statements.

Significant Difficulties Encountered During the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the special-purpose financial statements. In addition, professional standards require us to communicate to you all material, corrected

misstatements that were brought to the attention of management as a result of our audit procedures. None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the special-purpose financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the special-purpose financial statements or the auditors' report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in Attachment B to this letter.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with SMG-DeVos Place and SMG-Van Andel Arena, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the auditors.

This information is intended solely for the use of the governing body and management of SMG-DeVos Place, SMG-Van Andel Arena, and the Grand Rapids-Kent County Convention/Arena Authority and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "Lehmann Lohman LLC". The signature is written in a cursive, flowing style.

SMG - DEVOS PLACE & SMG - VAN ANDEL ARENA

Attachment A - Consideration of Internal Control Over Financial Reporting

For the June 30, 2016 Audit

We have audited, in accordance with the auditing standards generally accepted in the United States of America the special-purpose financial statements of *SMG - DeVos Place* and *SMG - Van Andel Arena*, as of and for the year ended June 30, 2016, and the related notes to the special-purpose financial statements, which collectively comprise the SMG-DeVos Place and SMG Van Andel Arena's special-purpose financial statements, and have issued our report thereon dated September 29, 2016.

In planning and performing our audit of the special-purpose financial statements, we considered SMG - DeVos Place and SMG - Van Andel Arena'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 opinions on the special-purpose financial statements, but not for the purpose of expressing an opinion on the effectiveness of SMG - DeVos Place and SMG - Van Andel Arena's internal control. Accordingly, we do not express an opinion on the effectiveness of SMG - DeVos Place and SMG - Van Andel Arena'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.

Other Matters

Stale Account Balances

In testing the outstanding check listings, we noted various checks have been outstanding for more than two years. The State of Michigan directs that "holders of unclaimed or uncalled for property (example outstanding checks) can divest themselves of responsibility and accountability for such property by transferring such property to Escheats Division, Department of Treasury." We recommend that any checks that remain outstanding after two years be remitted to the State's Escheats Division. Procedural directions of how to do this are located on the State's website.

In testing certain liability accounts, we noted various outstanding liabilities for ticket refunds and gift certificates that have been outstanding for many years. We encourage management to establish a policy over the expected redemption of these tickets and gift certificates and to write off any amounts not expected to be redeemed in accordance with this policy.

SMG - DEVOS PLACE & SMG - VAN ANDEL ARENA

Attachment A - Consideration of Internal Control Over Financial Reporting For the June 30, 2016 Audit

Management Review

SMG - DeVos Place and SMG - Van Andel Arena use manual journal entries to account for various types of transactions, such as cost allocations, and corrections of errors. Journal entries, which are an essential part of any accounting system, represent an opportunity to enter information into the entity's records in a way that bypasses normal internal controls. Accordingly, SMG - DeVos Place and SMG - Van Andel Arena should have systems in place to ensure that all journal entries and similar adjustments made to the accounting records are reviewed and approved. During our testing, we noted no evidence of review and approval. We understand that management considers the effect of these entries as part of a high-level monthly review of financial statements and bank reconciliations; however, we did not note any evidence of review on these monthly reports. We recommend that SMG - DeVos Place and SMG - Van Andel Arena incorporate independent review and approval whenever possible, and that this review be signed and dated as evidence of the control activity.

Segregation of Duties at DeVos Place

Management is responsible for establishing effective internal controls to safeguard assets, and to prevent or detect misstatements to the special-purpose financial statements. Ideally, no single individual should ever be able to authorize a transaction, record the transaction in the accounting records, and maintain custody of the assets resulting from the transaction. We noted that for cash receipts received at DeVos Place (excluding box office receipts handled separately), the same employee is responsible for receiving cash, preparing the deposit and posting the deposit into the general ledger. We recommend that a different employee be designated to receive the cash and prepare the deposit.

■ ■ ■ ■ ■

SMG - DEVOS PLACE & SMG - VAN ANDEL ARENA

Attachment B - Management Representations For the June 30, 2016 Audit

The following pages contain the written representations that we requested from management.



September 29, 2016

Rehmann Robson
2330 East Paris Ave., SE
Grand Rapids, MI 49546

This representation letter is provided in connection with your audit of the special-purpose financial statements of *DeVos Place* ("SMG-DeVos Place") and *Van Andel Arena* ("SMG-Van Andel Arena"), as management by SMG as of and for the year ended June 30, 2016, and the related notes to the special-purpose financial statements, for the purpose of expressing opinions on whether the special-purpose financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows, in conformity with the Management Agreement with the Grand Rapids-Kent County Convention/Arena Authority (the "Authority").

Convention
Arena
Authority

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

Steven Heacock
Chairman
Hon. Rosalynn Bliss
Lew Chamberlin
Bridget M. Klohs
Charlie Secchia
Floyd Wilson, Jr.
Richard A. Winn

We confirm that, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of September 29, 2016:

Special-Purpose Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated July 29, 2016, for the preparation and fair presentation of the special-purpose financial statements in accordance with the Management Agreement of the Authority. We have reviewed, approved, and taken responsibility for the special-purpose financial statements and related notes.
2. We have reviewed and approved the various adjusting journal entries that were proposed by you for recording in our books and records and reflected in the special-purpose financial statements.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of special-purpose financial statements that are free from material misstatement, whether due to fraud or error.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
6. Related party relationships and transactions have been appropriately accounted for and disclosed.
7. All events subsequent to the date of the special-purpose financial statements have been adjusted or disclosed.
8. The effects of all known actual or possible litigation and claims have been accounted for and disclosed.



Van Andel Arena®
130 West Fulton
Grand Rapids, MI 49503-2601
616.742.6600

DEVOS PLACE

DeVos Place®
303 Monroe Ave. NW
Grand Rapids, MI 49503-2233
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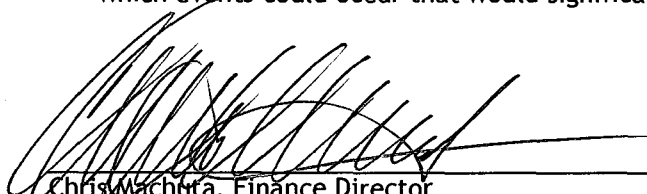


9. With regard to items reported at fair value:
- The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated courses of action.
 - The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
 - The disclosures related to fair values are complete and adequate.
 - There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the special-purpose financial statements.

Information Provided

10. We have provided you with:
- Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the special-purpose financial statements, such as records, documentation, and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
11. All transactions have been recorded in the accounting records and are reflected in the special-purpose financial statements.
12. We have disclosed to you the results of our assessment of the risk that the special-purpose financial statements may be materially misstated as a result of fraud.
13. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
- Management;
 - Employees who have significant roles in internal control; or
 - Others where the fraud could have a material effect on the special-purpose financial statements.
14. We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's special-purpose financial statements communicated by employees, former employees, vendors, regulators, or others.
15. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the special-purpose financial statements.
16. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
17. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
18. We have disclosed to you all guarantees, whether written or oral, under which we are contingently liable.
19. We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts.
20. There are no:
- Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the special-purpose financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
 - Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed.
 - Other liabilities or gain or loss contingencies that are required to be accrued or disclosed.
21. We has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.

22. We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the special-purpose financial statements in the event of noncompliance.
23. We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.



Chris Machuta, Finance Director



Richard MacKeigan, Regional General Manager

Grand Rapids - Kent County Convention/Arena Authority

Years Ended
June 30, 2016 and
2015

Financial
Statements

GRAND RAPIDS - KENT COUNTY CONVENTION/ARENA AUTHORITY

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INDEPENDENT AUDITORS' REPORT

November 23, 2016

Members of the Grand Rapids-Kent County
Convention/Arena Authority Board
Grand Rapids, Michigan

We have audited the accompanying financial statements of the *Grand Rapids-Kent County Convention/Arena Authority* (the "Authority"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents. The financial statements of the Authority as of and for the year ended June 30, 2015, were audited by other auditors whose report dated November 30, 2015, expressed an unmodified opinion on those statements.

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.

Independent Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 auditors' 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 respective financial position of the Grand Rapids-Kent County Convention/Arena Authority as of June 30, 2016, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, as listed in the table of contents, 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, who 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Rehmann Johnson LLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

GRAND RAPIDS - KENT COUNTY CONVENTION/ARENA AUTHORITY

Management's Discussion and Analysis

These financial statements are the responsibility of the Grand Rapids-Kent County Convention/Arena Authority. We offer readers this narrative overview and analysis for the fiscal years ended June 30, 2016 and 2015. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

Financial Highlights

· Total net position	\$ 23,914,961
· Change in total net position	716,479
· Capital assets, net	1,684,745
· Change in net capital assets	382,587

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The basic financial statements are comprised of the statement of net position, the statement of revenues, expenses and changes in net position, the statement of cash flows and the notes to the financial statements.

- The *statements of net position* present information on all of the Authority's assets and liabilities, with the difference between these items reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.
- The *statements of revenues, expenses and changes in net position* present information showing how the Authority's net position changed during each fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.
- The *statements of cash flows* presents information showing in greater detail how the Authority received and disbursed cash.
- The *notes to financial statements* provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

The Authority's financial statements consist of a single enterprise fund (a proprietary fund type), as the Authority intends to recover all or a significant portion of its costs through user fees and charges (known as "business-type activities").

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Required supplementary information includes this management's discussion and analysis.

The *statement of revenues, expenses and change in net position - budget and actual* is presented as supplementary information and includes information on how the Authority performed in relation to the Board-adopted budget.

GRAND RAPIDS - KENT COUNTY CONVENTION/ARENA AUTHORITY

Management's Discussion and Analysis

Financial Analysis

The Authority's assets exceeded its liabilities by \$23,914,961 and \$23,198,482 for the years ended June 30, 2016 and 2015, respectively. A summary of the Authority's net position for the current fiscal year and two years prior is presented below.

	Statements of Net Position June 30,		
	2016	2015	2014
Assets			
Current and other assets	\$ 33,060,113	\$ 31,048,585	\$ 30,356,730
Capital assets, net	1,684,745	1,302,158	1,263,768
	<u>34,744,858</u>	<u>32,350,743</u>	<u>31,620,498</u>
Liabilities			
Other liabilities	<u>10,829,897</u>	<u>9,152,261</u>	<u>9,196,642</u>
Net position			
Investment in capital assets	1,684,745	1,302,158	1,263,768
Unrestricted	<u>22,230,216</u>	<u>21,896,324</u>	<u>21,160,088</u>
Total net position	<u>\$ 23,914,961</u>	<u>\$ 23,198,482</u>	<u>\$ 22,423,856</u>

A portion of the Authority's net position (7.0% and 5.6% in 2016 and 2015, respectively, reflects its net investment in capital assets (e.g. equipment and vehicles). The Authority uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. The remaining portion, unrestricted net position represents resources that may be used at the Authority's discretion, but often have limitations based on policy action.

The following condensed financial information reflects how the Authority's net position changed during the current fiscal year and the two year prior:

	Statements of Net Position Year Ended June 30,		
	2016	2015	2014
Operating revenues	\$ 14,620,074	\$ 13,192,859	\$ 11,780,265
Operating expenses	<u>13,765,758</u>	<u>12,237,128</u>	<u>13,463,279</u>
Operating income (loss)	854,316	955,731	(1,683,014)
Nonoperating revenues	<u>334,461</u>	<u>321,947</u>	<u>296,656</u>
Income (loss) before transfers out	1,188,777	1,277,678	(1,386,358)
Transfer of constructed assets	<u>(472,298)</u>	<u>(503,052)</u>	<u>(793,972)</u>
Change in net position	716,479	774,626	(2,180,330)
Net position, beginning of year	<u>23,198,482</u>	<u>22,423,856</u>	<u>24,604,186</u>
Net position, end of year	<u>\$ 23,914,961</u>	<u>\$ 23,198,482</u>	<u>\$ 22,423,856</u>

GRAND RAPIDS - KENT COUNTY CONVENTION/ARENA AUTHORITY

Management's Discussion and Analysis

Operating Revenues

Operating revenues of the Authority are generated by the Authority's DeVos Place and Van Andel Arena. Management of each of these facilities is provided by a third party company, SMG, with whom the Authority has a management agreement. Operating revenues include event revenues as well as ancillary revenues related to luxury seating, advertising and commissions on vendor sales of food, beverage and novelties. The increase in 2016 operating revenues is a direct result of the continued popularity of both venues; attendance for the facilities combined increased almost 130,000 from 2015 to 2016.

The increase in revenues in fiscal year 2015 was primarily the result of the number and type of events held at the facilities during that period. While the fall of 2013 (fiscal year 2014) was very slow, the fall of 2014 (fiscal year 2015) broke some records with many big-name artists. In addition, the Kevin Hart show, secured and settled in late fourth quarter fiscal year 2015, was a huge success financially.

Operating Expenses

Operating expenses include costs associated with the daily operation and continual upgrade and maintenance of DeVos Place and Van Andel Arena, as well as administrative costs related to the overall operating of the Authority. Generally, administrative costs relate to insurance, personnel services, and professional services. In 2016, operating expenses increased somewhat, but not at the same rate as the increase in operating revenues, primarily due to the increased popularity of consumer shows held at the convention center; similar number of shows, but increased attendance over which certain fixed operating expenses can be allocated.

Operating expenses decreased substantially from fiscal year 2014 to fiscal year 2015. This increase was primarily due to the severity of the winter/storm season which has a significant impact on utilities (especially steam bills). In addition, a substantial number of repairs and maintenance activities took place in 2014 that did not meet the criteria for capitalization and did not repeat themselves in 2015.

