GRAND RAPIDS-KENT COUNTY
CONVENTION / ARENA AUTHORITY
ENTERTAINMENT, CONVENTION, SHOW & SPORTS FACILITIES

Agenda

Joint Meeting of
Board of Directors & Committees

Friday | December 1, 2017
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 3, 2017	Action
3.	Grand Rapids Whitewater Presentation	Chris Muller Richard Bishop
4.	SMG Sales Presentation	Kathy Bart Eddie Tadlock
5.	Fire Department Venue Inspection	Eddie Tadlock
6.	Committee Reports	
	A. Operations Committee	
	i. Experience Grand Rapids Report	Information
	B. Finance Committee	
	i. SMG Special Purpose Financial Statements as of and for the Years Ended June 30, 2017 and 2016 – Rehmann Robson	Action
	ii. Communication from Independent Auditors Concerning SMG Special Purpose Financial Statements	Information
	iii. Financial Statements and Supplementary Information for the Years Ended June 30, 2017 and 2016 – Rehmann Robson	Action
	iv. Audit Wrap-up Letter for the Year Ended June 30, 2017	Information
	v. Consolidated Financial Report, for the Year Ended June 30, 2017, Recap - Budget to Actual	Information
	vi. Acceptance of October 2017 Consolidated Financial Statements	Action
	vii. SMG – Oct. 2017 Van Andel Arena® and DeVos Place® Financials	Information
7.	SMG Report and Facilities Calendars	Rich MacKeigan
8.	Public Comment	
9.	Adjournment	

Next CAA Meeting Date: Friday, January 5, 2018

MINUTES OF THE GRAND RAPIDS-KENT COUNTY CONVENTION/ARENA AUTHORITY MEETING OF BOARD OF DIRECTORS
Friday, November 3, 2017

Attendance

Members Present:	Steve Heacock, Chairperson	
	Rosalynn Bliss	
	Birgit Klohs	
	Charlie Secchia	
	Floyd Wilson, Jr.	
	Richard Winn	
Members Absent:	Lew Chamberlin	
Staff/Others:	Wayman Britt	Kent County
	Tim Gortsema	Grand Rapids Griffins
	Chris Machuta	SMG
	Mary Manier	Experience Grand Rapids
	Greg Sundstrom	Grand Rapids
	John Van Houten	Progressive AE
	Susan Waddell	CAA
	Jana Wallace	Grand Rapids
	Richard Wendt	Dickinson Wright
	Robert White	CAA

1. Call to Order

Steve Heacock, Chairperson, called the meeting to order at 8:35 a.m. Secretary/Treasurer Richard Winn recorded the meeting minutes.

2. Minutes of Prior Meeting

Motion by Mr. Secchia, support by Mr. Winn, to approve the October 6, 2017, Minutes. Motion carried.

3. Committee Reports

A. Operations Committee

i. Experience Grand Rapids Report

Ms. Manier provided an overview of the CVB's recent bookings, sales activities, marketing efforts, and major bid presentations. In September/October, staff hosted 25 clients that resulted in six bookings for DeVos Place®.

B. Finance Committee

i. Acceptance of September 2017 Consolidated Financial Statements

Motion: Mr. Winn, supported by Ms. Klohs, moved to accept the September 2017 Consolidated Financial Statements. Motion carried.

Chair Heacock stated that he is working on two major items: (1) two RFPs for (i) a potential hotel on top of DeVos Place® and (ii) a potential hotel and conference center behind the Arena in Area #2; and (2) the SMG management agreement (Dick Wendt and Bob White are working on needed changes). In order for the DeVos Place® hotel to succeed, the CAA needs to be conscious of the impact on private properties. A conference center behind the Arena would enable SMG to book two different conventions. The RFP would determine capacity for additional hotel rooms at the particular sites. Discussions about the need to expand the convention center muddled the hotel issue, and the two will be bifurcated.

ii. SMG September 2017 Van Andel Arena® and DeVos Place® Financial Statements

The SMG financial statements were included in the agenda packet as information items.

iii. First Quarter Capital Roll Update

The first quarter capital roll report was included in the agenda packet as an information item.

iv. Auto Parking System Periodic Reporting

The quarterly report of City/County parking card utilization was included in the agenda packet as an information item.

4. SMG Report and Facilities Calendars

Mr. Machuta provided a summary of upcoming events that will be held at DeVos Place® and the Van Andel Arena®.

5. Public Comment

None.

6. Adjournment

The meeting adjourned at 8:45 a.m.

____
Richard A. Winn, Recording Secretary

CITY OF GRAND RAPIDS

Fire Department

Mr. Chris Anderson
303 Monroe Avenue NW
Grand Rapids, Michigan 49503

November 21, 2017

Dear. Mr. Anderson,

The Grand Rapids Fire Department, Fire Prevention Bureau recognizes your diligence in achieving significant compliance with regard to the Inspection Results summary for both the Van Andel Arena and Devos Place Convention Center.

We look forward to working with you in the future to ensure fire safety competencies are maintained in a satisfactory manner at the aforementioned properties. Should you require any additional assistance, please do not hesitate to contact me or our Fire Prevention Staff.

Best Regards,

William E. Smith
Fire Prevention Inspector, Lieutenant
Grand Rapids Fire Department
38 LaGrave Avenue S.E.
Grand Rapids, Michigan 49503
(616) 456.3939

Cc: Capt. D. Gerkey
File

DeVos Place,
as Managed by SMG

Years Ended
June 30, 2017 and
2016

Special-Purpose
Financial
Statements

Rehmann
Business wisdom delivered.

DEVOS PLACE, AS MANAGED BY SMG

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Rehmann Robson

2330 East Paris Ave. SE
Grand Rapids, MI 49546
Ph: 616.975.4100
Fx: 616.975.4400
rehmann.com

INDEPENDENT AUDITORS' REPORT

September 28, 2017

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, 2017 and 2016, and the special-purpose statements of operating revenues, operating expenses, and incentive management fee 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 years then ended, and the related notes to the special-purpose financial statements (collectively, the "Special-Purpose Financial 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 an opinion on these special-purpose financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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, 2017 and 2016, and its operating revenues, operating expenses, changes in amount due Operator, and operating cash flows for the years then ended in accordance with the basis of presentation described in Note 1 to the special-purpose financial statements.

Basis of Presentation

We draw attention to Note 1 to the special-purpose financial statements, which describes the basis of accounting. The special-purpose financial statements are prepared pursuant to the Management Agreement, 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's financial position, 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 Robson LLC

Special-Purpose Statements of Assets, Liabilities, and Amount Due Operator Arising from Activities Managed by SMG

	June 30, 2017	June 30, 2016
Assets (all current)		
Cash and cash equivalents:		
Operating	$ 1,022,283	$ 888,435
Ticket sales escrow	2,594,445	982,582
Accounts receivable, net of allowance of $31,522 and $1,286 in 2017 and 2016, respectively	1,272,714	906,879
Prepaid expenses	176,755	126,454
Total assets (all current)	$ 5,066,197	$ 2,904,350
Liabilities (all current)		
Accounts payable	$ 384,450	$ 108,747
Accrued expenses	512,093	720,375
Unearned revenue:		
Advance ticket sales	2,594,445	982,582
Advance deposits	327,568	298,771
Other unearned revenue	182,994	97,965
Total liabilities (all current)	4,001,550	2,208,440
Amount due Operator	1,064,647	695,910
Total liabilities and amount due Operator	$ 5,066,197	$ 2,904,350

See notes to special-purpose financial statements

DEVOS PLACE, AS MANAGED BY SMG

Special-Purpose Statements of Operating Revenues, Operating Expenses, and Incentive Management Fee Arising from Activities Managed by SMG

	Year Ended June 30, 2017	Year Ended June 30, 2016
Operating revenues		
Events	$ 3,196,369	$ 3,520,845
Ancillary revenues, net:		
Food and beverage	1,150,283	1,119,401
Decorating	345,531	334,548
Electrical	438,839	436,211
Equipment rental	570,952	593,073
Other	170,008	170,352
	2,675,613	2,653,585
Other operating revenues	619,257	656,198
Total operating revenues	6,491,239	6,830,628
Operating expenses		
Personnel	2,387,793	2,422,332
Utilities	1,749,739	1,572,437
Supplies and expenses	224,461	261,436
Repairs and maintenance	533,024	582,919
General and administrative	1,295,629	1,287,125
Total operating expenses	6,190,646	6,126,249
Operating revenues over operating expenses before incentive management fee	300,593	704,379
Incentive management fee	168,420	219,439
Operating revenues over operating expenses and incentive management fee	$ 132,173	$ 484,940

See notes to special-purpose financial statements

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

	Year Ended June 30,	
	2017	2016
Amount due to (from) Operator, beginning of year	$ 695,910	$ 585,776
Excess of operating revenues over operating expenses and incentive management fee	132,173	484,940
Contributions received from Operator	1,791,765	1,652,373
Amounts paid to Operator	(1,555,201)	(2,027,179)
Amount due to (from) Operator, end of year	$ 1,064,647	$ 695,910

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,	
	2017	2016
Cash flows from operating activities		
Operating revenues over operating expenses	$ 132,173	$ 484,940
Changes in assets and liabilities:		
Accounts receivable	(365,835)	228,161
Prepaid expenses	(50,301)	(30,110)
Accounts payable	275,703	(118,290)
Accrued expenses	(208,282)	169,280
Advance deposits	28,797	(38,575)
Other unearned revenue	85,029	38,093
Net cash provided by (used in) operating activities	(102,716)	733,499
Cash flows from financing activities		
Contributions received from Operator	1,791,765	1,652,373
Amounts paid to Operator	(1,555,201)	(2,027,179)
Net cash provided by (used in) financing activities	236,564	(374,806)
Net change in operating cash	133,848	358,693
Operating cash, beginning of year	888,435	529,742
Operating cash, end of year	$ 1,022,283	$ 888,435

See notes to special-purpose financial statements

NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS

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 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. Amounts in the ticket sales escrow account represent ticket sales proceeds for events that have not yet occurred. For the protection of the ticket holders, SMG and the Operator, such amounts are required to be held in a separate account to provide resources for payments to performers and promoters and for payment of operating expenses.

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.

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 term 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 $3,259,011 and $3,569,196 for the years ended June 30, 2017 and 2016, 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.

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. 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,	
	2017	2016
Excess of operating revenue over operating expenses, as defined, SMG-Van Andel Arena	$ 2,657,247	$ 1,883,043
Excess of operating revenue over operating expenses, as defined, SMG-DeVos Place	300,593	704,379
Total	$ 2,957,840	$ 2,587,422
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%

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, 2017 and 2016, is as follows:

	Year Ended June 30,	
	2017	2016
SMG-DeVos Place base management fee, included in general and administrative expense (A)	$ 173,661	$ 171,942
Total operating revenues - SMG-Van Andel Arena	$ 7,215,161	$ 6,400,073
Total operating revenues - SMG-DeVos Place	6,491,239	6,830,628
	13,706,400	13,230,701
Revenue benchmark - SMG-Van Andel Arena	5,100,000	5,000,000
Revenue benchmark - SMG-DeVos Place	4,500,000	4,500,000
	9,600,000	9,500,000
Revenues in excess of benchmark	$ 4,106,400	$ 3,730,701
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 $347,322 and $343,884, respectively	222,322	218,884
	347,322	343,884
Percent payable	100%	100%
Total incentive fee payable	$ 347,322	$ 343,884
Incentive fee allocated to SMG-Van Andel Arena	$ 178,902	$ 124,445
Incentive fee allocated to SMG-DeVos Place (B)	168,420	219,439
Total incentive fee	$ 347,322	$ 343,884
Total management fees - SMG-DeVos Place (A + B)	$ 342,081	$ 391,381

The incentive fee shall be allocated between facilities by the percentage of each facility's 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.

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 $20,646 and $22,981 in matching contributions for the years ended June 30, 2017 and 2016, 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 includes $313,344 and $117,255 due from SMG-Van Andel Arena as of June 30, 2017 and 2016, respectively. Accounts payable includes $4,554 and $20,921 due to SMG-Van Andel Arena as of June 30, 2017 and 2016, respectively.

During the years ended June 30, 2017 and 2016, SMG-DeVos Place made payments of $54,581 and $62,608, respectively, to SMG-Food and Beverage LLC, a related party to SMG, for catering services.

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 years ended June 30, 2017 and 2016, SMG-DeVos Place carried commercial insurance to cover all risks of losses. SMG-DeVos Place has had no settled claims resulting from these risks that exceeded their commercial coverage in the past three years.

