

**COUNTY OF ONONDAGA, NEW YORK
LAKEVIEW AMPHITHEATER
(an enterprise fund)**

INTERIM FINANCIAL STATEMENTS

November 30, 2016

LAKEVIEW AMPHITHEATER

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LAKEVIEW AMPHITHEATER

Statement of Net Position

| | <u>November 30, 2016</u> |
|--|------------------------------|
| Assets | |
| Current assets: | |
| Cash and cash equivalents | \$ 331,084 |
| Restricted cash | 700,347 |
| Accounts receivable | 235,071 |
| Prepaid expenses | 2,000 |
| Total current assets | <u>1,268,502</u> |
| Capital assets, net | 49,001,571 |
| Total assets | <u>50,270,073</u> |
| Deferred outflows of resources | |
| Deferred outflows | - |
| Total deferred outflows of resources | - |
| Total assets and deferred outflows of resources | <u>\$ 50,270,073</u> |
| Liabilities | |
| Current liabilities: | |
| Accounts payable | \$ 55,312 |
| Accrued and other liabilities | 80,258 |
| Equipment reserve | 25,000 |
| Deferred ticket fees | 30,254 |
| Bonds payable | 1,130,000 |
| Total current liabilities | <u>1,320,824</u> |
| Noncurrent liabilities: | |
| Bonds payable, net of current portion | 48,370,000 |
| Total noncurrent liabilities | <u>48,370,000</u> |
| Total liabilities | <u>49,690,824</u> |
| Deferred inflows of resources | |
| Deferred inflows - SMG | 180,555 |
| Deferred inflows - Aramark | 952,378 |
| Total deferred inflows of resources | <u>1,132,933</u> |
| Net position | |
| Net investment in capital assets | (498,429) |
| Restricted - equipment reserve | 25,000 |
| Unrestricted | (80,255) |
| Total net position | <u>(553,684)</u> |
| Total liabilities, deferred inflows and net position | <u>\$ 50,270,073</u> |

The accompanying notes are an integral part of these financial statements

LAKEVIEW AMPHITHEATER

Statement of Revenues, Expenses and Changes in Net Position

| | 11 Months Ended November 2016 |
|--|--|
| Operating revenues: | |
| Event revenues | \$ 1,901,304 |
| Food and beverage revenues | 1,693,739 |
| Other venue revenues | 618,986 |
| Total operating revenues | 4,214,029 |
| Operating expenses: | |
| Labor and benefits | \$ 1,274,594 |
| Food and beverage expenses | 1,580,734 |
| Office expenses and supplies | 126,725 |
| Repairs, maintenance and utilities | 125,259 |
| Management fees | 242,092 |
| Insurance | 15,180 |
| Equipment rentals | 446,864 |
| Contracted services | 237,041 |
| Other expenses | 15,293 |
| Total operating expenses | 4,063,782 |
| Operating Income | 150,247 |
| Nonoperating revenues and (expenses) | |
| Depreciation | (1,209,308) |
| Interest income | 972 |
| Interest expense - bonds | (2,833,302) |
| Bank fees | (161) |
| Income (Loss) before other revenues and capital contributions | (3,891,552) |
| Capital investment | 67,066 |
| Transfer from County for debt service | 2,833,302 |
| Transfer from County for working capital | 850,000 |
| Increase (decrease) in net position | \$ (141,184) |
| Net Position - beginning of period | \$ (412,500) |
| Net Position - end of period | \$ (553,684) |

The accompanying notes are an integral part of these financial statements

LAKEVIEW AMPHITHEATER

Statement of Cash Flows – Enterprise Fund

| | 11 Months Ended November 2016 |
|---|--|
| Cash flows provided by (used in) operating activities | |
| Cash received for services | \$ 3,978,958 |
| Cash payments - payroll and related | (1,274,594) |
| Cash payments - food and beverage | (1,580,734) |
| Cash payments - facility operations | (1,019,630) |
| Net cash provided by operating activities | 104,000 |
| Cash flows provided by (used in) capital and related financing activities: | |
| Repayment of bonds - interest | \$ (2,833,302) |
| Transfer from County for debt service | 2,833,302 |
| Capital investment | 2,050,000 |
| Capital asset purchases | (1,123,379) |
| Other nonoperating activities | 810 |
| Net cash provided by capital and related financing activities | 927,431 |
| Net increase (decrease) in cash and cash equivalents | 1,031,431 |
| Cash and cash equivalents - beginning of fiscal year | - |
| Cash and cash equivalents - end of November | \$ 1,031,431 |
| Reconcile change in net position to net cash provided by operating activities: | |
| Operating income | \$ 150,247 |
| Change in assets and liabilities: | |
| Accounts receivable | (235,071) |
| Prepaid expenses and other | (2,000) |
| Accounts payable | 55,312 |
| Accrued liabilities and other | 80,258 |
| Equipment reserve | 25,000 |
| Deferred ticket fees | 30,254 |
| Net cash provided by operating activities | \$ 104,000 |