Nonoperating Revenues

Nonoperating revenues result primarily from a parking lease (Area #2), an SMG food and beverage contribution and investment income. As cash is generated by operations, the Authority gauges future cash flow needs and invests excess cash as available to maximize return and value for the Authority. In 2015 and 2016, investment returns continue to improve, but very slowly as the underlying investments are placed in US obligations carrying lower rates reflective of their short term nature. Additionally, due to the increasing popularity of the downtown area, especially south of the Arena, daily and event parking revenues continue to increase at the Arena Area #2 lot, increasing from approximately \$162,000 in 2015 to approximately \$192,000 in 2016.

In fiscal year 2015, an additional nonoperating revenue source was provided in the form of a \$110,000 contribution from Broadway Grand Rapids in support of theatre improvements necessary to host the biggest Broadway shows. This contribution increased to almost \$113,000 in fiscal year 2016 reflecting The Phantom of the Opera show sell out for all fourteen performances (from which a per-ticket stipend was dedicated to the contribution).

Transfer of Constructed Assets

Bonds issued by the City-County Building Authority ("CCBA") and the City of Grand Rapids Downtown Development Authority ("DDA") are collateralized by assets and construction expenses associated with DeVos Place Convention Center and Van Andel Arena, respectively. During fiscal years 2016 and 2015, construction expenses of approximately \$472,000 and \$503,000, respectively, were transferred to the City-County Building Authority and the Downtown Development Authority. When the bonds issued by the City-County Building Authority have been retired, title to both the Arena and DeVos Place will be conveyed to the Authority.

GRAND RAPIDS - KENT COUNTY CONVENTION/ARENA AUTHORITY

Management's Discussion and Analysis

Capital Assets and Debt Administration

Capital Assets. At June 30, 2016 and 2015, the Authority had invested \$1,684,745 and \$1,302,158, respectively, net of accumulated depreciation, in capital assets (see the table below). Additional information regarding the Authority's capital assets can be found in Note 4 to the financial statements.

	Capital Assets (Net of Depreciation) Year Ended June 30,		
	2016	2015	2014
Equipment	<u>\$ 1,684,745</u>	<u>\$ 1,302,158</u>	<u>\$ 1,263,768</u>

The facilities managed by the Authority were constructed with bonds issued by the CCBA and the DDA. When the bonds have been retired, title to both the Arena and DeVos Place will be conveyed to the Authority.

Debt Administration. The Authority had no long-term debt as of June 30, 2016, 2015 or 2014.

Economic Condition and Outlook

Management believes that the Grand Rapids-Kent County Convention/Arena Authority is in good condition both administratively and financially. This report covers the fifteenth and sixteenth years of operations. The Authority's operations and finance committees continue to monitor policies and practices governing facility rates, booking preferences and quality of service. Consolidated operating revenues at DeVos Place and Van Andel Arena continue to exceed booking expenses (including large-scale repair and replacement projects) on an annual basis. Long-term booking activity, enhanced by the services of the Grand Rapids-Kent County Convention and Visitor's Bureau, continues to draw commitments for convention center activity, which is now book through calendar year 2022.

The Authority's facilities include a 12,000+ seat capacity Van Andel Arena, a 2,400 seat DeVos Performance Hall, a 685 parking space facility below the convention center complex, a 160,000 square foot full-service exhibit hall, related meeting rooms offering over 24,000 square feet of additional space, as well as a 40,000 square foot ballroom.

The fiscal year 2017 (beginning July 1, 2016) budget forecasts operating revenues of \$12.8 million with operating expenses (before depreciation) of \$12.1 million. Debt service obligations related to Van Andel Arena and DeVos Place Convention Center are being financed by Grand Rapids Downtown Development Authority tax increment revenues and Kent County lodging excise tax revenues.

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances and to demonstrate the Authority's accountability for the revenue it earns. Questions about this report or requests for additional financial information should be directed to the Grand Rapids-Kent County Convention/Arena Authority's Administrative Manager at 303 Monroe Avenue NW, Grand Rapids, MI 49503.

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BASIC FINANCIAL STATEMENTS

GRAND RAPIDS - KENT COUNTY CONVENTION/ARENA AUTHORITY

Statements of Net Position

	June 30,	
	2016	2015
Assets		
Current assets:		
Cash and cash equivalents	\$ 9,192,842	\$ 6,138,798
Investments	21,731,689	22,447,878
Accounts receivable, net	1,935,138	2,297,199
Prepaid expenses	200,444	164,710
Total current assets	<u>33,060,113</u>	<u>31,048,585</u>
Noncurrent assets:		
Capital assets being depreciated, net	<u>1,684,745</u>	<u>1,302,158</u>
Total assets	<u>34,744,858</u>	<u>32,350,743</u>
Liabilities (all current)		
Accounts payable and accrued liabilities	770,799	890,726
Accrued expenses	1,627,060	1,571,621
Advance ticket sales	6,515,101	4,587,644
Advance deposits	332,196	370,771
Unearned revenue	<u>1,584,741</u>	<u>1,731,499</u>
Total liabilities (all current)	<u>10,829,897</u>	<u>9,152,261</u>
Net position		
Investment in capital assets	1,684,745	1,302,158
Unrestricted	<u>22,230,216</u>	<u>21,896,324</u>
Total net position	<u>\$ 23,914,961</u>	<u>\$ 23,198,482</u>

The accompanying notes are an integral part of these basic financial statements.

GRAND RAPIDS - KENT COUNTY CONVENTION/ARENA AUTHORITY

Statements of Revenues, Expenses and Changes in Net Position

	Year Ended June 30,	
	2016	2015
Operating revenues		
Charges for services - facilities	\$ 14,620,074	\$ 13,192,859
Operating expenses		
Personnel services	4,372,836	4,241,872
Utilities	2,566,402	2,616,204
Supplies and other expenses	2,013,324	975,752
Contractual services	3,481,609	3,237,114
Depreciation	281,099	208,699
Repairs and maintenance	986,782	889,708
Professional services	63,706	67,779
Total operating expenses	13,765,758	12,237,128
Operating income	854,316	955,731
Nonoperating revenues		
Federal grants	19,611	65,349
Interest revenue	117,498	94,319
Other revenue	197,352	162,279
Total nonoperating revenues	334,461	321,947
Income before transfers out	1,188,777	1,277,678
Transfer of constructed assets	(472,298)	(503,052)
Change in net position	716,479	774,626
Net position, beginning of year	23,198,482	22,423,856
Net position, end of year	\$ 23,914,961	\$ 23,198,482

The accompanying notes are an integral part of these basic financial statements.

GRAND RAPIDS - KENT COUNTY CONVENTION/ARENA AUTHORITY

Statements of Cash Flows

	Year Ended June 30,	
	2016	2015
Cash flows from operating activities		
Cash received from facility operations	\$ 16,863,454	\$ 11,991,725
Cash payments to employees	(4,284,021)	(4,181,662)
Cash payments for goods and services	(9,440,055)	(7,167,439)
Net cash provided by operating activities	<u>3,139,378</u>	<u>642,624</u>
Cash flows from capital and related financing activities		
Acquisition/construction of capital assets	(663,686)	(247,089)
Acquisition/construction of transferred assets	(472,298)	(503,052)
Other receipts	<u>216,963</u>	<u>227,627</u>
Net cash used in capital and related financing activities	<u>(919,021)</u>	<u>(522,514)</u>
Cash flows from investing activities		
Interest and dividends received	117,498	94,319
Proceeds from sale of investments	2,700,000	1,250,000
Purchases of investments	<u>(1,983,811)</u>	<u>(2,293,337)</u>
Net cash provided by (used in) investing activities	<u>833,687</u>	<u>(949,018)</u>
Net change in cash and cash equivalents	3,054,044	(828,908)
Cash and cash equivalents, beginning of year	<u>6,138,798</u>	<u>6,967,706</u>
Cash and cash equivalents, end of year	<u>\$ 9,192,842</u>	<u>\$ 6,138,798</u>

continued...

GRAND RAPIDS - KENT COUNTY CONVENTION/ARENA AUTHORITY

Statements of Cash Flows

	Year Ended June 30,	
	2016	2015
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 854,316	\$ 955,731
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	281,099	208,699
Change in operating assets and liabilities:		
Accounts receivables, net	362,061	(510,135)
Prepaid expenses	(35,734)	32,710
Accounts payable and accrued liabilities	(119,927)	6,065
Accrued expenses	55,439	657,507
Advance ticket sales	1,927,457	(692,733)
Advance deposits	(38,575)	(24,458)
Unearned revenue	(146,758)	9,238
Net cash provided by operating activities	<u>\$ 3,139,378</u>	<u>\$ 642,624</u>

concluded

The accompanying notes are an integral part of these basic financial statements.

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NOTES TO FINANCIAL STATEMENTS

GRAND RAPIDS - KENT COUNTY CONVENTION/ARENA AUTHORITY

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Grand Rapids - Kent County Convention/Arena Authority (the "Authority") was created by the City of Grand Rapids (the "City") and the County of Kent (the "County"), under the provisions of Act 203 of the Public Acts of Michigan of 1999. The Authority was established for the purpose of acquiring, constructing, improving, enlarging, renewing, replacing, repairing, financing, refinancing, equipping and operating convention facilities (including all or part of, or any combination of, a convention hall, auditorium, arena, meeting rooms, exhibition area and related adjacent public areas, together with appurtenant property including parking lots and structures) and real property on which they are located.

The Authority includes the operations of DeVos Place which provides space for conventions, concerts, meetings and other performances. Capital assets of DeVos Place were transferred to the City-County Building Authority (the "CCBA") where they are pledged until the related bonds are retired in 2031. At that time, ownership of these capital assets will be transferred to the Authority.

The Authority also includes the operations of the Van Andel Arena (the "Arena") which provides space for conventions, concerts, sporting events, meetings and other performances. The Grand Rapids Downtown Development Authority (the "DDA") maintains ownership of certain capital assets until the CCBA bonds are retired in 2031 according to the terms of the operating agreement signed by the CCBA, DDA and the Authority. At that time, ownership of these capital assets will be transferred to the Authority.

The accounting and reporting policies of the Authority conform in all material respects to generally accepted accounting principles (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is the standard setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification). Following is a summary of the significant policies:

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Authority is a special-purpose entity that uses proprietary fund reporting. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operations. The principal operating revenues of the Authority's proprietary funds are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Authority uses the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

GRAND RAPIDS - KENT COUNTY CONVENTION/ARENA AUTHORITY

Notes to Financial Statements

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for facility rentals, sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Assets, Liabilities and Net Position

Cash and Cash Equivalents

The Authority considers cash and all highly liquid investments with a maturity of three months or less to be cash equivalents for the statements of cash flows.

Investments

State statutes authorize governments to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers' acceptances, and mutual funds composed of otherwise legal investments.

The Authority participates in the Kent County Investment Pool (the "Pool") which is managed by the County Treasurer. In accordance with GASB 79, the Authority's shares are recorded at amortized cost, which approximates fair value. The Pool is not subject to regulatory oversight, is not registered with the SEC and does not issue separate financial statements. The value of the Authority's position in the Pool is the same as the value of the Pool shares, and includes accrued interest.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Capital Assets

Capital assets, which are limited to certain building improvements and equipment, are stated at cost. Capital assets are defined by the government as assets with an initial, individual cost of more than \$10,000 and an estimated useful life of three or more years. The facilities managed by the Authority were constructed with bonds issued by the CCBA and the DDA. When the bonds have been retired, title to both the Arena and DeVos Place will be conveyed to the Authority.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the asset constructed.

GRAND RAPIDS - KENT COUNTY CONVENTION/ARENA AUTHORITY

Notes to Financial Statements

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	Years
Buildings and structures	1-34
Equipment	3-10

Compensated Absences

Employees are credited with 20 days of vacation each calendar year, which cannot be carried over. Accrued compensated absences totaled \$6,006 and \$5,845 at June 30, 2016 and 2015, respectively.

Revenues

The Authority records facilities revenue upon completion of the event at DeVos Place or the Arena. Accordingly, amounts received for advance ticket sales or deposits are recorded as unearned revenue until that time. Costs incurred prior to an event are recorded as prepaid expenses and charged to expense upon completion of the event. In accordance with the SMG facility management agreement, certain direct event expenses billed to facility customers are netted against the related event revenue that they generate. Event revenues are reported net of related event expenses of \$6,293,832 and \$5,887,734 for the years ended June 30, 2016 and 2015, respectively.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. DEPOSITS AND INVESTMENTS

A reconciliation of cash and investments as shown on the statement of net position follows:

	June 30,	
	2016	2015
Statement of net position		
Cash and cash equivalents	\$ 9,192,842	\$ 6,138,798
Investments	21,731,689	22,447,878
Total	<u>\$ 30,924,531</u>	<u>\$ 28,586,676</u>
Deposits and investments		
Bank deposits - checking / savings accounts	\$ 9,192,842	\$ 6,138,798
Investments in the Kent County Investment Pool	21,731,689	22,447,878
Total	<u>\$ 30,924,531</u>	<u>\$ 28,586,676</u>

GRAND RAPIDS - KENT COUNTY CONVENTION/ARENA AUTHORITY

Notes to Financial Statements

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned. State law does not require and the Authority does not have a policy for deposit custodial credit risk. At June 30, 2016, \$8,539,435 of the Authority's bank balance of \$9,289,435 was exposed to custodial credit risk because it was uninsured and uncollateralized. At June 30, 2015, \$5,440,970 of the Authority's bank balance of \$6,190,970 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The Authority's investment policy does not specifically address this risk, although the Authority believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Authority evaluates each financial institution with which it deposits Authority funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the Authority does not have a policy for investment custodial credit risk. As of June 30, 2016 and 2015, the Authority's investments were not subject to custodial credit risk.