■ ■ ■ ■ ■

Van Andel Arena, as Managed by SMG

Years Ended June 30, 2017 and 2016

Special-Purpose Financial Statements

Rehmann

Business wisdom delivered.

VAN ANDEL ARENA, AS MANAGED BY SMG

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Rehmann

Rehmann Robson

2330 East Paris Ave. SE
Grand Rapids, MI 49546
Ph: 616.975.4100
Fx: 616.975.4400
rehmann.com

INDEPENDENT AUDITORS' REPORT

September 28, 2017

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, 2017 and 2016, and the special-purpose statements of operating revenues, operating expenses and incentive management fee 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 years then ended, and the related notes to the special-purpose financial statements (collectively, the "Special-Purpose Financial 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 an opinion on these special-purpose financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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, 2017 and 2016, and its operating revenues, operating expenses, changes in amount due Operator, and operating cash flows for the years then ended in accordance with the basis of presentation described in Note 1 to the special-purpose financial statements.

Basis of Presentation

We draw attention to Note 1 to the special-purpose financial statements, which describes the basis of accounting. The special-purpose financial statements are prepared pursuant to the Management Agreement, 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's financial position, 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 Robson 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, 2017	June 30, 2016
Assets (all current)		
Cash and cash equivalents:		
Operating	$ 1,877,950	$ 982,108
Ticket sales escrow	4,153,061	5,532,518
Accounts receivable	1,390,392	1,054,288
Prepaid expenses	98,422	73,992
Total assets (all current)	$ 7,519,825	$ 7,642,906
Liabilities (all current)		
Accounts payable	$ 1,907,184	$ 703,153
Accrued expenses	847,730	734,600
Unearned revenue:		
Advance ticket sales	4,153,061	5,532,518
Advance deposits	14,925	33,425
Other unearned revenue	1,171,065	1,486,776
Total liabilities (all current)	8,093,965	8,490,472
Amount due Operator (deficit)	(574,140)	(847,566)
Total liabilities and amount due Operator	$ 7,519,825	$ 7,642,906

See notes to special-purpose financial statements

VAN ANDEL ARENA, AS MANAGED BY SMG

Special-Purpose Statements of Operating Revenues, Operating Expenses, and Incentive Management Fee Arising from Activities Managed by SMG

	Year Ended June 30, 2017	Year Ended June 30, 2016
Operating revenues		
Events	$ 1,751,734	$ 1,275,844
Ancillary revenues, net:		
Food and beverage	1,877,314	1,763,571
Novelties	139,044	120,917
Other	21,357	1,035
	2,037,715	1,885,523
Other operating revenues:		
Premium seating	1,734,564	1,827,841
Advertising income	651,614	665,272
Other	1,039,534	745,593
	3,425,712	3,238,706
Total operating revenues	7,215,161	6,400,073
Operating expenses		
Personnel	1,798,850	1,822,712
Utilities	1,012,298	971,456
Supplies and expenses	218,242	254,712
Repairs and maintenance	374,466	353,766
General and administrative	1,154,058	1,114,384
Total operating expenses	4,557,914	4,517,030
Operating revenues over operating expenses before incentive management fee	2,657,247	1,883,043
Incentive management fee	178,902	124,445
Operating revenues over operating expenses and incentive management fee	$ 2,478,345	$ 1,758,598

See notes to special-purpose financial statements

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

	Year Ended June 30, 2017	Year Ended June 30, 2016
Amount due to (from) Operator, beginning of year	$ (847,566)	$ (1,738,316)
Excess of operating revenues over operating expenses and incentive management fee	2,478,345	1,758,598
Contributions received from Operator	1,028,338	986,481
Amounts paid to Operator	(3,233,257)	(1,854,329)
Amount due to (from) Operator, end of year	$ (574,140)	$ (847,566)

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,	
	2017	2016
Cash flows from operating activities		
Operating revenues over operating expenses	$ 2,478,345	$ 1,758,598
Changes in assets and liabilities:		
Accounts receivable	(336,104)	69,691
Prepaid expenses	(24,430)	(5,624)
Accounts payable	1,204,031	73,165
Accrued expenses	113,130	88,977
Advance deposits	(18,500)	-
Unearned revenue	(315,711)	(134,851)
Net cash provided by operating activities	3,100,761	1,849,956
Cash flows from financing activities		
Contributions received from Operator	1,028,338	986,481
Amounts paid to Operator	(3,233,257)	(1,854,329)
Net cash used in financing activities	(2,204,919)	(867,848)
Net change in operating cash	895,842	982,108
Operating cash, beginning of year	982,108	-
Operating cash, end of year	$ 1,877,950	$ 982,108

See notes to special-purpose financial statements

NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS

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 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. Amounts in the ticket sales escrow account represent ticket sales proceeds for events that have not yet occurred. For the protection of the ticket holders, SMG and the Operator, such amounts are required to be held in a separate account to provide resources for payments to performers and promoters and for payment of operating expenses.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. No amount is considered uncollectible at June 30, 2017 and 2016, respectively.

Prepaid Expenses

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

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 term 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 $3,604,615 and $2,724,636 for the years ended June 30, 2017 and 2016, 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.

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. 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,	
	2017	2016
Excess of operating revenue over operating expenses, as defined, SMG-Van Andel Arena	$ 2,657,247	$ 1,883,043
Excess of operating revenue over operating expenses, as defined, SMG-DeVos Place	300,593	704,379
Total	$ 2,957,840	$ 2,587,422
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%

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, 2017 and 2016, is as follows:

	Year Ended June 30,	
	2017	2016
SMG-Van Andel base management fee, included in general and administrative expense (A)	$ 173,661	$ 171,942
Total operating revenues - SMG-Van Andel Arena	$ 7,215,161	$ 6,400,073
Total operating revenues - SMG-DeVos Place	6,491,239	6,830,628
	13,706,400	13,230,701
Revenue benchmark - SMG-Van Andel Arena	5,100,000	5,000,000
Revenue benchmark - SMG-DeVos Place	4,500,000	4,500,000
	9,600,000	9,500,000
Revenues in excess of benchmark	$ 4,106,400	$ 3,730,701
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 $347,322 and $343,884, respectively	222,322	218,884
	347,322	343,884
Percent payable	100%	100%
Total incentive fee payable	$ 347,322	$ 343,884
Incentive fee allocated to SMG-Van Andel Arena (B)	$ 178,902	$ 124,445
Incentive fee allocated to SMG-DeVos Place	168,420	219,439
Total incentive fee	$ 347,322	$ 343,884
Total management fees - SMG-Van Andel Arena (A + B)	$ 352,563	$ 296,387

The incentive fee shall be allocated between facilities by the percentage of each facility's 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.

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 $13,232 and $12,373 in matching contributions for the years ended June 30, 2017 and 2016, 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 includes $4,554 and $20,921 due from SMG-DeVos Place as of June 30, 2017 and 2016, respectively. Accounts payable includes $313,344 and $117,255 payable to SMG-DeVos Place as of June 30, 2017 and 2016, 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 includes $287,675 and $25,902 from SMG-Food and Beverage LLC, as of June 30, 2017 and 2016, respectively. Accounts payable includes $1,763 and $9,900 to SMG-Food and Beverage LLC, as of June 30, 2017 and 2016, respectively. During the years ended June 30, 2017 and 2016, SMG-Van Andel received payments of $3,174,550 and $2,708,611, respectively, from SMG-Food and Beverage LLC which represents commission on sales. During the years ended June 30, 2017 and 2016, SMG-Van Andel made payments of $220,302 and $175,396, respectively, to SMG-Food and Beverage LLC.

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 years ended June 30, 2017 and 2016, SMG-Van Andel Arena carried commercial insurance to cover all risks of losses. SMG-Van Andel Arena has had no settled claims resulting from these risks that exceeded their commercial coverage in the past three years.

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Rehmann

Rehmann Robson

2330 East Paris Ave. SE
Grand Rapids, MI 49546
Ph: 616.975.4100
Fx: 616.975.4400
rehmann.com

INDEPENDENT AUDITORS' COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

September 28, 2017

To 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 years ended June 30, 2017 and 2016, and have issued our reports thereon dated September 28, 2017. Professional standards require that we advise you of the following matters relating to our audits.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated July 12, 2017, our responsibility, as described by professional standards, is to form and express opinions about whether the special-purpose financial statements that have been prepared by management with your oversight 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 of your 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 audits, 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 audits 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 audits according to the planned scope and timing previously communicated to you in our engagement letter and in our meeting about planning matters on August 14, 2017.

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 SMG-DeVos Place and SMG-Van Andel Arena 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 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 is 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 audits.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audits, 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.

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' reports. No such disagreements arose during the course of the audits.

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,

Rehmann Robson LLC

Attachment A - Consideration of Internal Control Over Financial Reporting
For the June 30, 2017 Audits

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, 2017, and the related notes to the special-purpose financial statements, which collectively comprise SMG-DeVos Place and SMG-Van Andel Arena's special-purpose financial statements, and have issued our reports thereon dated September 28, 2017.

In planning and performing our audits 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 audits 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 (repeated from prior year)

In the prior year audit, we noted various checks that 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." During the current year, the outstanding items were moved out of cash and into an accrued liability account, but had not yet been remitted to the State. 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 two significant balances that have been outstanding for over a year. Subsequent to our audit fieldwork, one of the liabilities has already been paid in full. Amounts due to vendors/providers should be liquidated in a timely manner unless a payment plan has been agreed upon with the other party.

Attachment A - Consideration of Internal Control Over Financial Reporting
For the June 30, 2017 Audits

Independent Review of Journal Entries (repeated from prior year)

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 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 one instance in which a journal entry did not evidence independent review and approval. The entry itself was accompanied by adequate supporting documentation and did not indicate any attempt to override controls.

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Attachment B – Management Representations

For the June 30, 2017 Audit

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

GRAND RAPIDS-KENT COUNTY
CONVENTION / ARENA AUTHORITY
ENTERTAINMENT, CONVENTION, SHOW & SPORTS FACILITIES

September 28, 2017

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

This representation letter is provided in connection with your audits of 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 years ended June 30, 2017 and 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 assets, liabilities, and amounts due/from Operator, and the respective operating revenues, operating expenses, and changes in amounts due/from Operator, and operating cash flows, in conformity with the Management Agreement with the Grand Rapids-Kent County Convention/Arena Authority (the "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.

We confirm that, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of September 28, 2017:

Special-Purpose Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated July 12, 2017, for the preparation and fair presentation of the special-purpose financial statements in accordance with the Management Agreement with 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
GRAND RAPIDS

Van Andel Arena®
130 West Fulton
Grand Rapids, MI 49503-2601
616.742.6600
Fax 616.742.6197

DEVOS PLACE

DeVos Place®
303 Monroe Ave. NW
Grand Rapids, MI 49503-2233
616.742.6500
Fax 616.742.6590

SMG

Information Provided

9. 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 special-purpose financial statements, such as records, documentation, and other matters;
   b. Additional information that you have requested from us for the purpose of the audits; and
   c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
10. All transactions have been recorded in the accounting records and are reflected in the special-purpose financial statements.
11. 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.
12. 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 special-purpose financial statements.
13. 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.
14. 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.
15. 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.
16. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
17. We have disclosed to you all guarantees, whether written or oral, under which we are contingently liable.
18. 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.
19. 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 special-purpose 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.
    c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed.
20. We have satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor have any asset or future revenue been pledged as collateral, except as disclosed to you.
21. 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.
22. 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, Asst. General Manager

Richard Mackeigan, Regional General Manager

Grand Rapids - Kent County Convention/Arena Authority

Years Ended June 30, 2017 and 2016

Financial Statements

Rehmann

Business wisdom delivered.

GRAND RAPIDS - KENT COUNTY CONVENTION/ARENA AUTHORITY

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Rehmann

Rehmann Robson

2330 East Paris Ave. SE
Grand Rapids, MI 49546
Ph: 616.975.4100
Fx: 616.975.4400
rehmann.com

INDEPENDENT AUDITORS' REPORT

November 17, 2017

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 years ended June 30, 2017 and 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.

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 an express opinion 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, 2017 and 2016, and the changes in financial position and cash flows for the years 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 an opinion 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 Robson LLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2017 and 2016. 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	$ 25,387,726
· Change in total net position	1,472,765
· Capital assets, net	1,976,273
· Change in net capital assets	291,528

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 signification 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.