Credit Risk. State law limits investments to specific government securities, certificates of deposit and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments in the summary of significant accounting policies. The Authority's investment policy does not have specific limits in excess of state law on investment credit risk. The Authority's investments in the Kent County Investment Pool are not rated.

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the summary of significant accounting policies. The Authority's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Authority's investments at June 30, 2016 and 2015 consisted entirely of balances in the Kent County Investment Pool. Such amounts are accessible to the Authority on demand. Accordingly, the investments are not deemed to have a maturity date.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the Authority's investment in a single issuer. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments in the summary of significant accounting policies. The Authority's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year end are reported above.

GRAND RAPIDS - KENT COUNTY CONVENTION/ARENA AUTHORITY

Notes to Financial Statements

3. ACCOUNTS RECEIVABLES

Accounts receivables are comprised of the following:

	June 30,	
	2016	2015
Facility customers/events	\$ 1,174,078	\$ 1,562,643
Ancillary revenues	762,346	856,115
Allowance for uncollectible accounts	<u>(1,286)</u>	<u>(121,559)</u>
	<u>\$ 1,935,138</u>	<u>\$ 2,297,199</u>

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets, being depreciated:					
Buildings and structures	\$ 322,431	\$ -	\$ -	\$ -	\$ 322,431
Equipment	2,982,730	663,686	-	-	3,646,416
	<u>3,305,161</u>	<u>663,686</u>	<u>-</u>	<u>-</u>	<u>3,968,847</u>
Less accumulated depreciation for:					
Buildings and structures	(322,431)	-	-	-	(322,431)
Equipment	(1,680,572)	(281,099)	-	-	(1,961,671)
	<u>(2,003,003)</u>	<u>(281,099)</u>	<u>-</u>	<u>-</u>	<u>(2,284,102)</u>
Capital assets, net	<u>\$ 1,302,158</u>	<u>\$ 382,587</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,684,745</u>

Capital asset activity for the year ended June 30, 2015 was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets, being depreciated:					
Buildings and structures	\$ 322,431	\$ -	\$ -	\$ -	\$ 322,431
Equipment	2,735,641	247,089	-	-	2,982,730
	<u>3,058,072</u>	<u>247,089</u>	<u>-</u>	<u>-</u>	<u>3,305,161</u>
Less accumulated depreciation for:					
Buildings and structures	(322,431)	-	-	-	(322,431)
Equipment	(1,471,873)	(208,699)	-	-	(1,680,572)
	<u>(1,794,304)</u>	<u>(208,699)</u>	<u>-</u>	<u>-</u>	<u>(2,003,003)</u>
Capital assets, net	<u>\$ 1,263,768</u>	<u>\$ 38,390</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,302,158</u>

GRAND RAPIDS - KENT COUNTY CONVENTION/ARENA AUTHORITY

Notes to Financial Statements

5. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to property loss, torts, errors and omissions, natural disasters, and employee injuries. The Authority carries commercial insurance for most risks of loss, including employee life, health and accident insurance. The Authority has not experienced settlements in excess of insurance coverage during the past three years.

6. COMMITMENTS AND CONTINGENCIES

The Authority has entered into an agreement with SMG to manage the operations of DeVos Place and the Arena through June 30, 2018.

The Authority pays SMG an annual base management fee and an incentive fee based on the results of operations of DeVos Place and the Arena. For the years ended June 30, 2016 and 2015, respectively, total management and incentive fees earned by SMG were approximately \$688,000 and \$687,000, respectively, and are recorded in contractual services expense.

The Authority is exposed to a number of asserted and unasserted potential claims encountered in the normal course of business. In the opinion of management, the resolution of these matters will not have a material effect on the financial position of the Authority.

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SUPPLEMENTARY INFORMATION

GRAND RAPIDS - KENT COUNTY CONVENTION/ARENA AUTHORITY

Schedule of Revenues, Expenses and Changes in Net Position

Budget and Actual

For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Operating revenues				
Facilities charges	\$ 12,246,142	\$ 12,246,142	\$ 14,620,074	\$ 2,373,932
Operating expenses				
Personnel services	4,385,202	4,385,202	4,372,836	(12,366)
Utilities	2,620,160	2,620,160	2,566,402	(53,758)
Supplies and expenses	511,700	511,700	2,013,324	1,501,624
Contractual services	3,310,178	3,435,178	3,481,609	46,431
Depreciation	-	-	281,099	281,099
Repairs and maintenance	759,289	759,289	986,782	227,493
Professional services	177,600	177,600	63,706	(113,894)
Total operating expenses	11,764,129	11,889,129	13,765,758	1,876,629
Operating income	482,013	357,013	854,316	497,303
Nonoperating revenues				
Federal grants	-	-	19,611	19,611
Interest revenue	100,000	100,000	117,498	17,498
Other revenue (expense)	85,000	85,000	197,352	112,352
Total nonoperating revenues	185,000	185,000	334,461	149,461
Income (loss) before transfers out	667,013	542,013	1,188,777	646,764
Transfer of constructed assets	(2,714,000)	(2,774,000)	(472,298)	2,301,702
Change in net position	(2,046,987)	(2,231,987)	716,479	2,948,466
Net position, beginning of year	23,198,482	23,198,482	23,198,482	-
Net position, end of year	\$ 21,151,495	\$ 20,966,495	\$ 23,914,961	\$ 2,948,466

INDEPENDENT AUDITORS' COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

November 23, 2016

Members of the Grand Rapids-Kent County
Convention/Arena Authority Board
Grand Rapids, Michigan

We have audited the financial statements of the *Grand Rapids-Kent County Convention/Arena Authority* (the "Authority") as of and for the year ended June 30, 2016, and have issued our report thereon dated . Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated July 25, 2016, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Authority solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Our findings regarding internal control over financial reporting, compliance, and other matters noted during our audit are included in Attachment A to this letter.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter and in our meeting about planning matters on July 25, 2016.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm has complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Authority's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Authority is included in Note 1 to the financial statements.

There have been no initial selections of accounting policies and no changes in significant accounting policies or their application during the year. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management's estimate of the allowance for uncollectible receivable balances is based on past experience and future expectation for collection of various account balances.

We evaluated the key factors and assumptions used to develop these estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole.

Significant Difficulties Encountered During the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. We did not identify any misstatements during our audit.

The schedule of adjustments passed is included with management's written representations in Attachment C to this letter, and summarizes uncorrected financial statement misstatements whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Authority's financial statements or the auditors' report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in Attachment C to this letter.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the Authority, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Authority's auditors.

Upcoming Changes in Accounting Standards

Generally accepted accounting principles (GAAP) are continually changing in order to promote the usability and enhance the applicability of information included in external financial reporting. While it would not be practical to include an in-depth discussion of every upcoming change in professional standards, Attachment B to this letter contains a brief overview of recent pronouncements of the Governmental Accounting Standards Board (GASB) and their related effective dates. Management is responsible for reviewing these standards, determining their applicability, and implementing them in future accounting periods.

This information is intended solely for the use of the governing body and management of the Grand Rapids-Kent County Convention/Arena Authority and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "Lehmann Lohman LLC". The signature is written in a cursive, flowing style.

GRAND RAPIDS-KENT COUNTY CONVENTION/ARENA AUTHORITY

Attachment A - Consideration of Internal Control Over Financial Reporting For the June 30, 2016 Audit

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the financial statements of the *Grand Rapids-Kent County Convention/Arena Authority* (the "Authority"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 23, 2016.

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.

Other Matters

Compliance with Disbursement Policy

We are pleased to note the Authority has adopted a disbursement policy in accordance with guidance from the Michigan Department of Treasury. In addition, we noted that the Authority is in compliance with procurement requirements by having Board members sign checks prior to disbursement. However, our testing identified instances in which the Authority did not fully comply with the procedures outlined in that policy, including providing the Board with a full listing of disbursements on a regular basis. We recommend the Authority ensure the procedures outlined in its disbursement policy are followed or review its policy and make any necessary updates to match current procedures.

GRAND RAPIDS-KENT COUNTY CONVENTION/ARENA AUTHORITY

Attachment A - Consideration of Internal Control Over Financial Reporting For the June 30, 2016 Audit

Backup of Electronic Records

The Authority has identified the importance of data backup, including the backup of its financial accounting software. Currently the Authority is performing backups of data on a weekly basis to a disk. However, these backups are being stored in the same physical location as the source data. We recommend the Authority implement procedures to mitigate the risk of loss due to a catastrophic event (such as a fire or tornado) by storing backup data offsite, in a fireproof safe, or utilizing an online backup service.

Communications with Separate Governing Bodies

In accordance with generally accepted auditing standards, we have made similar communications regarding audit matters, comments, and recommendations to the management of DeVos Place and Van Andel Arena, as managed by SMG in connection with our audits of those separately issued financial statements. None of the matters identified to those bodies were considered significant enough to require separate communication to the Authority Board.

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GRAND RAPIDS-KENT COUNTY CONVENTION/ARENA AUTHORITY

Attachment B - Upcoming Changes in Accounting Standards / Regulations

For the June 30, 2016 Audit

The following pronouncements of the Governmental Accounting Standards Board (GASB) have been released recently and may be applicable to the Authority in the near future. We encourage management to review the following information and determine which standard(s) may be applicable to the Authority. For the complete text of these and other GASB standards, visit www.gasb.org and click on the “Standards & Guidance” tab. If you have questions regarding the applicability, timing, or implementation approach for any of these standards, please contact your audit team.

GASB 74 ■ Postemployment Benefit Plans Other than Pension Plans

Effective 06/15/2017 (your FY 2017)

This standard requires the calculation of a net other postemployment benefit (OPEB) liability based on an actuarial valuation of retiree healthcare and similar benefits administered by an OPEB trust. It mirrors the new accounting and financial reporting requirements of GASB 67 for pension plans. We do not expect this standard to have any significant effect on the Authority.

GASB 75 ■ Postemployment Benefits Other than Pensions

Effective 06/15/2018 (your FY 2018)

This standard builds on the requirements of GASB 74 by requiring employers that provide other postemployment benefits (OPEB) to recognize a net OPEB liability on their statements of net position. It mirrors the new accounting and financial reporting requirements of GASB 68 for pension benefits. We do not expect this standard to have any significant effect on the Authority.

GASB 77 ■ Tax Abatement Disclosures

Effective 12/15/2016 (your FY 2017)

This standard requires governments to disclose certain information about tax abatement agreements made to foster economic development or otherwise benefit the government or its citizens. Required disclosures include a brief description of the arrangement, the gross dollar amount of taxes abated in the current period, and any additional commitments made by the government as part of the agreement. We do not expect this standard to have any significant effect on the Authority.

GASB 78 ■ Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans

Effective 12/15/2016 (your FY 2017)

This standard is an amendment to GASB 68, and provides guidance to governments that participate in non-governmental cost-sharing pension plans. We do not expect this standard to have any significant effect on the Authority.

GRAND RAPIDS-KENT COUNTY CONVENTION/ARENA AUTHORITY

■ Attachment B - Upcoming Changes in Accounting Standards / Regulations For the June 30, 2016 Audit

GASB 80 ■ Blending Requirements for Certain Component Units *Effective 06/15/2017 (your FY 2017)*

This standard is an amendment to GASB 14, *The Financial Reporting Entity*, and requires blending component units incorporated as not-for-profit corporations in which the government is the sole corporate member. We do not expect this standard to have any significant effect on the Authority.

GASB 81 ■ Irrevocable Split-Interest Agreements *Effective 12/15/2017 (your FY 2017)*

This standard addresses the accounting for split-interest agreements for which the government serves as the intermediary and/or the beneficiary. It requires governments to record assets, liabilities, and deferred inflows of resources at the inception of the agreement when serving as intermediary, or when the government controls the present service capacity of a beneficial interest. We do not expect this standard to have any significant effect on the Authority.

GASB 82 ■ Pension Issues *Effective 06/15/2017 (your FY 2017)*

This standard is an amendment to GASB 67/68 to clarify several issues related to pensions. We do not expect this standard to have any significant effect on the Authority.

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GRAND RAPIDS-KENT COUNTY CONVENTION/ARENA AUTHORITY

Attachment C - Management Representations

For the June 30, 2016 Audit

The following pages contain the written representations that we requested from management.



November 23, 2016

Rehmann Robson
2330 East Paris Ave. SE
Grand Rapids, MI 49546

This representation letter is provided in connection with your audit of the financial statements of the **Grand Rapids - Kent County Convention/Arena Authority** (the "Authority"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, for the purpose of expressing an opinion on whether the basic financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows, of the Authority in conformity with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).

Convention

Arena

Authority

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

Steven Heacock,

Chairman

Hon. Rosalynn Bliss

Lew Chamberlin

Birgit M. Klohs

Charlie Secchia

Floyd Wilson, Jr.

Richard A. Winn

We confirm that, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of November 23, 2016:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated July 25, 2016, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP. We have reviewed, approved, and taken responsibility for the financial statements and related notes.
2. We acknowledge our responsibility for 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.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
5. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP. For the purposes of this letter, related parties mean members of the governing body; board members; administrative officials; immediate families of administrative officials, board members, and members of the governing body; and any companies affiliated with or owned by such individuals.
6. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
7. The effects of uncorrected misstatements summarized in the attached schedule and aggregated by you during the current engagement are immaterial, both individually and in the aggregate, to the financial statements as a whole.



Van Andel Arena®
130 West Fulton
Grand Rapids, MI 49503-2601
616.742.6600

DEVOS PLACE

DeVos Place®
303 Monroe Ave. NW
Grand Rapids, MI 49503-2233
616.742.6500



8. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
9. With regard to items reported at fair value:
 - a. The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated courses of action.
 - b. The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
 - c. The disclosures related to fair values are complete, adequate, and in conformity with U.S. GAAP.
 - d. There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.
10. All component units, as well as joint ventures with an equity interest, are included and other joint ventures and related organizations are properly disclosed.
11. All funds and activities are properly classified.
12. All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus*, for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.
13. All components of net position classifications have been properly reported.
14. All revenues within the statement of activities have been properly classified as program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
15. All expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations, if any, have been made on a reasonable basis.
16. All interfund and intra-entity transactions and balances have been properly classified and reported.
17. Deposit and investment risks have been properly and fully disclosed.
18. Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
19. All required supplementary information is measured and presented within the prescribed guidelines.

Information Provided

20. We have provided you with:
 - a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, meeting minutes, and other matters;
 - b. Additional information that you have requested from us for the purpose of the audit; and
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
21. All transactions have been recorded in the accounting records and are reflected in the financial statements.
22. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
23. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:

- a. Management;
 - b. Employees who have significant roles in internal control; or
 - c. Others where the fraud could have a material effect on the financial statements.
24. We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, vendors, regulators, or others.
25. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements.
26. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
27. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
28. The government has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
29. We have disclosed to you all guarantees, whether written or oral, under which the government is contingently liable.
30. We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
31. There are no:
- a. Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
 - b. Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB-62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.
 - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB-62.
32. The government has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
33. We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
34. We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB-62. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.

Required Supplementary Information

35. With respect to the required supplementary information accompanying the financial statements:

- a. We acknowledge our responsibility for the presentation of the required supplementary information in accordance with accounting principles generally accepted in the United States of America.
- b. We believe the required supplementary information, including its form and content, is measured and fairly presented in accordance with accounting principles generally accepted in the United States of America.
- c. The methods of measurement or presentation have not changed from those used in the prior period.
- d. We believe the significant assumptions or interpretations underlying the measurement or presentation of the required supplementary information, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.


Robert White, Contracted Finance Director


Cheri McConomy, Contracted Accountant

GRAND RAPIDS-KENT COUNTY CONVENTION/ARENA AUTHORITY

Schedule of Adjustments Passed (SOAP)

For the June 30, 2016 Audit

In accordance with generally accepted auditing standards, we have prepared the following description of proposed audit adjustments, which we believe are immaterial both individually and in the aggregate. We are providing this schedule to both management and those charged with governance to receive their assurance that they agree that the amounts listed below are not material to the financial statements, either individually or in the aggregate, and do not need to be recorded.

- The Authority's balance sheet includes \$398,129 of unearned revenue that was recorded several years ago in connection with a former contract with Ticketmaster. We believe that this balance would be more appropriately reported as a component on restricted net position. However, the balance amounts to just 1.15% of total assets, and is expected to be expended in fiscal year 2017, and recognized at that time. Accordingly, the Authority's management has decided to pass on restating beginning net position, as the issue will be resolved prior to the end of the next fiscal year.
- The Authority's long-standing practice has been to accrue the cost of the annual audit back to the year being audited. However, as the professional services are not performed until the subsequent fiscal year, it would be more appropriate to recognize those expenses in the year in which the services are rendered. Given the insignificant amount of the accrual (\$39,800 or 0.11% of total assets), the Authority's management decided to make this correction in fiscal year 2017.



Memorandum

To: CAA Board
CAA Finance Committee

From: Robert J. White

Subject: Consolidated Financial Report
FY 2016 Recap – Budget to Actual

Date: November 29, 2016

The attached material summarizes the CAA administrative operating budget and consolidated income statement for fiscal years ended June 30, 2015-2017 and provides a comparison to the current fiscal year (FY 2017) budget.

Table D provides a summary of the consolidated budget by facility for the fiscal year ending June 30, 2017, along with actual results for FY 2015 and FY 2016. ***The FY 2016 budget, as adopted, forecasted a (\$2,235,987) draw on unrestricted fund balance. Upon completion of the fiscal year and release of the audited financial statements, it was determined that the Authority had generated a net income of \$333,892 applied to its unrestricted fund balance.*** The variances are summarized in the following manner:

Van Andel Arena®

The original budgeted operating revenues forecast a (12.4%) decrease for this facility. At fiscal year end, the facility recorded \$6.4 million in actual operating revenues, representing a 10.5% increase from prior year. Increased concert activity had a significant impact on this operating account. The originally budgeted “net proceeds,” totaled \$0.8 million. Actual results totaled \$1.9 million.

DeVos Place® Convention Center

The FY 2016 budget forecast a decline in operating revenues of (2.8%). Increased activity at DeVos Place® resulted in an actual increase of 12.2% over prior year. The result was an improvement in “net proceeds,” from a budgeted net of \$497,900 to a margin of \$1,405,847.

Administrative

Revenues:

- Broadway Grand Rapids made a year-end contribution of \$112,000 intended to provide for a portion of the cost of DeVos Performance Hall infrastructure improvements.

Expenses:

- The Authority “Diversity” FY 2015 budget included an allocation of \$75,000 for sponsorship of a concert. The expense was incurred in FY 2016.

Capital Expenditures

The budget included a spending allowance of \$2,774,000. Two projects, with appropriation balances totaling \$305,000, were not completed and carried over to the FY 2017 budget. All other projects were completed at a net savings of \$107,680.

All of these revenue/expenditure variances resulted in a positive variance from a forecasted \$2.2 million draw on unrestricted fund balance to a positive balance of \$0.3 million for the Fiscal Year ended June 30, 2016.

The Fiscal Year 2017 budget, as amended, forecasts a draw of \$1.6 million from unrestricted fund balance. This draw is required as a result of a capital spending appropriation of \$2.5 million. Current year cash flow will provide \$.9 million for these capital projects, with the remaining \$1.6 million to be drawn from unrestricted fund balance.

Attachments:

Table A – SMG Facilities Budget

Table B – Administrative-Operating/Capital Replacement Budget

Table B - Notes

Table B-1 – Detail of Expenditure Estimates

Table C – Consolidated Income Statement

Table D – Budget Summary by Facility/Other

Table E – Summary of Consolidated Income Statement – 10 Years

Table F – 15-Year Fund Balance Projection

Table A
Grand Rapids-Kent County Convention/Arena Authority
SMG Facilities Budget
Fiscal Years Ending June 30, 2015 - 2017

	FY 2015		FY 2016		FY 2017
	Actual	Budget	Estimate	Actual	Budget
Van Andel Arena					
Operating - Revenues	\$ 5,789,536	\$ 5,073,448	\$ 5,895,361	\$ 6,400,073	\$ 5,470,265
- Expenses - Facilities	(4,077,497)	(4,122,352)	(4,221,610)	(4,345,088)	(4,245,108)
- Management Fees	(171,770)	(176,065)	(171,942)	(171,942)	(173,833)
- Incentive Fees	(109,538)	(5,552)	(103,255)	(124,445)	(78,018)
Net Operating Income	<u>1,430,731</u>	<u>769,479</u>	<u>1,398,554</u>	<u>1,758,598</u>	<u>973,306</u>
DeVos Place					
Operating - Revenues	\$ 6,086,652	\$ 5,913,710	\$ 6,420,053	\$ 6,830,628	\$ 5,779,735
- Expenses - Facilities	(5,888,576)	(5,742,406)	(5,927,019)	(5,954,307)	(5,804,973)
- Management Fees	(171,770)	(176,065)	(171,942)	(171,942)	(173,833)
- Incentive Fees	(234,002)	(346,578)	(240,629)	(219,439)	(269,649)
Net Operating Loss	<u>\$ (207,696)</u>	<u>\$ (351,339)</u>	<u>\$ 80,463</u>	<u>\$ 484,940</u>	<u>\$ (468,720)</u>
Net Available to CAA:					
Van Andel Arena	\$ 1,430,731	\$ 769,479	\$ 1,398,554	\$ 1,758,598	\$ 973,306
DeVos Place	(207,696)	(351,339)	80,463	484,940	(468,720)
	<u>\$ 1,223,035</u>	<u>\$ 418,140</u>	<u>\$ 1,479,017</u>	<u>\$ 2,243,538</u>	<u>\$ 504,586</u>

Table B
Grand Rapids-Kent County Convention/Arena Authority
Administrative - Operating / Capital Replacement Budget
FY 2015-2017

	<u>FY 2015</u>	<u>FY 2016</u>		<u>FY 2017</u>	
	<u>Actual</u>	<u>Budget</u>	<u>Estimate</u>	<u>Actual</u>	<u>Budget</u>
Revenues:					
Facility Operations	\$ 1,223,035	\$ 418,140	\$ 1,479,017	\$ 2,243,538	\$ 504,586
Utility Reimbursement	<u>2,410,976</u>	<u>2,480,960</u>	<u>2,322,443</u>	<u>2,317,824</u>	<u>2,415,960</u>
Transfers from SMG	3,634,011	2,899,100	3,801,460	4,561,362	2,920,546
DeVos Place Parking ⁽¹⁾	1,102,165	1,098,900	1,187,570	1,173,312	1,187,570
VanAndel Parking ⁽¹⁾	162,279	160,084	197,352	197,352	305,530
Interest ⁽²⁾	93,959	100,000	114,436	117,498	154,358
Miscellaneous ⁽⁷⁾	<u>280,217</u>	<u>85,000</u>	<u>170,456</u>	<u>235,673</u>	<u>54,456</u>
Total Revenues	<u>5,272,631</u>	<u>4,343,084</u>	<u>5,471,274</u>	<u>6,285,197</u>	<u>4,622,460</u>
Expenditures:					
Utilities ⁽⁴⁾	2,410,976	2,480,960	2,322,443	2,317,824	2,415,960
Other Operating ⁽⁵⁾	394,242	527,661	506,903	423,230	622,484
Administration/Other ⁽⁶⁾	601,232	796,450	840,859	848,930	698,659
Facility Maintenance	379,802	-	-	1,225,336	-
Capital	<u>750,141</u>	<u>2,774,000</u>	<u>2,457,812</u>	<u>1,135,984</u>	<u>2,532,236</u> ⁽³⁾
Total Expenditures	<u>4,536,393</u>	<u>6,579,071</u>	<u>6,128,017</u>	<u>5,951,304</u>	<u>6,269,339</u>
Net Excess (Deficit)	<u>\$ 736,238</u>	<u>\$ (2,235,987)</u>	<u>\$ (656,743)</u>	<u>\$ 333,893</u>	<u>\$ (1,646,879)</u>

Notes: See Following Pages

Table B-1
Grand Rapids-Kent County Convention/Arena Authority
Administrative - Operating / Capital Replacement Budget
FY 2017 Budget

Notes:

⁽¹⁾ DeVos Place Parking Rates:	FY 2015	FY 2016	FY 2017	
30 Minutes	\$ 1.50	\$ 1.50	\$ 1.50	
Daily Maximum	15.00	15.00	15.00	
Event	9.00	9.00	10.00	*
Monthly -Public	154.00	154.00	154.00	
-Reserved Premium	58.00	58.00	58.00	
-County/SMG (O+M)	34.47	36.06	41.00	**

Van Andel Arena Parking Rates:				
Event	\$ 9.00	\$ 9.00	\$ 12.00	*
Non-Event Coin Unit	5.00	5.00	10.00	*
Monthly -Public	76.00	76.00	112.00	*

Effective 9/1/2016.

Effective 7/1/2016.

⁽²⁾ \$20.6 million (3/31/16 pool balance) in invested funds at .75%.

⁽³⁾ FY 2017 Eligible Projects:

Carryover Projects:

VAA Retractable Seating	\$ 275,000	Project Source Long-Term Capital (LTC)
Lyon Street Dock Concrete	30,000	-

Van Andel Arena®

Security Upgrades-Metal Detector Gates Signage	145,000	-
Security Upgrades-Camera System	220,000	LTC + Rossetti
Refurbish Basketball Locker Room	75,000	-
Arena Bowl Lighting Conversion to LED	500,000	LTC + Rossetti
Concourse Lighting Conversion to LED	40,000	LTC + Rossetti
Entrance Exterior Lighting	35,000	LTC + Rossetti
Upgrade/Replace Outdoor Marquee	125,000	LTC
Compressor Rebuilds (4) Phase II of IV	140,000	Rossetti
Concrete Sidewalk Repair-West Side	100,000	-

DeVos Place®

Theater Lobby Carpet Replace	55,000	LTC
Theater Sound Package Phase II	95,000	LTC
Lighting, Secchia Lobby, Ballroom Overlook to I	75,000	-
Rebuild Two Chillers	100,000	LTC
Security Camera Upgrades/New Phase II	105,000	LTC
Exterior Concrete Reseal and Coating	150,000	-
Rewire Equipment Cable TV System	35,000	LTC
Parking Equipment Changes	232,236	

Total FY 2017 Capital Budget	<u><u>\$ 2,532,236</u></u>
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Table B-1
Grand Rapids-Kent County Convention/Arena Authority
Detail of Expenditure Estimates
FY 2015-2017

	FY 2015		FY 2016		FY 2017
	<u>Actual</u>	<u>Budget</u>	<u>Estimate</u>	<u>Actual</u>	<u>Budget</u>
Utilities⁽⁴⁾:					
Electricity	\$ 1,585,637	\$ 1,622,000	\$ 1,665,398	\$ 1,668,752	\$ 1,676,000
Steam/Gas	707,181	751,600	536,904	529,606	621,600
Water/Sewer	118,158	107,360	120,141	119,466	118,360
	<u>\$ 2,410,976</u>	<u>\$ 2,480,960</u>	<u>\$ 2,322,443</u>	<u>\$ 2,317,824</u>	<u>\$ 2,415,960</u>
Other Operating⁽⁵⁾:					
Parking Management	\$ 168,669	\$ 183,661	\$ 190,933	\$ 195,339	\$ 205,522
Pedestrian Safety	143,568	174,000	144,080	157,971	146,962
Marketing Campaign	62,711	100,000	100,000	-	200,000
Repairs - F&B	-	40,000	46,890	46,890	40,000
Landscaping	38,920	30,000	25,000	23,030	30,000
	<u>\$ 413,868</u>	<u>\$ 527,661</u>	<u>\$ 506,903</u>	<u>\$ 423,230</u>	<u>\$ 622,484</u>
Administration/Other⁽⁶⁾:					
Wages	\$ 98,731	\$ 95,871	\$ 98,731	\$ 95,322	\$ 97,957
Benefits	29,642	26,734	29,642	32,469	26,468
Accounting/Audit	38,821	33,000	29,500	47,486	24,900
Legal Services	28,958	35,000	33,500	16,220	35,000
DID Assessment	39,720	40,500	53,269	53,269	54,335
Consulting Services	138,973	197,345	197,345	181,606	72,701 **
Insurance	13,513	24,000	21,861	16,350	22,298
Marketing - CVB	75,000	75,000	75,000	75,000	75,000
Marketing - Sports Commission	50,000	50,000	50,000	50,000	50,000
Diversity Initiative	46,688	129,000	202,011	203,399	150,000
Procurement of Art (ArtPrize)	25,162	30,000	30,000	29,822	30,000
Other	16,024	60,000	20,000	47,987	60,000
	<u>\$ 601,232</u>	<u>\$ 796,450</u>	<u>\$ 840,859</u>	<u>\$ 848,930</u>	<u>\$ 698,659</u>

Notes:

^(A) Downtown Improvement District special assessment contribution from CAA based on benefit allocation formula.