Management's Discussion and Analysis

Financial Analysis

The Authority's assets exceeded its liabilities by $25,387,726 and $23,914,961 for the years ended June 30, 2017 and 2016, 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,		
	2017	2016	2015
Assets			
Current and other assets	$ 35,521,363	$ 33,060,113	$ 31,048,585
Capital assets, net	1,976,273	1,684,745	1,302,158
	37,497,636	34,744,858	32,350,743
Liabilities			
Other liabilities	12,109,910	10,829,897	9,152,261
Net position			
Investment in capital assets	1,976,273	1,684,745	1,302,158
Unrestricted	23,411,453	22,230,216	21,896,324
Total net position	$ 25,387,726	$ 23,914,961	$ 23,198,482

A portion of the Authority's net position (7.8% and 7.0% in 2017 and 2016, 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,		
	2017	2016	2015
Operating revenues	$ 15,202,485	$ 14,620,074	$ 13,192,859
Operating expenses	14,193,769	13,765,758	12,237,128
Operating income	1,008,716	854,316	955,731
Nonoperating revenues	496,144	334,461	321,947
Income before transfers out	1,504,860	1,188,777	1,277,678
Transfer of constructed assets	(32,095)	(472,298)	(503,052)
Change in net position	1,472,765	716,479	774,626
Net position, beginning of year	23,914,961	23,198,482	22,423,856
Net position, end of year	$ 25,387,726	$ 23,914,961	$ 23,198,482

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 2017 operating revenues is a direct result of the continued popularity of both venues combined with the number and types of events held therein. While attendance for the facilities combined remained relatively constant, the number of events increased moderately (only seven different year over year) and per capita spending and per event settlements increased from 2016 to 2017.

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.

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 2017, operating expenses increased at approximately the same rate as operating revenues, excepting depreciation. Depreciation expense increased due to a number of factors, the most pertinent related to security camera systems and parking equipment that became outdated in fiscal year 2017 for technology changes. These systems were completely replaced during fiscal year 2017 and additional depreciation was taken on the replaced assets.

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.

Nonoperating Revenues

Nonoperating revenues result primarily from a parking lease (Area #2), an SMG food and beverage contribution (completed in fiscal year 2016) 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 2017, investment returns increased by about 50% reflecting similar increases in the Federal funds rate. In 2016, investment returns improved, 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 an almost doubling of the related parking rates, especially south of the Arena, daily and event parking revenues continue to increase at the Arena Area #2 lot, increasing from approximately $192,000 in 2016 to approximately $314,000 in 2017.

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 2017 and 2016, construction expenses of approximately $32,000 and $472,000, 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.

Capital Assets and Debt Administration

Capital Assets. At June 30, 2017 and 2016, the Authority had invested $1,976,273 and $1,684,745, 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,		
	2017	2016	2015
Equipment	$ 1,976,273	$ 1,684,745	$ 1,302,158

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, 2017, 2016 or 2015.

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 sixteenth and seventeenth 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 booking 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 2018 (beginning July 1, 2017) budget forecasts operating revenues of $14.0 million with operating expenses (before depreciation) of $12.4 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, 2017	June 30, 2016
Assets		
Current assets:		
Cash and cash equivalents	$ 9,723,946	$ 9,192,842
Investments	22,947,055	21,731,689
Accounts receivable, net	2,575,187	1,935,138
Prepaid expenses	275,175	200,444
Total current assets	35,521,363	33,060,113
Noncurrent assets:		
Capital assets being depreciated, net	1,976,273	1,684,745
Total assets	37,497,636	34,744,858
Liabilities (all current)		
Accounts payable and accrued liabilities	2,133,374	770,799
Accrued expenses	1,532,477	1,627,060
Advance ticket sales	6,747,507	6,515,101
Advance deposits	342,493	332,196
Unearned revenue	1,354,059	1,584,741
Total liabilities (all current)	12,109,910	10,829,897
Net position		
Investment in capital assets	1,976,273	1,684,745
Unrestricted	23,411,453	22,230,216
Total net position	$ 25,387,726	$ 23,914,961

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,	
	2017	2016
Operating revenues		
Charges for services - facilities	$ 15,202,485	$ 14,620,074
Operating expenses		
Personnel services	4,316,423	4,372,836
Utilities	2,769,793	2,566,402
Supplies and other expenses	2,212,058	2,013,324
Contractual services	3,442,310	3,481,609
Depreciation	480,780	281,099
Repairs and maintenance	910,690	986,782
Professional services	61,715	63,706
Total operating expenses	14,193,769	13,765,758
Operating income	1,008,716	854,316
Nonoperating revenues		
Federal grants	5,056	19,611
Interest revenue	176,908	117,498
Other revenue	314,180	197,352
Total nonoperating revenues	496,144	334,461
Income before transfers out	1,504,860	1,188,777
Transfer of constructed assets	(32,095)	(472,298)
Change in net position	1,472,765	716,479
Net position, beginning of year	23,914,961	23,198,482
Net position, end of year	$ 25,387,726	$ 23,914,961

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

Statements of Cash Flows

	Year Ended June 30,	
	2017	2016
Cash flows from operating activities		
Cash received from facility operations	$ 15,507,906	$ 16,863,454
Cash payments to employees	(4,266,989)	(4,284,021)
Cash payments for goods and services	(9,186,188)	(9,440,055)
Net cash provided by operating activities	2,054,729	3,139,378
Cash flows from capital and related financing activities		
Acquisition/construction of capital assets	(772,308)	(663,686)
Acquisition/construction of transferred assets	(32,095)	(472,298)
Other receipts	319,236	216,963
Net cash used in capital and related financing activities	(485,167)	(919,021)
Cash flows from investing activities		
Interest and dividends received	176,908	117,498
Proceeds from sale of investments	3,650,000	2,700,000
Purchases of investments	(4,865,366)	(1,983,811)
Net cash provided by (used in) investing activities	(1,038,458)	833,687
Net change in cash and cash equivalents	531,104	3,054,044
Cash and cash equivalents, beginning of year	9,192,842	6,138,798
Cash and cash equivalents, end of year	$ 9,723,946	$ 9,192,842

continued...

Statements of Cash Flows

	Year Ended June 30,	
	2017	2016
Reconciliation of operating income to net cash provided by operating activities		
Operating income	$ 1,008,716	$ 854,316
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	480,780	281,099
Change in operating assets and liabilities:		
Accounts receivables, net	(640,049)	362,061
Prepaid expenses	(74,731)	(35,734)
Accounts payable and accrued liabilities	1,362,575	(119,927)
Accrued expenses	(94,583)	55,439
Advance ticket sales	232,406	1,927,457
Advance deposits	10,297	(38,575)
Unearned revenue	(230,682)	(146,758)
Net cash provided by operating activities	$ 2,054,729	$ 3,139,378

concluded

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

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NOTES TO FINANCIAL STATEMENTS

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.

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.

Notes to Financial Statements

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. Investments underlying the County External Investment Pool consist primarily of short-term certificates of deposit, which are carried at cost plus accrued interest, and U.S. treasuries and agencies, which are carried at fair value. Investment income earned as a result of cash pooling is allocated to participating governments. Positions in external investment pools are not required to be categorized within the fair value hierarchy.

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.

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.

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 $4,558 and $6,006 at June 30, 2017 and 2016, 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 $6,863,626 and $6,293,832 for the years ended June 30, 2017 and 2016, 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,	
	2017	**2016**
Statement of net position		
Cash and cash equivalents	$ 9,723,946	$ 9,192,842
Investments	22,947,055	21,731,689
Total	$ 32,671,001	$ 30,924,531
Deposits and investments		
Bank deposits - checking / savings accounts	$ 9,723,946	$ 9,192,842
Investments in the Kent County Investment Pool	22,947,055	21,731,689
Total	$ 32,671,001	$ 30,924,531

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, 2017, $9,509,936 of the Authority's bank balance of $10,259,936 was exposed to custodial credit risk because it was uninsured and uncollateralized. 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.

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, 2017 and 2016, the Authority's investments were not subject to custodial credit risk. Additional information regarding custodial credit risk can be found in the notes to the financial statements of the County's Comprehensive Annual Financial Report.

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 County investment pool is not rated. Additional information regarding credit risk of the investments held in the County investment pool can be found in the notes to the financial statements of the County's Comprehensive Annual Financial Report.

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, 2017 and 2016 consisted entirely of balances in the Kent County Investment Pool. Such amounts are accessible to the Authority on demand. The Authority's investments do not have identifiable maturity dates. Additional information regarding interest rate risk can be found in the notes to the financial statements of the County's Comprehensive Annual Financial Report.

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. Information on concentration of credit risk for the County Investment Pool can be found in the notes to the financial statements of the County's Comprehensive Annual Financial Report.

Notes to Financial Statements

3. ACCOUNTS RECEIVABLES

Accounts receivables are comprised of the following:

	June 30, 2017	June 30, 2016
Facility customers/events	$ 1,763,527	$ 1,174,078
Ancillary revenues	843,182	762,346
Allowance for uncollectible accounts	(31,522)	(1,286)
	$ 2,575,187	$ 1,935,138

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets, being depreciated:					
Buildings and structures	$ 322,431	$ -	$ -	$ -	$ 322,431
Equipment	3,646,416	772,308	-	-	4,418,724
	3,968,847	772,308	-	-	4,741,155
Less accumulated depreciation for:					
Buildings and structures	(322,431)	-	-	-	(322,431)
Equipment	(1,961,671)	(480,780)	-	-	(2,442,451)
	(2,284,102)	(480,780)	-	-	(2,764,882)
Capital assets, net	$ 1,684,745	$ 291,528	$ -	$ -	$ 1,976,273

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
	3,305,161	663,686	-	-	3,968,847
Less accumulated depreciation for:					
Buildings and structures	(322,431)	-	-	-	(322,431)
Equipment	(1,680,572)	(281,099)	-	-	(1,961,671)
	(2,003,003)	(281,099)	-	-	(2,284,102)
Capital assets, net	$ 1,302,158	$ 382,587	$ -	$ -	$ 1,684,745

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, 2017 and 2016, respectively, total management and incentive fees earned by SMG were approximately $695,000 and $688,000, 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 (UNAUDITED)

Schedule of Revenues, Expenses and Changes in Net Position

Budget and Actual
For the Year Ended June 30, 2017

	Budget	Actual	Actual Over (Under) Budget
Operating revenues			
Facilities charges	$ 12,492,026	$ 15,202,485	$ 2,710,459
Operating expenses			
Personnel services	4,495,326	4,316,423	(178,903)
Utilities	2,555,160	2,769,793	214,633
Supplies and expenses	536,498	2,212,058	1,675,560
Contractual services	3,477,283	3,442,310	(34,973)
Depreciation	-	480,780	480,780
Repairs and maintenance	822,289	910,690	88,401
Professional services	180,000	61,715	(118,285)
Total operating expenses	12,066,556	14,193,769	2,127,213
Operating income	425,470	1,008,716	583,246
Nonoperating revenues			
Federal grants	-	5,056	5,056
Interest revenue	154,358	176,908	22,550
Other revenue	305,530	314,180	8,650
Total nonoperating revenues	459,888	496,144	36,256
Income before transfers out	885,358	1,504,860	619,502
Transfer of constructed assets	(2,300,000)	(32,095)	2,267,905
Change in net position	(1,414,642)	1,472,765	2,887,407
Net position, beginning of year	23,914,961	23,914,961	-
Net position, end of year	$ 22,500,319	$ 25,387,726	$ 2,887,407

Rehmann

Rehmann Robson

2330 East Paris Ave. SE
Grand Rapids, MI 49546
Ph: 616.975.4100
Fx: 616.975.4400
rehmann.com

INDEPENDENT AUDITORS' COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

November 17, 2017

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 years ended 2017 and 2016, and have issued our report thereon dated November 17, 2017. 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 12, 2017, 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.

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 October 17, 2017.

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. No matters have come to our attention that would require us, under professional standards, to inform you about 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.

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 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 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 A 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,

Rehmann Robson LLC

Attachment A – Upcoming Changes in Accounting Standards / Regulations
For the June 30, 2017 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 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 81 ■ Irrevocable Split-Interest Agreements
Effective 12/15/2017 (your FY 2018)

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 83 ■ Certain Asset Retirement Obligations
Effective 06/15/2019 (your FY 2019)

This standard addresses accounting and financial reporting for certain asset retirement obligations--legally enforceable liabilities associated with the retirement of a tangible capital asset. We do not expect this standard to have any significant effect on the Authority.

GASB 84 ■ Fiduciary Activities
Effective 12/15/2019 (your FY 2020)

This standard establishes new criteria for determining how to report fiduciary activities in governmental financial statements. The focus is on whether the government is controlling the assets, and who the beneficiaries are. Under this revised standard, certain activities previously reported in agency funds may be reclassified in future periods. Due to the number of specific factors to consider, we will continue to assess the degree to which this standard may impact the Authority.

GASB 85 ■ Omnibus 2017
Effective 06/15/2018 (your FY 2018)

This standard includes a variety of small technical revisions to previously issued GASB statements. We do not expect this standard to have any significant effect on the Authority.

Attachment A – Upcoming Changes in Accounting Standards / Regulations

For the June 30, 2017 Audit

GASB 86 ■ Certain Debt Extinguishment Issues

Effective 06/15/2018 (your FY 2018)

This standard provides guidance for reporting the in-substance defeasance of outstanding debt obligations using existing resources. Qualifying transactions will remove both the assets placed into trust and the related debt obligation from the government's statement of net position. We do not expect this standard to have any significant effect on the Authority.

GASB 87 ■ Leases

Effective 12/15/2020 (your FY 2021)

This standard establishes a single model for reporting all leases (including those previously classified as operating and capital). Lessees will now report offsetting intangible lease assets and lease liabilities equal to the present value of future lease payments. Lessors will report offsetting lease receivables and deferred inflows of resources.

■ ■ ■ ■ ■

Attachment B – Management Representations

For the June 30, 2017 Audit

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

November 17, 2017

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 years ended June 30, 2017 and 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).

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.

We confirm that, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of November 17, 2017:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated July 12, 2017, 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 all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
8. 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.
9. All component units, as well as joint ventures with an equity interest, are included and other joint ventures and related organizations are properly disclosed.
10. All funds and activities are properly classified.
11. 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.
12. All components of net position have been properly reported.
13. 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.
14. 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.
15. All interfund and intra-entity transactions and balances have been properly classified and reported.
16. Deposit and investment risks have been properly and fully disclosed.
17. Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.

Information Provided

18. 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.
19. All transactions have been recorded in the accounting records and are reflected in the financial statements.

20. 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.
21. 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.
22. 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.
23. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements.
24. 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.
25. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
26. The government has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
27. We have disclosed to you all guarantees, whether written or oral, under which the government is contingently liable.
28. 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.
29. 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.
30. 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.
31. 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.
32. 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

33. 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

Rich MacKeigan, Contracted Executive Director

Memorandum

To: CAA Board
CAA Finance Committee

From: Robert J. White

Subject: Consolidated Financial Report
FY 2017 Recap – Budget to Actual

Date: November 2, 2017

The attached material summarizes the CAA administrative operating budget and consolidated income statement for fiscal years ended June 30, 2016-2018 and provides a comparison to the current fiscal year (FY 2018) budget.

Table D provides a summary of the consolidated budget by facility for the fiscal year ending June 30, 2018, along with actual results for FY 2016 and FY 2017. ***The FY 2017 budget, as adopted, forecasted a ($1,646,878) 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 $1,181,237 applied to its unrestricted fund balance.*** The variances are summarized in the following manner:

Van Andel Arena®

The original budgeted operating revenues forecast a (14.5%) decrease for this facility. At fiscal year end, the facility recorded $7.2 million in actual operating revenues, representing a 12.7% increase from prior year. Increased concert activity had a significant impact on this operating account. The originally budgeted "net proceeds," totaled $1.2 million. Actual results totaled $2.7 million.

DeVos Place® Convention Center

The FY 2017 budget forecast a decline in operating revenues of (15.4%). Increased activity at DeVos Place® resulted in a lesser decrease of (5.0%) from prior year. In addition, DeVos Place® parking net revenues increased by 24.9% ($+.24 million). The result was an improvement in "net proceeds," from a budgeted net of $458,326 to a margin of $1,297,134.

Administrative (Other)

<u>Expenses</u>:

- Monies budgeted for "Marketing Campaign" ($200,000) and "Repairs - Food & Beverage" ($40,000) remained unexpended at year end.

Capital Expenditures

The budget included a spending allowance of $2,532,236. One project, “Refurbish Basketball Locker Room,” at $75,000, was cancelled. All other projects were completed at a net savings of $97,508.

All of these revenue/expenditure variances resulted in a positive variance from a forecasted $1.6 million draw on unrestricted fund balance to a positive balance of $1.2 million for the Fiscal Year ended June 30, 2017.

The Fiscal Year 2018 budget forecasts a draw of $2.0 million from unrestricted fund balance. This draw is required as a result of a capital spending appropriation of $3.9 million. Current year cash flow will provide $1.9 million for these capital projects, with the remaining $2.0 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, 2016 - 2018

	FY 2016	FY 2017			FY 2018
	Actual	**Budget**	**Estimate**	**Actual**	**Budget**
Van Andel Arena					
Operating - Revenues	$ 6,400,073	$ 5,470,265	$ 6,622,177	$ 7,215,161	$ 5,862,420
- Expenses - Facilities	(4,345,088)	(4,245,108)	(4,453,840)	(4,384,253)	(4,417,724)
- Management Fees	(171,942)	(173,833)	(173,661)	(173,661)	(177,134)
- Incentive Fees	**(124,445)**	**(78,018)**	**(149,819)**	**(178,902)**	**(101,780)**
Net Operating Income	$ 1,758,598	$ 973,306	$ 1,844,857	$ 2,478,345	$ 1,165,782
DeVos Place					
Operating - Revenues	$ 6,830,628	$ 5,779,735	$ 6,506,644	$ 6,491,239	$ 6,337,310
- Expenses - Facilities	(5,954,307)	(5,804,973)	(5,971,337)	(6,016,985)	(5,979,448)
- Management Fees	(171,942)	(173,833)	(173,661)	(173,661)	(177,134)
- Incentive Fees	**(219,439)**	**(269,649)**	**(197,503)**	**(168,420)**	**(252,488)**
Net Operating Loss	$ 484,940	$ (468,720)	$ 164,143	$ 132,173	$ (71,760)
Net Available to CAA:					
Van Andel Arena	$ 1,758,598	$ 973,306	$ 1,844,857	$ 2,478,345	$ 1,165,782
DeVos Place	484,940	(468,720)	164,143	132,173	(71,760)
	$ 2,243,538	**$ 504,586**	**$ 2,009,000**	**$ 2,610,518**	**$ 1,094,022**

Grand Rapids-Kent County Convention/Arena Authority
Administrative - Operating / Capital Replacement Budget
FY 2016-2018

		FY2016	FY 2017			FY 2018
		Actual	**Budget**	**Estimate**	**Actual**	**Budget**
Revenues:						
Facility Operations		$ 2,243,538	$ 504,586	$ 2,009,000	$ 2,610,518	$ 1,094,022
Utility Reimbursement		2,317,824	2,415,960	2,450,154	2,483,975	2,396,200
Transfers from SMG		4,561,362	2,920,546	4,459,154	5,094,493	3,490,222
DeVos Place Parking	(1)	1,173,312	1,261,071	1,361,766	1,411,690	1,361,766
VanAndel Parking	(1)	197,352	305,530	284,152	314,180	384,987
Interest	(2)	117,498	154,358	168,365	176,908	286,250
Miscellaneous	(7)	235,673	54,456	83,696	89,452	85,000
Total Revenues		6,285,197	4,695,961	6,357,133	7,086,723	5,608,225
Expenditures:						
Utilities	(4)	2,317,824	2,415,960	2,450,154	2,483,975	2,396,200
Other Operating	(5)	423,230	622,484	369,673	367,387	442,000
Administration/Other	(6)	848,930	698,659	635,797	694,396	863,873
Facility Maintenance		1,225,336	-	-	1,555,325	804,403
Capital		1,135,984	2,532,236	2,478,609	804,403	3,885,000 (3)
Total Expenditures		5,951,304	6,269,339	5,934,233	5,905,486	8,391,476
Net Excess (Deficit)		$ 333,893	$ (1,573,378)	$ 422,900	$ 1,181,237	$ (2,783,251)

Notes: See Following Pages

Table B-1
Grand Rapids-Kent County Convention/Arena Authority
Administrative - Operating / Capital Replacement Budget
FY 2018 Budget

Notes:

(1) DeVos Place Parking Rates:		FY 2016	FY 2017		FY 2018
30 Minutes		$ 1.50	$ 1.50		$ 1.50
Daily Maximum		15.00	15.00		15.00
Event		9.00	10.00	*	10.00
Monthly	-Public	154.00	154.00		154.00
	-Reserved Premium	58.00	58.00		58.00
	-County/SMG (O+M)	36.06	41.00		60.77
Van Andel Arena Parking Rates:					
Event		$ 9.00	$ 12.00	*	$ 12.00
Non-Event Coin Unit		5.00	10.00	*	10.00
Monthly	-Public	76.00	112.00	*	112.00

* Rate Effective 9/1/2016.

(2) $22.9 million (3/31/17 pool balance) in invested funds at 1.25%.

(3) FY 2018 Projects:

		Project Source
Van Andel Arena®		
Arc Flash hazard analysis	75,000	CODE
Compressor rebuilds (4) (Phase 3 of 4)	140,000	LT+Rossetti
Folding chairs (replace 300 floor seating chairs) (Phase 2)	60,000	LT
Elevator modernization program	250,000	LT+Rossetti
Locker room refurbish study	40,000	LT
Concession equipment	40,000	---
Ice making machines	70,000	---
Basketball floor demo (new or replace)	100,000	LT
Dashers	230,000	LT
Total VAA	1,005,000	
DeVos Place®		
Phase 3 security system camera upgrades	125,000	LT
Removal/replace flooring in DVPH locker room/sound booth areas	150,000	LT
Recycling containers	125,000	Customer
DVPH hearing loop upgrades	35,000	Customer
Landscaping trees (east and west GG)	130,000	---
Arc Flash hazard analysis	125,000	CODE
Phase 1 of VFD drive replacements (3 phases total)	125,000	LT
DVPH VIP area	450,000	Revenue
New meters for subs	50,000	---
New Michigan Street dock door	1,000,000	---
Replace radios (both buildings)	75,000	---
Door redesign for GG east & west denka movement and BR D removable jam	50,000	---
Welsh lobby exterior brick tucking and stone rehab	125,000	LT
DeVos Performance Hall stage lighting	165,000	Revenue
Secchia lobby window treatments	150,000	---
Total DVP	2,880,000	
Total FY 2018 Capital Budget	**$ 3,885,000**	

Table B-1
Grand Rapids-Kent County Convention/Arena Authority
Detail of Expenditure Estimates
FY 2016-2018

	FY 2016	FY 2017			FY 2018	
	Actual	Budget	Estimate	Actual	Budget	
Utilities[4]:						
Electricity	$ 1,668,752	$ 1,676,000	$ 1,728,119	$ 1,714,264	$ 1,680,000	
Steam/Gas	529,606	621,600	573,579	608,118	591,600	
Water/Sewer	119,466	118,360	148,456	161,593	124,600	
	$ 2,317,824	$ 2,415,960	$ 2,450,154	$ 2,483,975	$ 2,396,200	
Other Operating[5]:						
Parking Management	$ 195,339	$ 205,522	$ 205,522	$ 190,550	$ 218,000	
Pedestrian Safety	157,971	146,962	150,259	162,836	159,000	
Marketing Campaign	-	200,000	-	-	-	
Repairs - F&B	46,890	40,000	-	-	40,000	
Landscaping	23,030	30,000	13,892	14,001	25,000	
	$ 423,230	$ 622,484	$ 369,673	$ 367,387	$ 442,000	
Administration/Other[6]:						
Wages	$ 95,322	$ 97,957	$ 97,957	$ 94,973	$ 102,200	
Benefits	32,469	26,468	27,043	34,807	29,268	
Accounting/Audit	47,486	24,900	46,902	46,882	27,000	
Legal Services	16,220	35,000	20,000	14,833	38,500	
DID Assessment[A]	53,269	54,335	38,405	38,405	55,422	
Consulting Services	181,606	72,701 *	77,709	117,709	150,000	**
Insurance	16,350	22,298	21,062	17,238	21,483	
Marketing - CVB/WMSC	125,000	125,000	125,000	125,000	200,000	
Diversity Initiative	203,399	150,000	120,000	68,077	150,000	
Procurement of Art (ArtPrize)	29,822	30,000	26,719	28,941	30,000	
Other	47,987	60,000	35,000	107,531	60,000	
	$ 848,930	$ 698,659	$ 635,797	$ 694,396	$ 863,873	

Notes:

[A] Downtown Improvement District special assessment contribution from CAA based on benefit allocation formula.