⁽⁷⁾ Miscellaneous Revenue (FY 2015/2016) included a \$50,000 annual (5-year) amortization of a capital contribution from SMG under the terms of the new food and beverage agreement. Also, FY 2016 includes \$66,000 from Phantom ticket surcharge to reimburse DeVos stage reconstruction.

**SMG-\$32,345 and \$40,000 for a "South Arena Parking Market Analysis," later revised to study potential re-use of meeting room space fronting Monroe Avenue. In addition, a budget amendment (11/6/15) for a "Utility Metering and Long-Term Utility Use Study" in the amount of \$125,000.

***SMG-\$32,701 and \$40,000 for CAA share of Lyon Street design work.

Table C
Grand Rapids-Kent County Convention/Arena Authority
Consolidated Income Statement
Fiscal Years Ending June 30, 2015-2017

		FY 2015		FY 2016		FY 2017
		<u>Actual</u>	<u>Budget</u>	<u>Estimate</u>	<u>Actual</u>	<u>Budget</u>
Operating Revenue:						
Event	- VanAndel Arena	\$ 1,170,991	\$ 1,169,825	\$ 1,172,603	\$ 1,275,844	\$ 1,315,000
	- DeVos Place	3,154,482	2,939,400	3,259,140	3,520,845	2,953,900
Ancillary	- VanAndel Arena	1,618,571	1,338,243	1,721,066	1,885,523	1,252,915
	- DeVos Place	2,467,318	2,639,860	2,615,538	2,653,585	2,411,335
Other	- VanAndel Arena	2,999,974	2,565,380	3,001,692	3,238,706	2,902,350
	- DeVos Place	464,852	334,450	545,375	656,198	414,500
	-Administration	164,506	35,000	54,456	53,132	54,456
Parking	- VanAndel Arena	162,279	160,084	197,352	197,352	305,530
	- DeVos Place	1,102,165	1,098,900	1,187,570	1,173,312	1,187,570
		<u>13,305,138</u>	<u>12,281,142</u>	<u>13,754,792</u>	<u>14,654,497</u>	<u>12,797,556</u>
Operating Expense / Appropriations:						
Facility Operations						
	- VanAndel Arena	4,077,497	4,122,352	4,221,610	4,345,088	4,245,108
	- DeVos Place	5,888,576	5,742,406	5,927,019	5,954,307	5,804,973
	- Management	343,540	352,130	343,884	343,884	347,666
	- Incentive	343,540	352,130	343,884	343,884	347,666
	- Parking/Maintenance	394,242	527,661	506,903	423,230	622,484
Other Operating		379,802	-	-	1,225,336	-
Administration/Other		<u>601,232</u>	<u>796,450</u>	<u>840,859</u>	<u>848,930</u>	<u>698,659</u>
		<u>12,028,429</u>	<u>11,893,129</u>	<u>12,184,159</u>	<u>13,484,659</u>	<u>12,066,556</u>
Operating Income		1,276,709	388,013	1,570,633	1,169,838	731,000
Non-Operating Revenue:						
Interest/Capital Contribution		209,668	150,000	230,436	300,039	154,358
Transfer (to) from Capital Acct.		<u>(750,141)</u>	<u>(2,774,000)</u>	<u>(2,457,812)</u>	<u>(1,135,984)</u>	<u>(2,532,236)</u>
		<u>(540,473)</u>	<u>(2,624,000)</u>	<u>(2,227,376)</u>	<u>(835,945)</u>	<u>(2,377,878)</u>
Net Income (Loss)		736,236	(2,235,987)	(656,743)	333,893	(1,646,878)
Fund Balance, beg. of yr.		21,160,088	21,896,324	21,896,324	21,896,324	22,230,217
Fund Balance, end of yr.		\$ 21,896,324	\$ 19,660,337	\$ 21,239,581	\$ 22,230,217	\$ 20,583,339

Table D
Grand Rapids-Kent County Convention/Arena Authority
Budget Summary by Facility/Other
FY 2015-2016 Actual
FY 2017 Budget

	FY 2015		FY 2016		FY 2017
	Actual	Budget	Estimate	Actual	Budget
Van Andel Arena					
Operating - Revenues	\$ 5,789,536	\$ 5,073,448	\$ 5,895,361	\$ 6,400,073	\$ 5,470,265
- Expenses - Facilities	(4,077,497)	(4,122,352)	(4,221,610)	(4,345,088)	(4,245,108)
- Management Fees	(171,770)	(176,065)	(171,942)	(171,942)	(173,833)
- Incentive Fee	(109,538)	(5,552)	(103,255)	(124,445)	(78,017)
Net Operating Income (Loss)	1,430,731	769,479	1,398,554	1,758,598	973,307
Parking	162,279	160,084	197,352	197,352	305,530
Pedestrian Safety	(92,151)	(108,000)	(90,157)	(100,906)	(91,960)
Net Proceeds (Cost) of VAA	1,500,859	821,563	1,505,749	1,855,044	1,186,877
DeVos Place Convention Center					
Operating - Revenues	6,086,652	5,913,710	6,420,053	6,830,628	5,779,735
- Expenses - Facilities	(5,888,576)	(5,742,406)	(5,927,019)	(5,954,307)	(5,804,973)
- Management Fees	(171,770)	(176,065)	(171,942)	(171,942)	(173,833)
- Incentive Fee	(234,002)	(346,578)	(240,629)	(219,439)	(269,649)
Net Operating Loss	(207,696)	(351,339)	80,463	484,940	(468,720)
Parking	933,496	915,239	996,637	977,973	982,048
Pedestrian Safety	(51,417)	(66,000)	(53,923)	(57,066)	(55,002)
Net Proceeds (Cost) of DVP	674,383	497,900	1,023,177	1,405,847	458,326
Other					
Revenues					
Interest	159,668	150,000	164,436	167,498	154,358
Miscellaneous	214,506	35,000	120,456	185,673	54,456
	374,174	185,000	284,892	353,171	208,814
Expenses					
Administration	(601,232)	(796,450)	(840,859)	(848,930)	(698,659)
Other Operating	(82,005)	(170,000)	(171,890)	(69,920)	(270,000)
	(683,237)	(966,450)	(1,012,749)	(918,850)	(968,659)
Net Other	(309,063)	(781,450)	(727,857)	(565,679)	(759,845)
Total Net Proceeds/Operating	1,866,179	538,013	1,801,069	2,695,212	885,358
Capital Expenditures	(1,129,943)	(2,774,000)	(2,457,812)	(2,361,320)	(2,532,236)
Results Net of Capital Expenditures	\$ 736,236	\$ (2,235,987)	\$ (656,743)	\$ 333,892	\$ (1,646,878)

Table E
Grand Rapids-Kent County Convention/Arena Authority
Summary of Consolidated Income Statement - By Facility
Fiscal Years 2008 through 2017
November 28, 2016
(In Thousands)

	Actual								Actual	Budget
	FY 2008 ⁽¹⁾	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
VAA - Net Proceeds	N/A	\$ 1,529	\$ 1,612	\$ 925	\$ 976	\$ 1,793	\$ 532	\$ 1,610	\$ 1,980	\$ 1,265
DVP - Net Proceeds	N/A	72	36	125	280	784	445	908	1,625	728
SMG Incentive Fees	(308)	(211)	(238)	-	-	(331)	-	(344)	(344)	(348)
Other-Net Proceeds	<u>N/A</u>	<u>354 ⁽²⁾</u>	<u>(126) ⁽²⁾</u>	<u>(276)</u>	<u>(425)</u>	<u>(313) ⁽²⁾</u>	<u>(456)</u>	<u>(308)</u>	<u>(565)</u>	<u>(760)</u>
Total Net Operating	2,091	1,744	1,284	774	831	1,933	521	1,866	2,696	885
Capital	<u>(550)</u>	<u>(566)</u>	<u>(675)</u>	<u>(3,416)</u>	<u>(662)</u>	<u>(962)</u>	<u>(2,565)</u>	<u>(1,130)</u>	<u>(2,361)</u>	<u>(2,532)</u>
Transfer To/(From) Fund Balance	<u>1,541</u>	<u>1,178</u>	<u>609</u>	<u>(2,643)</u>	<u>168</u>	<u>970</u>	<u>(2,044)</u>	<u>736</u>	<u>334</u>	<u>(1,647)</u>
Fund Balance, End of Year	<u><u>\$ 22,941</u></u>	<u><u>\$ 24,119</u></u>	<u><u>\$ 24,728</u></u>	<u><u>\$ 22,066</u></u>	<u><u>\$ 22,234</u></u>	<u><u>\$ 23,204</u></u>	<u><u>\$ 21,160</u></u>	<u><u>\$ 21,896</u></u>	<u><u>\$ 22,230</u></u>	<u><u>\$ 20,583</u></u>

NOTES:

(1) Consolidated Facility Actuals - Not/Available.

(2) Interest - \$648K in FY 2009, \$322K in FY 2010, and declining further to \$93K in FY 2013.

Table F
Grand Rapids-Kent County Convention/Arena Authority
15-Year Fund Balance Projection
(In Thousands)
11/28/2016

	Beginning Fund Balance	Revenues	Expenses	Net Income/ Loss	Capital	Ending Fund Balance
FY 2017 ⁽¹⁾	\$ 22,230	\$ 13,061	\$ (11,869)	\$ 1,192	\$ (2,571)	\$ 20,851
FY 2018	20,851	13,334	(12,095)	1,239	(1,819)	20,271
FY 2019	20,271	13,760	(12,325)	1,435	(1,855)	19,851
FY 2020	19,851	14,136	(12,561)	1,575	(1,890)	19,536
FY 2021	19,536	14,517	(12,800)	1,717	(1,926)	19,327
FY 2022	19,327	14,905	(13,044)	1,861	(1,962)	19,226
FY 2023	19,226	15,204	(13,294)	1,910	(5,102)	16,034
FY 2024	16,034	15,417	(13,548)	1,869	(5,193)	12,710
FY 2025	12,710	15,632	(13,807)	1,825	(5,283)	9,252
FY 2026	9,252	15,852	(14,070)	1,782	(5,418)	5,751
FY 2027	5,751	16,076	(14,339)	1,737	(5,509)	1,979
FY 2028	1,979	16,298	(14,614)	1,684	(1,779)	1,884
FY 2029	1,884	16,640	(14,893)	1,747	(1,822)	1,809
FY 2030	1,809	16,988	(15,179)	1,809	(1,851)	1,767
FY 2031	1,767	17,346	(15,470)	1,876	(1,888)	1,755

Notes:

Revenues - Facilities increase by 2% per annum, parking facilities increase by 3% per annum, and interest at .75% (2017) to 3.00% (2022) on beginning fund balance each year.

Expense (Operating) - Facilities increase by 2% per annum, parking/administration increase by 1% per annum.

Capital - Indexed at 2% per annum.

⁽¹⁾ Based on 6/30/16 audit, for beginning balance, and first quarter "roll" for revenue, expense, and capital.

**Grand Rapids-Kent County
Convention/Arena Authority
Consolidated Financial Report
October 31, 2016**

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**Financial Dashboard
Year-To-Date (4 Months)
FY2017
October 31, 2016**

Van Andel Arena®						
	All Events			Concert		
	Prior Year	Budget	Actual	Prior Year	Budget	Actual
Events	20	20	22	7	9	10
Attendance	95,451	103,100	128,095	53,986	63,000	82,927
Event Income	\$ 799,025	\$ 828,125	\$ 1,344,377	\$ 662,907	\$ 682,965	\$ 1,076,775
DeVos Place®						
	All Events			Convention/Trade		
	Prior Year	Budget	Actual	Prior Year	Budget	Actual
Events	139	122	131	44	44	44
Attendance	124,432	117,875	122,899	49,060	44,000	55,316
Event Income	\$ 1,629,903	\$ 1,558,307	\$ 1,555,700	\$ 786,553	\$ 838,200	\$ 801,961
				Prior Year	Budget	Actual
Operating Income (Loss)				\$ (138,101)	\$ (277,839)	\$ 445,222
Capital/Repair/Replacement				(929,916)	(990,802)	(1,030,055)
Net - To/(From) on Fund Balance				\$ (1,068,017)	\$ (1,268,641)	\$ (584,833)

*NOTES: (1):

Unrestricted Fund Balance @ June 30, 2016*

\$ 22,230,216

Grand Rapids-Kent County Convention/Arena Authority
Summary by Facility/Other
Fiscal Year Ending June 30, 2017

	FY 2017				FY 2016
	7/1 - 10/31				
	Year-to-Date	Roll	Estimate	Budget	Prior Year
Van Andel Arena					
Operating - Revenues	\$ 2,178,408	\$ 3,434,330	\$ 5,612,738	\$ 5,470,265	\$6,400,073
- Expenses - Facilities	(1,461,617)	(2,783,663)	(4,245,280)	(4,245,108)	(4,345,088)
- Base Management Fees	(57,887)	(115,774)	(173,661)	(173,833)	(171,942)
- Incentive Fee	-	(94,189)	(94,189)	(78,017)	(124,445)
Net Operating Income (Loss)	658,904	440,704	1,099,608	973,307	1,758,598
Parking	81,390	224,140	305,530	305,530	197,352
Pedestrian Safety	(14,403)	(85,597)	(100,000)	(91,960)	(100,906)
Net Proceeds (Cost) of VAA	725,891	579,247	1,305,138	1,186,877	1,855,044
DeVos Place Convention Center					
Operating - Revenues	1,569,552	4,308,435	5,877,987	5,779,735	6,830,628
- Expenses - Facilities	(1,911,669)	(3,893,476)	(5,805,145)	(5,804,973)	(5,954,307)
- Base Management Fees	(57,887)	(115,774)	(173,661)	(173,833)	(171,942)
- Incentive Fee	-	(253,133)	(253,133)	(269,649)	(219,439)
Net Operating Income (Loss)	(400,004)	46,052	(353,952)	(468,720)	484,940
Parking	288,729	766,820	1,055,549	1,055,549	977,973
Pedestrian Safety	(4,899)	(50,103)	(55,002)	(55,002)	(57,066)
Net Proceeds (Cost) of DVP	(116,174)	762,769	646,595	531,827	1,405,847
Other					
Revenues	43,605	165,209	208,814	208,814	353,171
Expenses	(208,100)	(760,559)	(968,659)	(968,659)	(918,850)
Net Other	(164,495)	(595,350)	(759,845)	(759,845)	(565,679)
		-			
Total Net Proceeds/Operating	445,222	746,666	1,191,888	958,859	2,695,212
Capital Expenditures	(1,030,055)	(1,541,434)	(2,571,489)	(2,532,236)	(2,361,320)
Results Net of Capital Expenditures	\$ (584,833)	\$ (794,768)	\$ (1,379,601)	\$ (1,573,377)	\$ 333,892

Grand Rapids-Kent County Convention/Arena Authority
Budget Summary by Facility/Other
Financial Trends for Year Ending June 30, 2017

	Annual			Year-To-Date		
	FY 2016 Final	FY 2017 Budget	Percentage Change	FY 2016 7/1 - 10/31	FY 2017 7/1 - 10/31	Percentage Change
Van Andel Arena						
Operating - Revenues	\$6,400,073	\$ 5,470,265	(14.5)	\$ 1,559,392	\$ 2,178,408	39.7
- Expenses - Facilities	(4,345,088)	(4,245,108)	2.3	(1,351,120)	(1,461,617)	(8.2)
- Base Management Fees	(171,942)	(173,833)	(1.1)	(57,257)	(57,887)	(1.1)
- Incentive Fee	(124,445)	(78,017)	37.3	-	-	-
Net Operating Income (Loss)	1,758,598	973,307	(44.7)	151,015	658,904	336.3
Parking	197,352	305,530	54.8	68,826	81,390	18.3
Pedestrian Safety	(100,906)	(91,960)	8.9	(11,365)	(14,403)	(26.7)
Net Proceeds (Cost) of VAA	1,855,044	1,186,877	(36.0)	208,476	725,891	248.2
DeVos Place Convention Center						
Operating - Revenues	6,830,628	5,779,735	(15.4)	1,645,751	1,569,552	(4.6)
- Expenses - Facilities	(5,954,307)	(5,804,973)	2.5	(1,873,909)	(1,911,669)	(2.0)
- Base Management Fees	(171,942)	(173,833)	(1.1)	(57,257)	(57,887)	(1.1)
- Incentive Fee	(219,439)	(269,649)	(22.9)	-	-	-
Net Operating Loss	484,940	(468,720)	(196.7)	(285,415)	(400,004)	(40.1)
Parking	977,973	1,055,549 ⁽¹⁾	7.9	154,792	288,729	86.5
Pedestrian Safety	(57,066)	(55,002)	3.6	(5,930)	(4,899)	17.4
Net Proceeds (Cost) of DVP	1,405,847	531,827	(62.2)	(136,553)	(116,174)	14.9
Other						
Revenues	353,171	208,814	(40.9)	29,158	43,605	49.5
Expenses	(918,850)	(968,659)	(5.4)	(239,182)	(208,100)	13.0
Net Other	(565,679)	(759,845)	(34.3)	(210,024)	(164,495)	21.7
Total Net Proceeds/Operating	2,695,212	958,859	(64.4)	(138,101)	445,222	322.4
Capital/Repair Expenditures	(2,361,320)	(2,532,236) ⁽¹⁾	(7.2)	(929,916)	(1,030,055)	10.8
Results Net of Capital Expenditures	\$ 333,892	\$ (1,573,377)	(471.2)	\$ (1,068,017)	\$ (584,833)	45.2

Notes:

⁽¹⁾ Includes July budget amendments to a) increase DVP event rate (\$+73,501) and b) provide additional (\$232,236) capital for DVP parking equipment changes.

Significant Notes

Van Andel Arena®

- Page 1 - Ten concerts generated \$1,076,775 in event revenue, an increase of +62.4% from prior year (7 concerts) of \$662,907.
- Page 3 - Net proceeds, of \$725,891 increased by +248.2% from prior year of \$208,476.

DeVos Place®

- Page 1 - Convention/trade show business generated \$801,961 in event revenue, an increase of 2.0% from prior year (attendance increased from 49,060 to 55,316) of \$786,553.
- Page 3 - Net "proceeds," (deficit) of (\$116,174), decreased by +14.9% from prior year "proceeds" of (\$136,553).

VAN ANDEL ARENA
ROLLING FORECAST
FISCAL YEAR ENDING JUNE 30, 2017

	YTD	ROLL	TOTAL FYE	BUDGET FYE	VARIANCE
NO. EVENTS	22	90	112	99	13
ATTENDANCE	128,095	506,100	634,195	562,100	72,095
DIRECT EVENT INCOME	563,965	958,750	1,522,715	1,315,000	207,715
ANCILLARY INCOME	457,266	1,043,969	1,501,235	1,252,915	248,320
OTHER EVENT INCOME	311,540	390,500	702,040	631,000	71,040
TOTAL EVENT INCOME	1,332,771	2,393,219	3,725,990	3,198,915	527,075
TOTAL OTHER INCOME	845,637	1,566,100	2,411,737	2,271,350	140,387
TOTAL INCOME	2,178,408	3,959,319	6,137,727	5,470,265	667,462
INDIRECT EXPENSES					
EXECUTIVE	68,934	141,338	210,272	210,272	-
FINANCE	72,856	169,546	242,402	242,402	-
MARKETING	114,469	170,691	285,160	285,160	-
OPERATIONS	648,902	1,208,668	1,857,570	1,857,570	-
BOX OFFICE	55,856	105,916	161,772	161,772	-
LUXURY SEATING	14,615	67,821	82,436	82,436	-
SKYWALK ADMIN	10,910	42,750	53,660	53,660	-
OVERHEAD	532,963	992,706	1,525,669	1,525,669	-
TOTAL INDIRECT EXP.	1,519,504	2,899,436	4,418,941	4,418,941	-
NET REVENUE ABOVE EXPENSES	658,904	1,059,883	1,718,786	1,051,324	667,462
LESS INCENTIVE FEE		94,189	94,189	78,017	(16,172)
NET REVENUE ABOVE EXPENSES AFTER INCENTIVE	658,904	965,694	1,624,597	973,307	651,290

Comments:

October performed consistent with budget overall as the Arena hosted a very successful Dierks Bentley concert, the US Gymnastics Team for an exhibition and the start of the 21st season of Grand Rapids Griffins Hockey which had very strong attendance for games held.

General Manager

Director of Finance

**VAN ANDEL ARENA
FINANCIAL STATEMENT HIGHLIGHTS
FOR FISCAL YEAR ENDING JUNE 30, 2017**

The following schedule summarizes operating results for both the current month and Year to Date as compared to budget and prior year:

MONTH	September Actual	September Budget	September FY 2016
Number of Events	11	12	6
Attendance	54,351	50,100	25,620
Direct Event Income	\$122,721	\$88,250	\$19,243
Ancillary Income	163,736	112,290	64,195
Other Event Income	61,222	43,000	25,212
Other Operating Income	177,308	169,376	158,627
Indirect Expenses	(394,116)	(368,245)	(414,112)
Net Income	<u>\$130,871</u>	<u>\$44,671</u>	<u>(\$146,835)</u>

YTD	YTD 2017 Actual	YTD 2017 Budget	YTD 2016 Prior Year
Number of Events	22	20	20
Attendance	128,095	103,100	95,451
Direct Event Income	\$563,965	\$373,500	\$360,498
Ancillary Income	457,266	249,125	271,597
Other Event Income	311,540	205,500	166,930
Other Operating Income	845,637	727,296	760,367
Indirect Expenses	(1,519,504)	(1,472,980)	(1,408,377)
Net Income	<u>\$658,904</u>	<u>\$82,441</u>	<u>\$151,015</u>

EVENT INCOME

Direct event income came in stronger than anticipated due to strong attendance among all events hosted for the month.

ANCILLARY INCOME

Ancillary income came in higher than budget for the month on strong per caps, especially for the Griffins games.

INDIRECT EXPENSES

Indirect expenses came in higher than budget for the month, however, consistent with expected number for the year as a whole.

DE VOS PLACE
ROLLING FORECAST
FISCAL YEAR ENDING JUNE 30, 2017

	YTD Actual	Roll	TOTAL FYE	BUDGET FYE	VARIANCE
NO. EVENTS	131	381	512	454	58
ATTENDANCE	122,899	455,600	578,499	535,750	42,749
DIRECT EVENT INCOME	726,911	2,611,804	3,338,715	2,953,900	384,815
ANCILLARY INCOME	669,123	2,076,982	2,746,105	2,411,335	334,770
OTHER EVENT INCOME	159,666	285,587	445,253	382,500	62,753
		-			
TOTAL EVENT REVENUE	1,555,700	4,974,373	6,530,073	5,747,735	782,338
TOTAL OTHER REVENUE	13,852	18,148	32,000	32,000	-
TOTAL OPERATING REVENUE	1,569,552	4,992,521	6,562,073	5,779,735	782,338
INDIRECT EXPENSES					
EXECUTIVE	75,969	133,305	209,274	209,274	-
FINANCE	91,209	175,237	266,446	266,446	-
MARKETING	22,675	105,505	128,180	128,180	-
OPERATIONS	498,233	1,067,324	1,565,557	1,565,557	-
EVENT SERVICES	327,775	812,056	1,139,831	1,139,831	-
BOX OFFICE	46,263	55,527	101,790	101,790	-
SALES	145,327	276,619	421,946	421,946	-
OVERHEAD	762,105	1,383,678	2,145,783	2,145,783	-
TOTAL OPERATING EXP.	1,969,556	4,009,251	5,978,806	5,978,806	-
NET REVENUE ABOVE EXPENSES	(400,004)	983,270	583,267	(199,071)	782,338
INCENTIVE FEE		253,133	253,133	269,649	16,516
NET OPERATING REVENUE OVER OPERATING EXPENSES	(400,004)	730,137	330,134	(468,720)	798,854

Comments:

October was a very solid month for DeVos Place as convention business was very strong, however, offset by lower than expected revenue in the theater as a couple of concerts underperformed.

General Manager

Finance Director

**DE VOS PLACE
FINANCIAL STATEMENT HIGHLIGHTS
FISCAL YEAR ENDING JUNE 30, 2017**

The following schedule summarizes operating results for both the current month and Year to Date as compared to budget and prior year:

MONTH	October Actual	October Budget	October FY 2016
Number of Events	50	49	54
Attendance	61,549	47,000	50,349
Direct Event Income	\$314,176	\$260,900	\$293,769
Ancillary Income	294,155	237,263	292,438
Other Event Income	75,757	45,800	52,153
Other Operating Income	4,793	2,666	6,558
Indirect Expenses	(541,663)	(498,235)	(589,888)
Net Income	<u>\$147,218</u>	<u>\$48,394</u>	<u>\$55,030</u>

YTD	YTD 2017 Actual	YTD 2017 Budget	YTD 2016 Prior Year
Number of Events	131	123	139
Attendance	122,899	117,875	124,432
Direct Event Income	\$726,911	\$734,736	\$811,929
Ancillary Income	669,123	724,771	703,510
Other Event Income	159,666	98,800	114,464
Other Operating Income	13,852	10,664	15,848
Indirect Expenses	(1,969,556)	(1,992,940)	(1,931,166)
Net Income	<u>(\$400,004)</u>	<u>(\$423,969)</u>	<u>(\$285,415)</u>

EVENT INCOME

Event income came in higher than budget and prior year as conventions hosted during the month performed very well.