[7] Miscellaneous Revenue (FY 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 included $66,000 from Phantom ticket surcharge to reimburse DeVos stage reconstruction.

*SMG-$32,701 and $40,000 for CAA share of Lyon Street design work.
**SMG-$33,355 and $116,645 for hotel study.

Table C
Grand Rapids-Kent County Convention/Arena Authority
Consolidated Income Statement
Fiscal Years Ending June 30, 2016-2018

		FY 2016	FY 2017			FY 2018
		Actual	**Budget**	**Estimate**	**Actual**	**Budget**
Operating Revenue:						
Event	- VanAndel Arena	$ 1,275,844	$ 1,315,000	$ 1,726,352	$ 1,751,734	$ 1,517,650
	- DeVos Place	3,520,845	2,953,900	3,325,772	3,196,369	3,195,900
Ancillary	- VanAndel Arena	1,885,523	1,252,915	1,881,717	2,037,715	1,397,670
	- DeVos Place	2,653,585	2,411,335	2,625,586	2,675,613	2,533,410
Other	- VanAndel Arena	3,238,706	2,902,350	3,014,108	3,425,712	2,947,100
	- DeVos Place	656,198	414,500	555,286	619,257	608,000
	-Administration	53,132	54,456	83,696	89,452	85,000
Parking	- VanAndel Arena	197,352	305,530	284,152	314,180	384,987
	- DeVos Place	1,173,312	1,261,071	1,361,766	1,411,690	1,361,766
		14,654,497	12,871,057	14,858,435	15,521,722	14,031,483
Operating Expense / Appropriations:						
Facility Operations						
	- VanAndel Arena	4,345,088	4,245,108	4,453,840	4,384,253	4,417,724
	- DeVos Place	5,954,307	5,804,973	5,971,337	6,016,985	5,979,448
	- Management	343,884	347,666	347,322	347,322	354,268
	- Incentive	343,884	347,666	347,322	347,322	354,268
	- Parking/Maintenance	423,230	622,484	369,673	367,387	442,000
Other Operating		1,225,336	-	-	1,555,325	-
Administration/Other		848,930	698,659	635,797	694,396	863,873
		13,484,659	12,066,556	12,125,291	13,712,990	12,411,581
Operating Income		1,169,838	804,501	2,733,144	1,808,732	1,619,902
Non-Operating Revenue:						
Interest/Capital Contribution		300,039	154,358	168,365	176,908	286,250
Transfer (to) from Capital Acct.		(1,135,984)	(2,532,236)	(2,478,609)	(804,403)	(3,885,000)
		(835,945)	(2,377,878)	(2,310,244)	(627,495)	(3,598,750)
Net Income (Loss)		**333,893**	**(1,573,377)**	**422,900**	**1,181,237**	**(1,978,848)**
Fund Balance, beg. of yr.		**21,896,324**	**22,230,217**	**22,230,217**	**22,230,217**	**23,411,454**
Fund Balance, end of yr.		**$ 22,230,217**	**$ 20,656,840**	**$ 22,653,117**	**$ 23,411,454**	**$ 21,432,606**

Table D
Grand Rapids-Kent County Convention/Arena Authority
Budget Summary by Facility/Other
FY 2016-2017 Actual
FY 2018 Budget

	FY 2016	FY 2017			FY 2018
	Actual	**Budget**	**Estimate**	**Actual**	**Budget**
Van Andel Arena					
Operating - Revenues	$ 6,400,073	$ 5,470,265	$ 6,622,177	$ 7,215,161	$ 5,862,420
- Expenses - Facilities	(4,345,088)	(4,245,108)	(4,453,840)	(4,384,253)	(4,417,724)
- Management Fees	(171,942)	(173,833)	(173,661)	(173,661)	(177,134)
- Incentive Fee	(124,445)	(78,017)	(149,819)	(178,902)	(101,780)
Net Operating Income (Loss)	1,758,598	973,307	1,844,857	2,478,345	1,165,782
Parking	197,352	305,530	284,152	314,180	384,987
Pedestrian Safety	(100,906)	(91,960)	(101,919)	(106,657)	(108,000)
Net Proceeds (Cost) of VAA	**1,855,044**	**1,186,877**	**2,027,090**	**2,685,868**	**1,442,769**
DeVos Place Convention Center					
Operating - Revenues	6,830,628	5,779,735	6,506,644	6,491,239	6,337,310
- Expenses - Facilities	(5,954,307)	(5,804,973)	(5,971,337)	(6,016,985)	(5,979,448)
- Management Fees	(171,942)	(173,833)	(173,661)	(173,661)	(177,134)
- Incentive Fee	(219,439)	(269,649)	(197,503)	(168,420)	(252,488)
Net Operating Loss	484,940	(468,720)	164,143	132,173	(71,760)
Parking	977,973	1,055,549	1,156,244	1,221,140	1,143,766
Pedestrian Safety	(57,066)	(55,002)	(48,340)	(56,179)	(51,000)
Net Proceeds (Cost) of DVP	**1,405,847**	**531,827**	**1,272,047**	**1,297,134**	**1,021,006**
Other					
Revenues					
Interest	167,498	154,358	168,365	176,908	286,250
Miscellaneous	185,673	54,456	83,696	89,452	85,000
	353,171	208,814	252,061	266,360	371,250
Expenses					
Administration	(848,930)	(698,659)	(635,797)	(694,396)	(863,873)
Other Operating	(69,920)	(270,000)	(13,892)	(14,001)	(65,000)
	(918,850)	(968,659)	(649,689)	(708,397)	(928,873)
Net Other	(565,679)	(759,845)	(397,628)	(442,037)	(557,623)
Total Net Proceeds/Operating	**2,695,212**	**958,859**	**2,901,509**	**3,540,965**	**1,906,152**
Capital Expenditures	(2,361,320)	(2,532,236)	(2,478,609)	(2,359,728)	(3,885,000)
Results Net of Capital Expenditures	$ 333,892	$ (1,573,377)	$ 422,900	$ 1,181,237	$ (1,978,848)

Table E

Grand Rapids-Kent County Convention/Arena Authority

Summary of Consolidated Income Statement - By Facility

Fiscal Years 2009 through 2018

November 2, 2017

(In Thousands)

	Actual								Actual	Budget
	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
VAA - Net Proceeds	$ 1,529	$ 1,612	$ 925	$ 976	$ 1,793	$ 532	$ 1,610	$ 1,980	$ 2,865	$ 1,545
DVP - Net Proceeds	72	36	125	280	784	445	908	1,625	1,465	1,273
SMG Incentive Fees	(211)	(238)	-	-	(331)	-	(344)	(344)	(347)	(354)
Other-Net Proceeds	354 (1)	(126) (1)	(276)	(425)	(313) (1)	(456)	(308)	(565)	(442)	(558)
Total Net Operating	1,744	1,284	774	831	1,933	521	1,866	2,696	3,541	1,906
Capital	(566)	(675)	(3,416)	(662)	(962)	(2,565)	(1,130)	(2,361)	(2,360)	(3,885)
Transfer To/(From) Fund Balance	1,178	609	(2,642)	169	971	(2,044)	736	335	1,181	(1,979)
Fund Balance, End of Year	$ 24,119	$ 24,728	$ 22,066	$ 22,234	$ 23,204	$ 21,160	$ 21,896	$ 22,230	$ 23,411	$ 21,432

NOTES:

(1) 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)
November 2, 2017

	Beginning Fund Balance	Revenues	Expenses	Net Income/ (Loss)	Capital	Ending Fund Balance
FY 2018	$ 23,411	$ 14,318	$ (12,412)	$ 1,906	$ (3,885)	$ 21,432
FY 2019	21,432	14,644	(12,647)	1,997	(3,825)	19,604
FY 2020	19,604	15,017	(12,887)	2,130	(2,236)	19,498
FY 2021	19,498	15,518	(13,132)	2,386	(2,279)	19,605
FY 2022	19,605	15,839	(13,380)	2,459	(2,322)	19,742
FY 2023	19,742	16,168	(13,635)	2,533	(5,451)	16,824
FY 2024	16,824	16,413	(13,893)	2,520	(5,599)	13,745
FY 2025	13,745	16,660	(14,157)	2,503	(5,698)	10,550
FY 2026	10,550	16,910	(14,426)	2,484	(5,797)	7,237
FY 2027	7,237	17,165	(14,701)	2,464	(5,946)	3,755
FY 2028	3,755	17,422	(14,981)	2,441	(1,859)	4,337
FY 2029	4,337	17,810	(15,266)	2,544	(1,890)	4,991
FY 2030	4,991	18,208	(15,557)	2,651	(1,935)	5,707
FY 2031	5,707	18,616	(15,853)	2,763	(1,966)	6,504
FY 2032*	6,504	19,034	(16,155)	2,879	(2,012)	7,371

NOTES:
Revenues - Facilities increase by 2% per annum, parking facilities increase by 3% per annum and interest at 1.25% (FY18) to 3.00% (FY21) 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.

*Final bond maturity - December 1, 2031.

Grand Rapids-Kent County
Convention/Arena Authority
Consolidated Financial Report
October 31, 2017

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GRAND RAPIDS-KENT COUNTY
CONVENTION / ARENA AUTHORITY
ENTERTAINMENT, CONVENTION, SHOW & SPORTS FACILITIES

Financial Dashboard
Year-To-Date (4 Months)
October 31, 2017

Van Andel Arena®						
	All Events			Concert		
	Prior Year	Budget	Actual	Prior Year	Budget	Actual
Events	22	21	24	10	6	6
Attendance	128,095	92,600	112,532	82,927	48,000	43,102
Event Income	$ 1,332,771	$ 825,107	$ 822,202	$ 1,076,775	$ 514,740	$ 487,863

DeVos Place®						
	All Events			Convention/Trade		
	Prior Year	Budget	Actual	Prior Year	Budget	Actual
Events	131	119	161	44	39	69
Attendance	122,899	106,200	120,370	55,316	39,000	66,008
Event Income	$ 1,555,700	$ 1,496,103	$ 1,852,710	$ 801,961	$ 742,950	$ 996,285

	Prior Year	Budget	Actual
Operating Income (Loss)	$ 449,854	$ (346,189)	$ 85,732
Capital/Repair/Replacement	(929,916)	(1,064,907)	(1,107,566)
Net - To/(From) on Fund Balance	$ (480,062)	$ (1,411,096)	$ (1,021,834) [1]

*NOTES: (1):