ANCILLARY INCOME

Ancillary income finished the month well ahead of budget and consistent with prior year as spending was strong across the board, however, lower than anticipated attendance for a couple of the theater concerts.

INDIRECT EXPENSES

Indirect expenses came in higher than budget, however, consistent with budget and prior year overall year to date.

Grand Rapids-Kent County Convention/Arena Authority
Administrative Accounts
Net Other Detail
October 31, 2016

	Annual			Actual		
	FY 2016 Final	FY 2017 Budget	Percentage Change	FY 2016 7/1-10/31	FY 2017 7/1-10/31	Percentage Change
Other						
Revenues						
Interest/Capital Contr.	\$ 167,498	\$ 154,358	(7.8)	\$ 26,078	\$ 37,349	43.2
Miscellaneous	185,673 ⁽¹⁾	54,456	(70.7)	3,080	6,256	103.1
	<u>353,171</u>	<u>208,814</u>	<u>(40.9)</u>	<u>29,158</u>	<u>43,605</u>	<u>49.5</u>
Expenses						
Marketing (CVB/Sports)	125,000	125,000	-	50,000	50,000	-
Diversity Initiative	203,399 ⁽²⁾	150,000	(26.3)	93,389	9,872	(89.4)
Wages/Benefits	127,791	124,425	(2.6)	27,752	28,923	4.2
Marketing Campaign	-	200,000	+100.0	-	-	-
Professional Services	63,706	59,900	(6.0)	9,461	29,522	212.0
DID Assessment	53,269	54,335	2.0	-	38,405	100.0+
Food & Beverage Repairs	46,890	40,000	(14.7)	-	-	-
Consulting Services	181,606	72,701	(60.0)	9,260	5,056	(45.4)
Landscaping	23,030	30,000	30.3	3,831	-	(100.0)
Procurement of Art	29,822	30,000	0.6	20,486	26,719	30.4
Insurance	16,350	22,298	36.4	21,861	16,985	(22.3)
Supplies/Other	47,987	60,000	25.0	3,142	2,618	(16.7)
	<u>918,850</u>	<u>968,659</u>	<u>5.4</u>	<u>239,182</u>	<u>208,100</u>	<u>(13.0)</u>
Net Proceeds - Operating	<u>\$ (565,679)</u>	<u>\$ (759,845)</u>	<u>(34.3)</u>	<u>\$ (210,024)</u>	<u>\$ (164,495)</u>	<u>21.7</u>

Notes:

⁽¹⁾ Includes \$112,930 in FY 2016 from Broadway Grand Rapids.

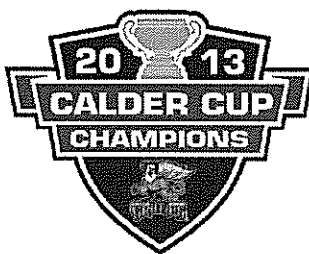
⁽²⁾ Includes \$77,011 FY 2015 carry-forward for Pepe Anguilar concert sponsorship.



VAN ANDEL ARENA

FINANCIAL STATEMENT FOR THE PERIOD ENDED OCTOBER 31, 2016

PROUD HOME OF THE GRAND RAPIDS GRIFFINS – 2013 CALDER CUP CHAMPIONS



Distribution:

Grand Rapids – KentCounty Convention / Arena Authority
Robert White
Harry Cann
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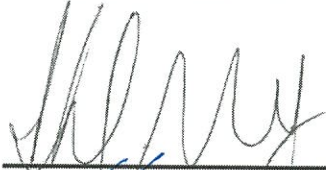
An SMG Managed Facility

VAN ANDEL ARENA
ROLLING FORECAST
FISCAL YEAR ENDING JUNE 30, 2017

	YTD	ROLL	TOTAL FYE	BUDGET FYE	VARIANCE
NO. EVENTS	22	90	112	99	13
ATTENDANCE	128,095	506,100	634,195	562,100	72,095
DIRECT EVENT INCOME	563,965	958,750	1,522,715	1,315,000	207,715
ANCILLARY INCOME	457,266	1,043,969	1,501,235	1,252,915	248,320
OTHER EVENT INCOME	311,540	390,500	702,040	631,000	71,040
TOTAL EVENT INCOME	1,332,771	2,393,219	3,725,990	3,198,915	527,075
TOTAL OTHER INCOME	845,637	1,566,100	2,411,737	2,271,350	140,387
TOTAL INCOME	2,178,408	3,959,319	6,137,727	5,470,265	667,462
INDIRECT EXPENSES					
EXECUTIVE	68,934	141,338	210,272	210,272	-
FINANCE	72,856	169,546	242,402	242,402	-
MARKETING	114,469	170,691	285,160	285,160	-
OPERATIONS	648,902	1,208,668	1,857,570	1,857,570	-
BOX OFFICE	55,856	105,916	161,772	161,772	-
LUXURY SEATING	14,615	67,821	82,436	82,436	-
SKYWALK ADMIN	10,910	42,750	53,660	53,660	-
OVERHEAD	532,963	992,706	1,525,669	1,525,669	-
TOTAL INDIRECT EXP.	1,519,504	2,899,436	4,418,941	4,418,941	-
NET REVENUE ABOVE EXPENSES	658,904	1,059,883	1,718,786	1,051,324	667,462
LESS INCENTIVE FEE		94,189	94,189	78,017	(16,172)
NET REVENUE ABOVE EXPENSES AFTER INCENTIVE	658,904	965,694	1,624,597	973,307	651,290

Comments:

October performed consistent with budget overall as the Arena hosted a very successful Dierks Bentley concert, the US Gymnastics Team for an exhibition and the start of the 21st season of Grand Rapids Griffins Hockey which had very strong attendance for games held.


General Manager


Director of Finance

**VAN ANDEL ARENA
FINANCIAL STATEMENT HIGHLIGHTS
FOR FISCAL YEAR ENDING JUNE 30, 2017**

The following schedule summarizes operating results for both the current month and Year to Date as compared to budget and prior year:

MONTH	September Actual	September Budget	September FY 2016
Number of Events	11	12	6
Attendance	54,351	50,100	25,620
Direct Event Income	\$122,721	\$88,250	\$19,243
Ancillary Income	163,736	112,290	64,195
Other Event Income	61,222	43,000	25,212
Other Operating Income	177,308	169,376	158,627
Indirect Expenses	(394,116)	(368,245)	(414,112)
Net Income	\$130,871	\$44,671	(\$146,835)

YTD	YTD 2017 Actual	YTD 2017 Budget	YTD 2016 Prior Year
Number of Events	22	20	20
Attendance	128,095	103,100	95,451
Direct Event Income	\$563,965	\$373,500	\$360,498
Ancillary Income	457,266	249,125	271,597
Other Event Income	311,540	205,500	166,930
Other Operating Income	845,637	727,296	760,367
Indirect Expenses	(1,519,504)	(1,472,980)	(1,408,377)
Net Income	\$658,904	\$82,441	\$151,015

EVENT INCOME

Direct event income came in stronger than anticipated due to strong attendance among all events hosted for the month.

ANCILLARY INCOME

Ancillary income came in higher than budget for the month on strong per caps, especially for the Griffins games.

INDIRECT EXPENSES

Indirect expenses came in higher than budget for the month, however, consistent with expected number for the year as a whole.

Van Andel Arena
Income Statement
For the Four Months Ending October 31, 2016

	Current Month Actual	Current Month Budget	Variance	Current Month Prior Year	Year to Date Actual	Year to Date Budget	Variance	Year to Date Prior Year
Event Income								
Direct Event Income								
Rental Income	\$302,681	\$167,250	\$135,431	\$64,035	\$750,527	\$466,500	\$284,027	\$456,489
Service Revenue	328,454	74,500	253,954	61,717	1,048,386	309,500	738,886	475,143
Service Expenses	(508,414)	(153,500)	(354,914)	(106,509)	(1,234,948)	(402,500)	(832,448)	(571,134)
Total Direct Event Income	122,721	88,250	34,471	19,243	563,965	373,500	190,465	360,498
Ancillary Income								
F&B Concession	141,140	97,911	43,229	57,375	359,378	199,406	159,972	220,712
F&B Catering	12,271	8,979	3,292	6,628	37,965	23,019	14,946	23,362
Novelty Sales	10,325	5,400	4,925	192	59,705	26,700	33,005	27,523
Audio Visual	0	0	0	0	218	0	218	0
Total Ancillary Income	163,736	112,290	51,446	64,195	457,266	249,125	208,141	271,597
Other Event Income								
Ticket Rebates(Per Event)	61,222	43,000	18,222	25,212	311,540	205,500	106,040	166,930
Total Other Event Income	61,222	43,000	18,222	25,212	311,540	205,500	106,040	166,930
Total Event Income	347,679	243,540	104,139	108,650	1,332,771	828,125	504,646	799,025
Other Operating Income								
Luxury Box Agreements	117,038	113,292	3,746	98,387	619,453	502,960	116,493	525,242
Advertising	56,680	52,084	4,596	56,680	209,925	208,336	1,589	213,960
Other Income	3,590	4,000	(410)	3,560	16,259	16,000	259	21,165
Total Other Operating Income	177,308	169,376	7,932	158,627	845,637	727,296	118,341	760,367
Adjusted Gross Income	524,987	412,916	112,071	267,277	2,178,408	1,555,421	622,987	1,559,392
Operating Expenses								
Salaries and Wages	197,358	201,552	(4,194)	235,195	836,032	806,208	29,824	740,966
Payroll Taxes and Benefits	58,977	60,886	(1,909)	50,100	224,786	243,544	(18,758)	186,796
Labor Allocations to Events	(104,812)	(103,673)	(1,139)	(56,734)	(452,636)	(414,692)	(37,944)	(299,060)
Net Salaries and Benefits	151,523	158,765	(7,242)	228,561	608,182	635,060	(26,878)	628,702
Contracted Services	28,060	21,200	6,860	18,391	85,310	84,800	510	79,455
General and Administrative	37,708	26,581	11,127	27,618	173,421	106,324	67,097	99,107
Operations	12,812	7,565	5,247	5,767	17,456	30,260	(12,804)	24,737
Repair and Maintenance	36,165	24,424	11,741	18,548	123,002	97,696	25,306	104,507
Operational Supplies	16,500	16,125	375	21,094	64,313	64,500	(187)	82,836
Insurance	14,580	14,736	(156)	9,190	41,677	58,944	(17,267)	35,105
Utilities	82,296	84,363	(2,067)	70,629	348,256	337,452	10,804	296,671
SMG Management Fees	14,472	14,486	(14)	14,314	57,887	57,944	(57)	57,257
Total Operating Expenses	394,116	368,245	25,871	414,112	1,519,504	1,472,980	46,524	1,408,377
Net Income(Loss) From Operations	130,871	44,671	86,200	(146,835)	658,904	82,441	576,463	151,015
Other Non-Operating Expenses								
Adjusted Net Income(Loss)	130,871	44,671	86,200	(146,835)	658,904	82,441	576,463	151,015

3

SMG - Van Andel Arena
Grand Rapids - Kent County Convention/Arena Authority
Event Summary
For the Two Months Ending October 31, 2016

Event Type	Events/Days		Attendance		Total Event Income	
	Actual	Budget	Actual	Budget	Actual	Budget
Family Show	6	7	21,812	16,000	147,564	45,045
Sporting Event	1	1	5,325	4,000	76,562	53,390
Concert	10	9	82,927	63,000	1,076,775	682,965
Team Home Games	3	3	17,731	20,100	37,099	46,725
Other	2	-	300	-	6,377	-
GRAND TOTALS	22	20	128,095	103,100	1,344,377	828,125

As Percentage of Overall

Family Show	27.27%	35.00%	17.03%	15.52%	10.98%	5.44%
Sporting Event	4.55%	5.00%	4.16%	3.88%	5.69%	6.45%
Concert	45.45%	45.00%	64.74%	61.11%	80.09%	82.47%
Team Home Games	13.64%	15.00%	13.84%	19.50%	2.76%	5.64%
Other	9.09%	0.00%	0.23%	0.00%	0.47%	0.00%

Van Andel Arena
Balance Sheet
As of October 31, 2016

ASSETS

Current Assets

Cash	6,054,597
Account Receivable	704,838
Prepaid Expenses	29,654

Total Current Assets		\$6,789,089
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Total Assets		\$6,789,089
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LIABILITIES AND EQUITY

Current Liabilities

Accounts Payable	722,225
Accrued Expenses	515,216
Deferred Income	2,400,810
Advanced Ticket Sales & Deposits	4,326,772

Total Current Liabilities		\$7,965,023
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Other Liabilities

Equity

Funds Remitted to CAA	(1,204,135)
Expenses Paid Direct by CAA	216,866
Beginning Balance Equity	(847,566)
Current Year Equity	658,904

Total Equity		(\$1,175,934)
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Total Liabilities and Equity		\$6,789,089
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SMG - Van Andel Arena
Grand Rapids - Kent County Convention/Arena Authority
Summary of Accounts Receivable
As of October 31, 2016

Current - Under 30 Days	
Food & Beverage	218,958
Ticketing	93,503
Merchandise	15,378
Permanent Advertising	505,617
DeVos Place	(175,267)
Operating	14,173
 Over 30 Days	 18,930
 Over 60 Days	 13,546
 Over 90 Days	
 Total Accounts Receivable	 704,838

**SMG - Van Andel Arena & DeVos Place
Grand Rapids - Kent County Convention/Arena Authority
Management Fee Summary
Fiscal Year Ending June 30, 2017**

MANAGEMENT FEE SUMMARY

	Arena Estimate	DeVos Place Estimate	Total Estimate	FY 2016 Actual
Net Revenue above Expenses	1,193,797	(100,819)	1,092,978	2,587,422
Benchmark ++			750,000	750,000
Excess	1,193,797	(100,819)	342,978	1,772,039

Incentive Fee Calculation (Only if above greater than zero)

	Arena Actual	DeVos Place Actual	Total Actual	Total Actual
Base Fee	173,661	173,661	347,322	343,884
Incentive Fee				
Revenue	5,612,738	5,877,987	11,490,725	13,230,701
Benchmark Revenue	5,100,000	4,500,000	9,600,000	9,500,000
Revenue Excess	512,738	1,377,987	1,890,725	3,615,144
Incentive Fee **	94,189	253,133	347,322	343,884
Total SMG Management Fee	267,850	426,794	694,644	687,768

** Incentive fee is 25% of the first \$500,000 in excess, 30% of remaining capped at base fee amount.

++ If net revenues above expenses exceeds \$700,000, SMG is eligible for 75% of the incentive fee.