Unrestricted Fund Balance @ June 30, 2017 $ 23,411,454

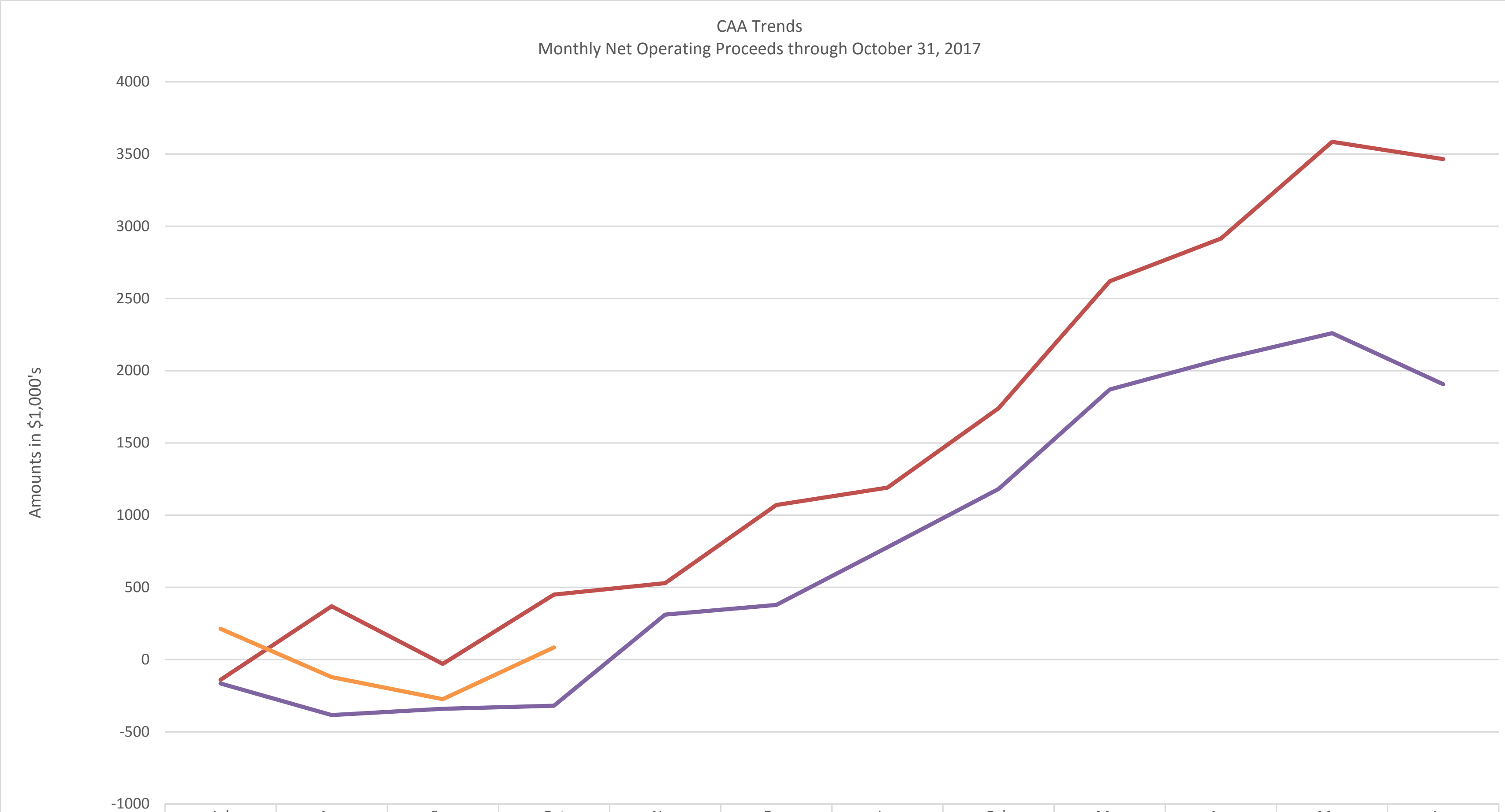
Grand Rapids-Kent County Convention/Arena Authority
Summary by Facility/Other
Fiscal Year Ending June 30, 2018

	FY 2018				FY 2017
	7/1 - 10/31 Year-to-Date	Roll	Estimate*	Budget	Prior Year
Van Andel Arena					
Operating - Revenues	$ 1,551,822	$ 4,331,256	$ 5,883,078	$ 5,862,420	$ 7,215,161
- Expenses - Facilities	(1,373,612)	(3,044,112)	(4,417,724)	(4,417,724)	(4,384,253)
- Base Management Fees	(58,813)	(118,321)	(177,134)	(177,134)	(173,661)
- Incentive Fee	-	(97,631)	(97,631)	(101,780)	(178,902)
Net Operating Income (Loss)	119,397	1,071,192	1,190,589	1,165,782	2,478,345
Parking	114,500	270,487	384,987	384,987	314,180
Pedestrian Safety	(7,268)	(100,732)	(108,000)	(108,000)	(106,657)
Net Proceeds (Cost) of VAA	**226,629**	**1,240,947**	**1,467,576**	**1,442,769**	**2,685,868**
DeVos Place Convention Center					
Operating - Revenues	1,865,327	4,601,239	6,466,566	6,337,310	6,491,239
- Expenses - Facilities	(2,200,678)	(3,778,770)	(5,979,448)	(5,979,448)	(6,016,985)
- Base Management Fees	(58,813)	(118,321)	(177,134)	(177,134)	(173,661)
- Incentive Fee	-	(255,249)	(255,249)	(252,488)	(168,420)
Net Operating Income (Loss)	(394,164)	448,899	54,735	(71,760)	132,173
Parking	363,010	780,756	1,143,766	1,143,766	1,221,140
Pedestrian Safety	(7,067)	(43,933)	(51,000)	(51,000)	(56,179)
Net Proceeds (Cost) of DVP	**(38,221)**	**1,185,722**	**1,147,501**	**1,021,006**	**1,297,134**
Other					
Revenues	80,996	290,254	371,250	371,250	266,360
Expenses	(183,672)	(745,201)	(928,873)	(928,873)	(708,397)
Net Other	(102,676)	(454,947)	(557,623)	(557,623)	(442,037)
Total Net Proceeds/Operating	**85,732**	**1,971,722**	**2,057,454**	**1,906,152**	**3,540,965**
Capital Expenditures	(1,107,566)	(2,820,093)	(3,927,659)	(3,885,000)	(2,359,728)
Results Net of Capital Expenditures	**$ (1,021,834)**	**$ (848,371)**	**$ (1,870,205)**	**$ (1,978,848)**	**$ 1,181,237**

*Updated estimate will be based on quarterly performance and projections for balance of year. Next quarterly update to be provided with December financial report (1/5/18 Board meeting).

Grand Rapids-Kent County Convention/Arena Authority
Budget Summary by Facility/Other
Financial Trends for Year Ending June 30, 2018

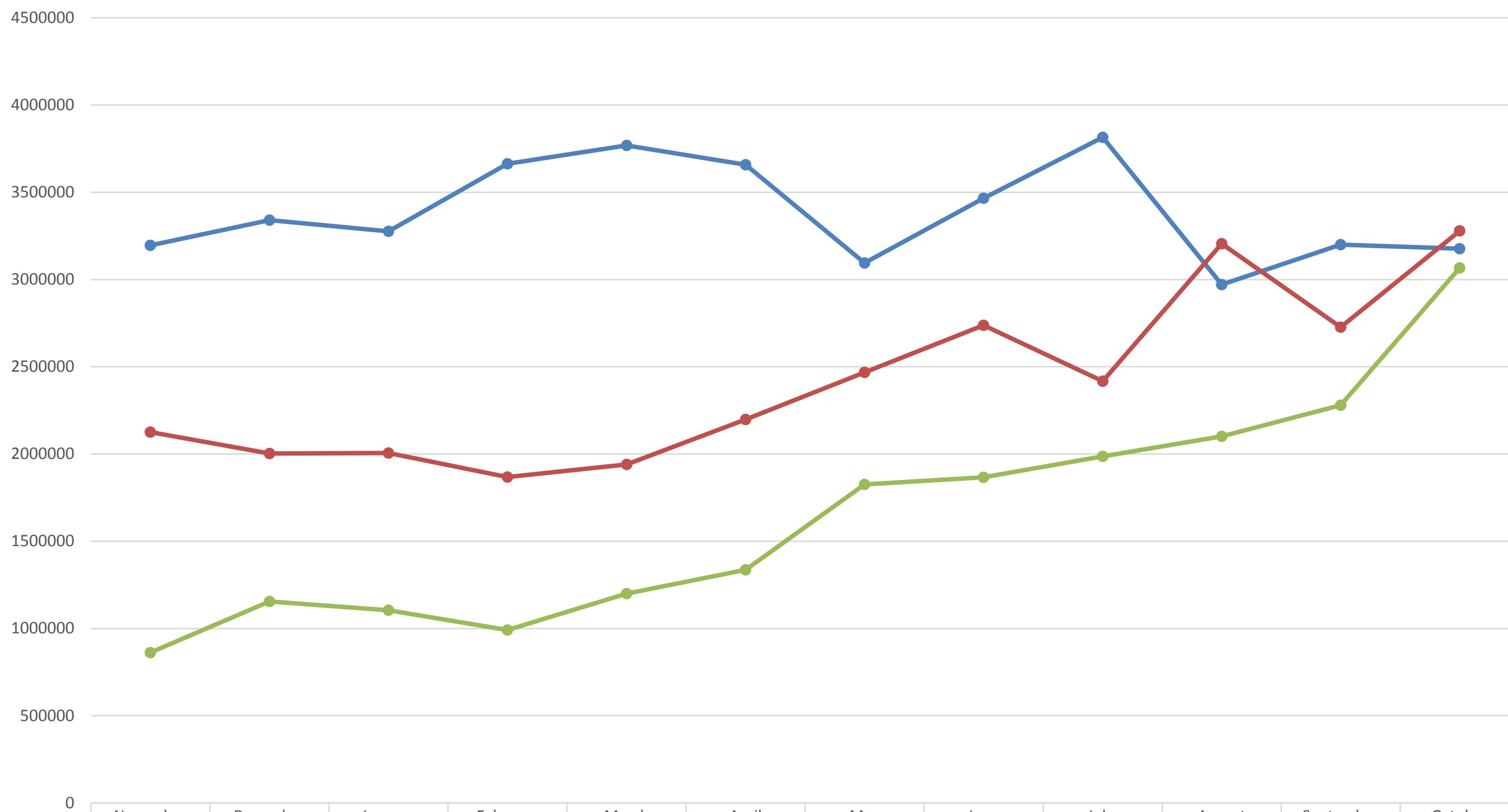
	Annual			Year-To-Date		
	FY 2017 Final	**FY 2018 Budget**	**Percentage Change**	**FY 2017 7/1 - 10/31**	**FY 2018 7/1 - 10/31**	**Percentage Change**
Van Andel Arena						
Operating - Revenues	$ 7,215,161	$ 5,862,420	(18.7)	$2,178,408	$ 1,551,822	(28.8)
- Expenses - Facilities	(4,384,253)	(4,417,724)	(0.8)	(1,461,617)	(1,373,612)	6.0
- Base Management Fees	(173,661)	(177,134)	(2.0)	(57,887)	(58,813)	1.6
- Incentive Fee	(178,902)	(101,780)	43.1	-	-	-
Net Operating Income (Loss)	2,478,345	1,165,782	(53.0)	658,904	119,397	(81.9)
Parking	314,180	384,987	22.5	81,390	114,500	40.7
Pedestrian Safety	(106,657)	(108,000)	(1.3)	(14,403)	(7,268)	49.5
Net Proceeds (Cost) of VAA	**2,685,868**	**1,442,769**	**(53.7)**	**725,891**	**226,629**	**(68.8)**
DeVos Place Convention Center						
Operating - Revenues	6,491,239	6,337,310	(2.4)	1,569,552	1,865,327	18.8
- Expenses - Facilities	(6,016,985)	(5,979,448)	0.6	(1,904,530)	(2,200,678)	(15.5)
- Base Management Fees	(173,661)	(177,134)	(2.0)	(57,887)	(58,813)	(1.6)
- Incentive Fee	(168,420)	(252,488)	(49.9)	-	-	-
Net Operating Income (Loss)	132,173	(71,760)	(154.3)	(392,865)	(394,164)	(0.3)
Parking	1,221,140	1,143,766	(6.3)	277,268	363,010	30.9
Pedestrian Safety	(56,179)	(51,000)	9.2	(4,899)	(7,067)	(44.3)
Net Proceeds (Cost) of DVP	**1,297,134**	**1,021,006**	**(21.3)**	**(120,496)**	**(38,221)**	**68.3**
Other						
Revenues	266,360	371,250	39.4	56,886	80,996	42.4
Expenses	(708,397)	(928,873)	(31.1)	(212,427)	(183,672)	13.5
Net Other	(442,037)	(557,623)	(26.1)	(155,541)	(102,676)	34.0
Total Net Proceeds/Operating	**3,540,965**	**1,906,152**	**(46.2)**	**449,854**	**85,732**	**(81.0)**
Capital/Repair Expenditures	(2,359,728)	(3,885,000)	(64.6)	(929,916)	(1,107,566)	(19.1)
Results Net of Capital Expenditures	**$ 1,181,237**	**$ (1,978,848)**	**(267.5)**	**$ (480,062)**	**$ (1,021,834)**	**(112.9)**



	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
FY17 Actual	-140	370	-30	450	530	1070	1190	1740	2620	2915	3585	3465
FY18 Budget	-166	-384	-341	-319	311	378	778	1181	1870	2079	2260	1906
FY18 Actual	213	-121	-274	85								

Accumulative Net Proceeds by Month

Lagging 12 Months Net Operating Proceeds



	November	December	January	February	March	April	May	June	July	August	September	October
Current	3195881	3340349	3276483	3663262	3767746	3657572	3094387	3465963	3814753	2970965	3199799	3176843
Prior	2126094	2002324	2005720	1867918	1939561	2197887	2467944	2738001	2417485	3205759	2726357	3278535
2 Year Prior	862437	1155148	1104747	991605	1200166	1336328	1825980	1866179	1986713	2100584	2278970	3066642

Significant Notes

Van Andel Arena®

- Page 1 - Six concerts generated $487,863 in event revenue, a decrease of (54.7%) from prior year (10 concerts) of $1,076,775.
- Page 3 - Net proceeds of $226,629 decreased by (68.8%) from prior year of $725,891.

DeVos Place®

- Page 1 - Convention/trade show business generated $992,285 in event revenue, an increase of +23.7% from prior year (attendance increased from 55,316 to 66,008) of $801,961.
- Page 3 - Net "proceeds" of ($38,221) increased by +68.3% from prior year "proceeds" of ($120,496).

Grand Rapids-Kent County Convention/Arena Authority
Administrative Accounts
Net Other Detail
October 31, 2017

	Annual			Actual		
	FY 2017 Final	**FY 2018 Budget**	**Percentage Change**	**FY 2017 7/1-10/31**	**FY 2018 7/1/-10/31**	**Percentage Change**
Other						
Revenues						
Interest/Capital Contr.	$ 176,908	$ 286,250	61.8	$ 50,630	$ 77,340	52.8
Miscellaneous	89,452	85,000	(5.0)	6,256	3,656	(41.6)
	266,360 -	371,250	39.4	56,886	80,996	42.4
Expenses						
Marketing (CVB/Sports)	125,000	200,000	60.0	50,000	-	(100.0)
Diversity Initiative	68,077	150,000	120.3	9,872	22,345	126.4
Wages/Benefits	129,780	131,468	1.3	32,348	38,770	19.9
Professional Services	61,715	65,500	6.1	29,595	29,927	1.1
DID Assessment	38,405	55,422	44.3	38,405	40,254	4.8
Food & Beverage Repairs	-	40,000	100.0+	-	-	-
Consulting Services	117,709	150,000 [1]	27.4	5,056	8,143	61.1
Landscaping	14,001	25,000	78.6	-	8,131	100.0+
Procurement of Art	28,941	30,000	3.7	26,719	8,056	(69.8)
Insurance	17,238	21,483	24.6	16,985	25,084	47.7
Supplies/Other	107,531	60,000	(44.2)	3,447	2,962	(14.1)
	708,397	928,873	31.1	212,427	183,672	(13.5)
Net Proceeds - Operating	$ (442,037)	$ (557,623)	(26.1)	$ (155,541)	$ (102,676)	34.0

Notes:

[1] Includes SMG $33,355 and $116,645 for hotel study.

VAN ANDEL ARENA

FINANCIAL STATEMENT
FOR THE PERIOD ENDED OCTOBER 31, 2017

PROUD HOME OF THE GRAND RAPIDS GRIFFINS – TWO TIME CALDER CUPS CHAMPIONS

Distribution:

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

An SMG Managed Facility

VAN ANDEL ARENA
ROLLING FORECAST
FISCAL YEAR ENDING JUNE 30, 2018

	YTD	ROLL	TOTAL FYE	BUDGET FYE	VARIANCE
NO. EVENTS	24	77	101	100	1
ATTENDANCE	112,532	479,802	592,334	612,100	(19,766)
DIRECT EVENT INCOME	250,050	1,233,666	1,483,716	1,517,650	(33,934)
ANCILLARY INCOME	325,006	1,145,417	1,470,423	1,397,670	72,753
OTHER EVENT INCOME	247,146	445,451	692,597	679,500	13,097
TOTAL EVENT INCOME	822,202	2,824,534	3,646,736	3,594,820	51,916
TOTAL OTHER INCOME	729,620	1,506,722	2,236,342	2,267,600	(31,258)
TOTAL INCOME	1,551,822	4,331,256	5,883,078	5,862,420	20,658
INDIRECT EXPENSES					
EXECUTIVE	66,015	150,697	216,712	216,712	-
FINANCE	83,672	172,904	256,576	256,576	-
MARKETING	100,740	160,166	260,906	260,906	-
OPERATIONS	663,753	1,383,646	2,047,399	2,047,399	-
BOX OFFICE	48,807	119,339	168,146	168,146	-
LUXURY SEATING	1,842	82,207	84,049	84,049	-
SKYWALK ADMIN	12,230	45,670	57,900	57,900	-
OVERHEAD	455,366	1,047,804	1,503,170	1,503,170	-
TOTAL INDIRECT EXP.	1,432,425	3,162,433	4,594,858	4,594,858	-
NET REVENUE ABOVE EXPENSES	119,397	1,168,823	1,288,220	1,267,562	20,658
LESS INCENTIVE FEE		97,631	97,631	101,780	4,149
NET REVENUE ABOVE EXPENSES AFTER INCENTIVE	119,397	1,071,192	1,190,589	1,165,782	24,807

Comments:

October saw the Arena finish with revenues consistent with budget overall as the Steely Dan concert sold well enough to help offset the lower than expected Bob Dylan sales. October also marked the start of the Griffins season with yet another sold out season opener. Expenses came in lower, partly due to timing, that resulted in the bottom-line being ahead of budget overall.

General Manager

Assistant General Manager

VAN ANDEL ARENA
FINANCIAL STATEMENT HIGHLIGHTS
FOR FISCAL YEAR ENDING JUNE 30, 2018

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 2017
Number of Events	12	8	11
Attendance	63,798	51,100	54,351
Direct Event Income	$110,716	$163,400	$122,721
Ancillary Income	141,903	120,777	163,736
Other Event Income	117,362	60,000	61,222
Other Operating Income	178,968	190,521	177,308
Indirect Expenses	(298,951)	(382,906)	(394,116)
Net Income	$249,998	$151,792	$130,871

YTD	YTD 2017 Actual	YTD 2017 Budget	YTD 2017 Prior Year
Number of Events	24	21	22
Attendance	112,532	102,600	128,095
Direct Event Income	$250,050	$431,900	$563,965
Ancillary Income	325,006	232,707	457,266
Other Event Income	247,146	160,500	311,540
Other Operating Income	729,620	734,083	845,637
Indirect Expenses	(1,432,425)	(1,531,624)	(1,519,504)
Net Income	$119,397	$27,566	$658,904

EVENT INCOME

Event income overall fell short of budget as the two concerts hosted during the month were below average selling concerts (though Steely Dan exceeded expectations).

ANCILLARY INCOME

Ancillary income came in a little ahead of budget overall as per cap spending on concessions continues to be very strong.

INDIRECT EXPENSES

Indirect expenses came in lower than budget overall. Most of the savings was a result of an over accrual of electrical expense through the first quarter of the fiscal year. Arena did not receive electric bills for a couple of months and when finally received, they were lower than expected. Current month also reflect truing up the management fee that had been over expensed the previous month.

Van Andel Arena
Income Statement
For the Four Months Ending October 31, 2017

	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	$212,155	$195,900	$16,255	$302,681	$391,638	$458,400	($66,762)	$750,527
Service Revenue	272,154	198,500	73,654	328,454	777,252	646,500	130,752	1,048,386
Service Expenses	(373,593)	(231,000)	(142,593)	(508,414)	(918,840)	(673,000)	(245,840)	(1,234,948)
Total Direct Event Income	**110,716**	**163,400**	**(52,684)**	**122,721**	**250,050**	**431,900**	**(181,850)**	**563,965**
Ancillary Income								
F&B Concession	124,014	104,614	19,400	141,140	260,416	196,834	63,582	359,378
F&B Catering	12,368	8,003	4,365	12,271	29,478	16,193	13,285	37,965
Novelty Sales	5,115	8,160	(3,045)	10,325	25,533	19,680	5,853	59,705
Booth Cleaning	406	0	406	0	2,344	0	2,344	0
Audio Visual	0	0	0	0	7,235	0	7,235	218
Total Ancillary Income	**141,903**	**120,777**	**21,126**	**163,736**	**325,006**	**232,707**	**92,299**	**457,266**
Other Event Income								
Ticket Rebates(Per Event)	117,362	60,000	57,362	61,222	247,146	160,500	86,646	311,540
Total Other Event Income	**117,362**	**60,000**	**57,362**	**61,222**	**247,146**	**160,500**	**86,646**	**311,540**
Total Event Income	**369,981**	**344,177**	**25,804**	**347,679**	**822,202**	**825,107**	**(2,905)**	**1,332,771**
Other Operating Income								
Luxury Box Agreements	118,631	134,438	(15,807)	117,038	504,777	509,751	(4,974)	619,453
Advertising	56,680	52,083	4,597	56,680	205,571	208,332	(2,761)	209,925
Other Income	3,657	4,000	(343)	3,590	19,272	16,000	3,272	16,259
Total Other Operating Income	**178,968**	**190,521**	**(11,553)**	**177,308**	**729,620**	**734,083**	**(4,463)**	**845,637**
Adjusted Gross Income	**548,949**	**534,698**	**14,251**	**524,987**	**1,551,822**	**1,559,190**	**(7,368)**	**2,178,408**
Operating Expenses								
Salaries and Wages	188,109	209,099	(20,990)	197,358	754,743	836,396	(81,653)	836,032
Payroll Taxes and Benefits	56,993	63,430	(6,437)	58,977	195,395	253,720	(58,325)	224,786
Labor Allocations to Events	(125,693)	(107,925)	(17,768)	(104,812)	(355,383)	(431,700)	76,317	(452,636)
Net Salaries and Benefits	**119,409**	**164,604**	**(45,195)**	**151,523**	**594,755**	**658,416**	**(63,661)**	**608,182**
Contracted Services	16,366	21,150	(4,784)	28,060	91,543	84,600	6,943	85,310
General and Administrative	32,461	25,823	6,638	37,708	161,701	103,292	58,409	173,421
Operations	4,640	8,065	(3,425)	12,812	19,004	32,260	(13,256)	17,456
Repair and Maintenance	26,250	30,258	(4,008)	36,165	121,800	121,032	768	123,002
Operational Supplies	29,365	20,792	8,573	16,500	62,070	83,168	(21,098)	64,313
Insurance	18,291	14,736	3,555	14,580	36,311	58,944	(22,633)	41,677
Utilities	52,169	82,717	(30,548)	82,296	286,428	330,868	(44,440)	348,256
SMG Management Fees	0	14,761	(14,761)	14,472	58,813	59,044	(231)	57,887
Total Operating Expenses	**298,951**	**382,906**	**(83,955)**	**394,116**	**1,432,425**	**1,531,624**	**(99,199)**	**1,519,504**
Net Income(Loss) From Operations	**249,998**	**151,792**	**98,206**	**130,871**	**119,397**	**27,566**	**91,831**	**658,904**
Other Non-Operating Expenses								
Adjusted Net Income(Loss)	**249,998**	**151,792**	**98,206**	**130,871**	**119,397**	**27,566**	**91,831**	**658,904**

SMG - Van Andel Arena
Grand Rapids - Kent County Convention/Arena Authority
Event Summary
For the Four Months Ended October 31, 2017

Event Type	Events/Days Actual	Events/Days Budget	Attendance Actual	Attendance Budget	Total Event Income Actual	Total Event Income Budget
Family Show						
Sporting Event	5	4	16,075	10,000	123,798	81,180
Concert	6	6	43,102	48,000	487,863	514,740
Team Home Games	5	3	24,779	20,100	56,309	47,748
Other	8	8	28,576	14,500	154,232	181,440
GRAND TOTALS	24	21	112,532	92,600	822,202	825,107
As Percentage of Overall						
Family Show	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Sporting Event	20.83%	19.05%	14.28%	10.80%	15.06%	9.84%
Concert	25.00%	28.57%	38.30%	51.84%	59.34%	62.38%
Team Home Games	20.83%	14.29%	22.02%	21.71%	6.85%	5.79%
Other	33.33%	38.10%	25.39%	15.66%	18.76%	21.99%

Van Andel Arena
Balance Sheet
As of October 31, 2017

ASSETS

Current Assets		
Cash	7,046,404	
Account Receivable	470,179	
Prepaid Expenses	40,625	
Total Current Assets		**$7,557,208**
Total Assets		**$7,557,208**

LIABILITIES AND EQUITY

Current Liabilities		
Accounts Payable	603,148	
Accrued Expenses	206,053	
Deferred Income	1,923,256	
Advanced Ticket Sales & Deposits	6,719,806	
Total Current Liabilities		$9,452,263
Other Liabilities		
Equity		
Funds Remitted to CAA	(1,646,634)	
Expenses Paid Direct by CAA	206,322	
Beginning Balance Equity	(574,140)	
Current Year Equity	119,397	
Total Equity		($1,895,055)
Total Liabilities and Equity		**$7,557,208**

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SMG - Van Andel Arena
Grand Rapids - Kent County Convention/Arena Authority
Summary of Accounts Receivable
As of October 31, 2017

Current - Under 30 Days	
Food & Beverage	261,326
Ticketing	375,368
Merchandise	-
Permanent Advertising	-
DeVos Place	(302,317)
Operating	115,448
Over 30 Days	10,507
Over 60 Days	9,847
Over 90 Days	
Total Accounts Receivable	470,179