DEVOS PLACE

DE VOS PLACE

FINANCIAL STATEMENT
FOR THE PERIOD ENDED OCTOBER 31, 2016

Distribution:

Grand Rapids – KentCounty Convention / Arena Authority
Robert White
Harry Cann
Hope Parkin
Howard Feldman
Richard MacKeigan
Chris Machuta



An SMG Managed Facility

DE VOS PLACE
ROLLING FORECAST
FISCAL YEAR ENDING JUNE 30, 2017

	YTD Actual	Roll	TOTAL FYE	BUDGET FYE	VARIANCE
NO. EVENTS	131	381	512	454	58
ATTENDANCE	122,899	455,600	578,499	535,750	42,749
DIRECT EVENT INCOME	726,911	2,611,804	3,338,715	2,953,900	384,815
ANCILLARY INCOME	669,123	2,076,982	2,746,105	2,411,335	334,770
OTHER EVENT INCOME	159,666	285,587	445,253	382,500	62,753
		-			
TOTAL EVENT REVENUE	1,555,700	4,974,373	6,530,073	5,747,735	782,338
TOTAL OTHER REVENUE	13,852	18,148	32,000	32,000	-
TOTAL OPERATING REVENUE	1,569,552	4,992,521	6,562,073	5,779,735	782,338
INDIRECT EXPENSES					
EXECUTIVE	75,969	133,305	209,274	209,274	-
FINANCE	91,209	175,237	266,446	266,446	-
MARKETING	22,675	105,505	128,180	128,180	-
OPERATIONS	498,233	1,067,324	1,565,557	1,565,557	-
EVENT SERVICES	327,775	812,056	1,139,831	1,139,831	-
BOX OFFICE	46,263	55,527	101,790	101,790	-
SALES	145,327	276,619	421,946	421,946	-
OVERHEAD	762,105	1,383,678	2,145,783	2,145,783	-
TOTAL OPERATING EXP.	1,969,556	4,009,251	5,978,806	5,978,806	-
NET REVENUE ABOVE EXPENSES	(400,004)	983,270	583,267	(199,071)	782,338
INCENTIVE FEE		253,133	253,133	269,649	16,516
NET OPERATING REVENUE OVER OPERATING EXPENSES	(400,004)	730,137	330,134	(468,720)	798,854

Comments:

October was a very solid month for DeVos Place as convention business was very strong, however, offset by lower than expected revenue in the theater as a couple of concerts underperformed.


General Manager


Finance Director

**DE VOS PLACE
FINANCIAL STATEMENT HIGHLIGHTS
FISCAL YEAR ENDING JUNE 30, 2017**

The following schedule summarizes operating results for both the current month and Year to Date as compared to budget and prior year:

MONTH	October Actual	October Budget	October FY 2016
Number of Events	50	49	54
Attendance	61,549	47,000	50,349
Direct Event Income	\$314,176	\$260,900	\$293,769
Ancillary Income	294,155	237,263	292,438
Other Event Income	75,757	45,800	52,153
Other Operating Income	4,793	2,666	6,558
Indirect Expenses	(541,663)	(498,235)	(589,888)
Net Income	\$147,218	\$48,394	\$55,030

YTD	YTD 2017 Actual	YTD 2017 Budget	YTD 2016 Prior Year
Number of Events	131	123	139
Attendance	122,899	117,875	124,432
Direct Event Income	\$726,911	\$734,736	\$811,929
Ancillary Income	669,123	724,771	703,510
Other Event Income	159,666	98,800	114,464
Other Operating Income	13,852	10,664	15,848
Indirect Expenses	(1,969,556)	(1,992,940)	(1,931,166)
Net Income	(\$400,004)	(\$423,969)	(\$285,415)

EVENT INCOME

Event income came in higher than budget and prior year as conventions hosted during the month performed very well.

ANCILLARY INCOME

Ancillary income finished the month well ahead of budget and consistent with prior year as spending was strong across the board, however, lower than anticipated attendance for a couple of the theater concerts.

INDIRECT EXPENSES

Indirect expenses came in higher than budget, however, consistent with budget and prior year overall year to date.

DeVos Place
Income Statement
For the Four Months Ending October 31, 2016

	Current Month Actual	Current Month Budget	Variance	Current Month Prior Year	Year to Date Actual	Year to Date Budget	Variance	Year to Date Prior Year
Event Income								
Direct Event Income								
Rental Income	\$326,966	\$275,500	\$51,466	\$342,260	\$804,086	\$805,900	(\$1,814)	\$915,733
Service Revenue	530,442	275,300	255,142	217,686	913,701	662,125	251,576	708,281
Service Expenses	(543,232)	(289,900)	(253,332)	(266,177)	(990,876)	(733,289)	(257,587)	(812,085)
Total Direct Event Income	314,176	260,900	53,276	293,769	726,911	734,736	(7,825)	811,929
Ancillary Income								
F&B Concession	19,151	12,525	6,626	25,678	47,547	36,709	10,838	50,722
F&B Catering	87,158	92,700	(5,542)	77,728	221,912	268,575	(46,663)	214,293
Novelty Sales	8,102	2,148	5,954	240	18,736	5,648	13,088	4,067
Booth Cleaning	35,213	24,210	11,003	36,177	76,734	90,269	(13,535)	80,690
Telephone/Long Distance	0	0	0	113	563	0	563	563
Electrical Services	65,964	35,050	30,914	63,370	118,426	121,225	(2,799)	121,904
Audio Visual	40,521	36,780	3,741	47,821	98,331	107,145	(8,814)	124,258
Internet Services	14,910	10,150	4,760	16,389	32,893	34,200	(1,307)	39,003
Equipment Rental	23,136	23,700	(564)	24,922	53,981	61,000	(7,019)	68,010
Total Ancillary Income	294,155	237,263	56,892	292,438	669,123	724,771	(55,648)	703,510
Other Event Income								
Ticket Rebates(Per Event)	75,757	45,800	29,957	52,153	159,666	98,800	60,866	114,464
Total Other Event Income	75,757	45,800	29,957	52,153	159,666	98,800	60,866	114,464
Total Event Income	684,088	543,963	140,125	638,360	1,555,700	1,558,307	(2,607)	1,629,903
Other Operating Income								
Luxury Box Agreements	1,353	1,333	20	1,382	5,410	5,332	78	6,552
Other Income	3,440	1,333	2,107	5,176	8,442	5,332	3,110	9,296
Total Other Operating Income	4,793	2,666	2,127	6,558	13,852	10,664	3,188	15,848
Adjusted Gross Income	688,881	546,629	142,252	644,918	1,569,552	1,568,971	581	1,645,751
Operating Expenses								
Salaries and Wages	332,701	289,370	43,331	319,169	984,036	1,157,480	(173,444)	983,949
Payroll Taxes and Benefits	102,098	94,847	7,251	90,114	301,840	379,388	(77,548)	291,099
Labor Allocations to Events	(239,633)	(178,739)	(60,894)	(146,364)	(514,275)	(714,956)	200,681	(510,285)
Net Salaries and Benefits	195,166	205,478	(10,312)	262,919	771,601	821,912	(50,311)	764,763
Contracted Services	24,546	21,025	3,521	39,132	127,262	84,100	43,162	122,780
General and Administrative	31,485	30,739	746	30,846	114,664	122,956	(8,292)	115,719
Operations	21,252	11,571	9,681	5,307	55,321	46,284	9,037	56,297
Repair and Maintenance	78,091	44,100	33,991	54,763	166,101	176,400	(10,299)	160,391
Operational Supplies	19,305	21,725	(2,420)	45,220	66,540	86,900	(20,360)	95,685
Insurance	22,790	20,544	2,246	19,755	62,187	82,176	(19,989)	63,589
Utilities	134,556	128,567	5,989	117,632	547,993	514,268	33,725	494,685
SMG Management Fees	14,472	14,486	(14)	14,314	57,887	57,944	(57)	57,257
Total Operating Expenses	541,663	498,235	43,428	589,888	1,969,556	1,992,940	(23,384)	1,931,166
Net Income(Loss) From Operations	147,218	48,394	98,824	55,030	(400,004)	(423,969)	23,965	(285,415)
Other Non-Operating Expenses								
Adjusted Net Income(Loss)	147,218	48,394	98,824	55,030	(400,004)	(423,969)	23,965	(285,415)

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SMG DeVos Place
Grand Rapids - Kent County Convention/Arena Authority
Year to Date Event Summary Report
For the Four Months Ended October 31, 2016

Event Type	Events/Days		Attendance		Total Event Income	
	Actual	Budget	Actual	Budget	Actual	Budget
Convention/Trade Shows	44	44	55,316	44,000	801,961	838,200
Consumer/Gated Shows	2	3	1,162	5,625	16,045	28,377
DeVos Performance Hall	35	29	41,876	37,100	354,713	340,698
Banquets	5	4	3,830	3,250	75,090	50,885
Meetings	25	25	7,370	7,500	198,688	175,775
Other	20	17	13,345	20,400	109,205	124,372
GRAND TOTALS	131	122	122,899	117,875	1,555,700	1,558,307

As Percentage of Overall

Convention/Trade Shows	33.59%	36.07%	45.01%	37.33%	51.55%	53.79%
Consumer/Gated Shows	1.53%	2.46%	0.95%	4.77%	1.03%	1.82%
Devos Performance Hall	26.72%	23.77%	34.07%	31.47%	22.80%	21.86%
Ballroom Exclusive	3.82%	3.28%	3.12%	2.76%	4.83%	3.27%
Meetings	19.08%	20.49%	6.00%	6.36%	12.77%	11.28%
Other	15.27%	13.93%	10.86%	17.31%	7.02%	7.98%

DeVos Place
Balance Sheet
As of October 31, 2016

ASSETS

Current Assets

Cash	2,065,932
Account Receivable	1,366,536
Prepaid Expenses	1,604

Total Current Assets		\$3,434,072
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Total Assets		\$3,434,072
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LIABILITIES AND EQUITY

Current Liabilities

Accounts Payable	347,271
Accrued Expenses	562,521
Deferred Income	99,653
Advanced Ticket Sales & Deposits	1,921,017

Total Current Liabilities		\$2,930,463
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Other Liabilities

Equity

Funds Remitted to CAA	(325,568)
Expenses Paid Direct by CAA	557,237
Beginning Balance Equity	695,910
Current Year Equity	(423,969)

Total Equity		\$503,610
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Total Liabilities and Equity		\$3,434,072
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SMG - DeVos Place
Grand Rapids - Kent County Convention/Arena Authority
Summary of Accounts Receivable
As of October 31, 2016

Current - Under 30 Days	
Food & Beverage	109,529
Ticketing	534,478
Merchandise	-
Decorating	35,212
Audio/Visual	40,521
Van Andel Arena	175,267
Operating	342,372
 Over 30 Days	 94,032
 Over 60 Days	 35,125
 Over 90 Days	
 Total Accounts Receivable	 1,366,536

**SMG - Van Andel Arena & DeVos Place
Grand Rapids - Kent County Convention/Arena Authority
Management Fee Summary
Fiscal Year Ending June 30, 2017**

MANAGEMENT FEE SUMMARY

	Arena Estimate	DeVos Place Estimate	Total Estimate	FY 2016 Actual
Net Revenue above Expenses	1,193,797	(100,819)	1,092,978	2,587,422
Benchmark ++			750,000	750,000
Excess	1,193,797	(100,819)	342,978	1,772,039

Incentive Fee Calculation (Only if above greater than zero)

	Arena Actual	DeVos Place Actual	Total Actual	Total Actual
Base Fee	173,661	173,661	347,322	343,884
Incentive Fee				
Revenue	5,612,738	5,877,987	11,490,725	13,230,701
Benchmark Revenue	5,100,000	4,500,000	9,600,000	9,500,000
Revenue Excess	512,738	1,377,987	1,890,725	3,615,144
Incentive Fee **	94,189	253,133	347,322	343,884
Total SMG Management Fee	267,850	426,794	694,644	687,768

** Incentive fee is 25% of the first \$500,000 in excess, 30% of remaining capped at base fee amount.

++ If net revenues above expenses exceeds \$700,000, SMG is eligible for 75% of the incentive fee.



Grand Rapids-Kent County Convention/Arena Authority 2017 Meeting Schedule

Board of Directors

8:30am - 9:30am – Kent County Administration Building

January 6

February 3

March – No Meeting

April 7

May 5

June 2

July – No Meeting

August 4

September – No Meeting

October 6

November 3

December 1

Finance Committee

7:30am - 8:30am – Kent County Administration Building

February 3

May 5

June 2

August 4

November 3

December 1

Operations Committee

7:30am - 8:30am – Kent County Administration Building

January 6

April 7

June 2

October 6

December 1