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SMG - Van Andel Arena & DeVos Place
Grand Rapids - Kent County Convention/Arena Authority
Management Fee Summary
Fiscal Year Ending June 30, 2018

MANAGEMENT FEE SUMMARY

	Arena Estimate	DeVos Place Estimate	Total Estimate	FY 2017 Actual
Net Revenue above Expenses	1,288,220	309,984	1,598,204	2,957,840
Benchmark ++			750,000	750,000
Excess	1,288,220	309,984	848,204	2,207,840

Incentive Fee Calculation (Only if above greater than zero)

	Arena Actual	DeVos Place Actual	Total Estimate	Total Actual
Base Fee	176,440	176,440	352,880	347,322
Incentive Fee				
Revenue	5,883,078	6,466,566	12,349,644	13,706,400
Benchmark Revenue	5,150,000	4,550,000	9,700,000	9,600,000
Revenue Excess	733,078	1,916,566	2,649,644	4,106,400
Incentive Fee **	97,631	255,249	352,880	347,322
Total SMG Management Fee	274,071	431,689	705,760	694,644

** 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.

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DE VOS PLACE

FINANCIAL STATEMENT
FOR THE PERIOD ENDED OCTOBER 31, 2017

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, 2018

	YTD Actual	Roll	TOTAL FYE	BUDGET FYE	VARIANCE
NO. EVENTS	161	392	553	485	68
ATTENDANCE	120,370	512,400	632,770	579,000	53,770
DIRECT EVENT INCOME	800,893	2,722,600	3,523,493	3,195,900	327,593
ANCILLARY INCOME	905,428	1,972,400	2,877,828	2,533,410	344,418
OTHER EVENT INCOME	146,389	465,900	612,289	501,000	111,289
TOTAL EVENT REVENUE	1,852,710	5,160,900	7,013,610	6,230,310	783,300.00
TOTAL OTHER REVENUE	12,617	94,383	107,000	107,000	-
TOTAL OPERATING REVENUE	1,865,327	5,255,283	7,120,610	6,337,310	783,300
INDIRECT EXPENSES					
EXECUTIVE	79,011	133,400	212,411	212,411	-
FINANCE	95,376	185,505	280,881	280,881	-
MARKETING	45,434	129,825	175,259	175,259	-
OPERATIONS	468,807	1,112,947	1,581,754	1,581,754	-
EVENT SERVICES	595,194	579,086	1,174,280	1,174,280	-
BOX OFFICE	73,242	60,506	133,748	133,748	-
SALES	135,795	293,644	429,439	429,439	-
OVERHEAD	766,633	1,402,177	2,168,810	2,168,810	-
TOTAL OPERATING EXP.	2,259,491	3,897,090	6,156,582	6,156,582	-
NET REVENUE ABOVE EXPENSES	(394,164)	1,358,193	964,028	180,728	783,300
INCENTIVE FEE		255,249	255,249	252,488	(2,761)
NET OPERATING REVENUE OVER OPERATING EXPENSES	(394,164)	1,102,944	708,779	(71,760)	780,539

Comments:

DeVos Place continues to perform very well at the start of the fiscal year with a couple of pickup events and greater facility usage on a couple of the previously booked events contributing to the additional revenue, however, offset by some higher than anticipated expenses.

General Manager

Assistant General Manager

DE VOS PLACE
FINANCIAL STATEMENT HIGHLIGHTS
FISCAL YEAR ENDING JUNE 30, 2018

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 2017
Number of Events	47	31	50
Attendance	42,190	27,300	60,549
Direct Event Income	$258,355	$176,850	$314,176
Ancillary Income	349,842	183,927	294,155
Other Event Income	45,847	11,500	75,757
Other Operating Income	3,878	2,666	4,793
Indirect Expenses	(632,846)	(513,049)	(541,663)
Net Income	$25,076	($138,106)	$147,218

YTD	YTD 2017 Actual	YTD 2017 Budget	YTD 2017 Prior Year
Number of Events	161	119	131
Attendance	120,370	106,200	122,899
Direct Event Income	$800,893	$677,300	$726,911
Ancillary Income	905,428	735,303	669,123
Other Event Income	146,389	83,500	159,666
Other Operating Income	12,617	10,664	13,852
Indirect Expenses	(2,259,491)	(2,052,196)	(1,962,417)
Net Income	($394,164)	($545,429)	($392,865)

EVENT INCOME

Event income came in higher than budget for the month on the strength of a couple of unbudgeted events

ANCILLARY INCOME

Ancillary income came in higher than budget for the month on strong spending across most categories.

INDIRECT EXPENSES

Indirect expenses came in higher than budget for the month, however, some of the excess is due to timing with hopes that by the end of the 2nd quarter spending will have balanced out.

DeVos Place
Income Statement
For the Four Months Ending October 31, 2017

	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	$297,200	$196,100	$101,100	$326,966	$977,349	$750,900	$226,449	$804,086
Service Revenue	227,650	164,600	63,050	530,442	677,367	631,800	45,567	913,701
Service Expenses	(266,495)	(183,850)	(82,645)	(543,232)	(853,823)	(705,400)	(148,423)	(990,876)
Total Direct Event Income	258,355	176,850	81,505	314,176	800,893	677,300	123,593	726,911
Ancillary Income								
F&B Concession	28,420	6,650	21,770	19,151	66,218	32,275	33,943	47,547
F&B Catering	126,496	73,200	53,296	87,158	370,479	296,550	73,929	221,912
Novelty Sales	2,012	500	1,512	8,102	9,591	5,000	4,591	18,736
Booth Cleaning	39,206	20,587	18,619	35,213	90,821	81,838	8,983	76,734
Telephone/Long Distance	1,875	0	1,875	0	7,093	0	7,093	563
Electrical Services	68,897	29,700	39,197	65,964	139,651	112,650	27,001	118,426
Audio Visual	47,071	28,140	18,931	40,521	113,344	112,140	1,204	98,331
Internet Services	15,259	8,900	6,359	14,910	37,689	33,100	4,589	32,893
Equipment Rental	20,606	16,250	4,356	23,136	70,542	61,750	8,792	53,981
Total Ancillary Income	349,842	183,927	165,915	294,155	905,428	735,303	170,125	669,123
Other Event Income								
Ticket Rebates(Per Event)	45,847	11,500	34,347	75,757	146,389	83,500	62,889	159,666
Total Other Event Income	45,847	11,500	34,347	75,757	146,389	83,500	62,889	159,666
Total Event Income	654,044	372,277	281,767	684,088	1,852,710	1,496,103	356,607	1,555,700
Other Operating Income								
Luxury Box Agreements	1,217	1,333	(116)	1,353	5,619	5,332	287	5,410
Other Income	2,661	1,333	1,328	3,440	6,998	5,332	1,666	8,442
Total Other Operating Income	3,878	2,666	1,212	4,793	12,617	10,664	1,953	13,852
Adjusted Gross Income	657,922	374,943	282,979	688,881	1,865,327	1,506,767	358,560	1,569,552
Operating Expenses								
Salaries and Wages	410,212	298,949	111,263	332,701	1,413,540	1,195,796	217,744	984,036
Payroll Taxes and Benefits	109,832	99,063	10,769	102,098	357,170	396,252	(39,082)	301,840
Labor Allocations to Events	(226,023)	(189,839)	(36,184)	(239,633)	(824,570)	(759,356)	(65,214)	(514,275)
Net Salaries and Benefits	294,021	208,173	85,848	195,166	946,140	832,692	113,448	771,601
Contracted Services	29,385	23,692	5,693	24,546	126,190	94,768	31,422	127,262
General and Administrative	20,947	33,156	(12,209)	31,485	135,020	132,624	2,396	107,525
Operations	3,900	11,571	(7,671)	21,252	76,280	46,284	29,996	55,321
Repair and Maintenance	84,759	48,100	36,659	78,091	223,687	192,400	31,287	166,101
Operational Supplies	39,955	24,225	15,730	19,305	107,893	96,900	10,993	66,540
Insurance	18,122	20,804	(2,682)	22,790	61,209	83,216	(22,007)	62,187
Utilities	127,054	128,567	(1,513)	134,556	524,259	514,268	9,991	547,993
SMG Management Fees	14,703	14,761	(58)	14,472	58,813	59,044	(231)	57,887
Total Operating Expenses	632,846	513,049	119,797	541,663	2,259,491	2,052,196	207,295	1,962,417
Net Income(Loss) From Operati	25,076	(138,106)	163,182	147,218	(394,164)	(545,429)	151,265	(392,865)
Other Non-Operating Expenses								
Adjusted Net Income(Loss)	25,076	(138,106)	163,182	147,218	(394,164)	(545,429)	151,265	(392,865)

SMG DeVos Place
Grand Rapids - Kent County Convention/Arena Authority
Year to Date Event Summary Report
For the Four Months Ended October 31, 2017

Event Type	Events/Days Actual	Events/Days Budget	Attendance Actual	Attendance Budget	Total Event Income Actual	Total Event Income Budget
Convention/Trade Shows	69	39	66,008	39,000	996,285	742,950
Consumer/Gated Shows	5	2	3,570	3,000	34,170	21,360
DeVos Performance Hall	28	23	30,146	29,100	339,888	294,250
Banquets	10	12	4,960	9,600	136,309	131,220
Meetings	34	29	8,819	8,700	316,342	203,899
Other	15	14	6,867	16,800	29,716	102,424
GRAND TOTALS	161	119	120,370	106,200	1,852,710	1,496,103
As Percentage of Overall						
Convention/Trade Shows	42.86%	32.77%	54.84%	36.72%	53.77%	49.66%
Consumer/Gated Shows	3.11%	1.68%	2.97%	2.82%	1.84%	1.43%
Devos Performance Hall	17.39%	19.33%	25.04%	27.40%	18.35%	19.67%
Ballroom Exclusive	6.21%	10.08%	4.12%	9.04%	7.36%	8.77%
Meetings	21.12%	24.37%	7.33%	8.19%	17.07%	13.63%
Other	9.32%	11.76%	5.70%	15.82%	1.60%	6.85%

DeVos Place
Balance Sheet
As of October 31, 2017

ASSETS

Current Assets		
Cash	3,512,711	
Account Receivable	1,166,988	
Prepaid Expenses	279,117	
Total Current Assets		**$4,958,816**
Total Assets		**$4,958,816**

LIABILITIES AND EQUITY

Current Liabilities		
Accounts Payable	269,198	
Accrued Expenses	465,132	
Deferred Income	318,846	
Advanced Ticket Sales & Deposits	3,381,067	
Total Current Liabilities		$4,434,242
Other Liabilities		
Equity		
Funds Remitted to CAA	(640,294)	
Expenses Paid Direct by CAA	494,385	
Beginning Balance Equity	1,064,647	
Current Year Equity	(394,164)	
Total Equity		$524,574
Total Liabilities and Equity		**$4,958,816**

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SMG - DeVos Place
Grand Rapids - Kent County Convention/Arena Authority
Summary of Accounts Receivable
As of October 31, 2017

Current - Under 30 Days		
	Food & Beverage	153,515
	Ticketing	37,238
	Merchandise	-
	Decorating	38,873
	Audio/Visual	44,876
	Van Andel Arena	298,117
	Operating	417,034
Over 30 Days		112,710
Over 60 Days		64,625
Over 90 Days		
Total Accounts Receivable		1,166,988

SMG - Van Andel Arena & DeVos Place
Grand Rapids - Kent County Convention/Arena Authority
Management Fee Summary
Fiscal Year Ending June 30, 2018

MANAGEMENT FEE SUMMARY

	Arena Estimate	DeVos Place Estimate	Total Estimate	FY 2017 Actual
Net Revenue above Expenses	1,288,220	309,984	1,598,204	2,957,840
Benchmark ++			750,000	750,000
Excess	1,288,220	309,984	848,204	2,207,840

Incentive Fee Calculation (Only if above greater than zero)

	Arena Actual	DeVos Place Actual	Total Estimate	Total Actual
Base Fee	176,440	176,440	352,880	347,322
Incentive Fee				
Revenue	5,883,078	6,466,566	12,349,644	13,706,400
Benchmark Revenue	5,150,000	4,550,000	9,700,000	9,600,000
Revenue Excess	733,078	1,916,566	2,649,644	4,106,400
Incentive Fee **	97,631	255,249	352,880	347,322
Total SMG Management Fee	274,071	431,689	705,760	694,644

** 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.