The accompanying notes are an integral part of these financial statements

LAKEVIEW AMPHITHEATER

Notes to Financial Statements

1. Organization and Significant Accounting Policies

The Lakeview Amphitheater is an outdoor concert venue located on the shores of Onondaga Lake in the Syracuse, New York area. The Lakeview Amphitheater is owned by Onondaga County and is managed by a professional venue management services company. The accompanying financial statements present only a portion of the business-type activities of Onondaga County related to operation of the Lakeview Amphitheater concerts and related activities at such venue and do not purport to and do not present in any matter the financial position, changes in financial position or cash flows of Onondaga County, the primary government. The operations of the Lakeview Amphitheater, a proprietary type fund of Onondaga County, is a business-type activity accounted for as an enterprise fund in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

The basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental entities. The fiscal year of the Lakeview Amphitheater is December 31st.

All of the activities of the Lakeview Amphitheater are accounted for as proprietary fund in accordance with GASB standards. A proprietary fund is used to account for a local government's activities that are similar to activities that may be performed by a commercial enterprise although unlike a commercial enterprise, the purpose of a proprietary fund is to provide a service or product to the public and other governmental entities at a reasonable cost, without maximizing its return on invested capital, whereas commercial entities are profit driven. Since the entire activity of the Lakeview Amphitheater is considered a proprietary fund there are no differences between (a) net position and fund balances, and (b) changes in net position and changes in fund balance, and, therefore, no reconciliation schedules of these items are included in this report.

Net Position Classifications

Net Investment in Capital Assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – Consists of assets that have constraints placed on the use of these resources that are either externally imposed by contracts, creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

Unrestricted - Consists of all other net position that do not meet the definition of "restricted" or "net investment in capital assets."

LAKEVIEW AMPHITHEATER

Notes to Financial Statements

1. Organization and Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide statements use the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Cash and Cash Equivalents

The Lakeview Amphitheater considers all short-term investments purchased with an original maturity of three months or less to be cash equivalents. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and districts.

Capital Assets

Capital assets which include property and equipment are stated at cost. Depreciation is provided over the estimated useful life on a straight-line basis. Useful lives range from five to forty years. Repairs and maintenance are charged to expense as incurred. Major betterments are capitalized.

Capital assets are reviewed for impairment when the capital assets service utility has declined significantly and unexpectedly. A capital asset is generally deemed impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstances is outside the normal life cycle of the capital asset.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Tax

The Lakeview Amphitheater is tax-exempt under Section 115 of the Internal Revenue Code. The Lakeview Amphitheater is exempted from filing tax returns and has not filed any tax returns for either federal or New York State income taxes. The Lakeview Amphitheater does not believe it has any uncertain tax positions as its income is not subject to income tax.

LAKEVIEW AMPHITHEATER

Notes to Financial Statements

1. Organization and Significant Accounting Policies (continued)

Operating Revenues and Expenses

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with the Lakeview Amphitheater's ongoing operations. Operating revenues represent charges to users of the venue, which includes license fees, sponsorships, concessions, parking and other related venue operations. Operating expenses include the cost of sales and service and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

2. Revenue Recognition

The Lakeview Amphitheater uses the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned. The Lakeview Amphitheater's primary revenues are driven from fees charged to users of the amphitheater's venue which includes license fees, fees for services, fees for the use of equipment, sponsorships, concessions and parking revenues. These fees are generally invoiced to these users after the contractual terms of such use are met and the earnings process is complete.

3. Restricted Cash

Certain cash resources of the Lakeview Amphitheater are classified as restricted assets on the statement of net position. These cash funds are maintained in separate accounts and their use is limited by applicable venue management and concession services agreements. The concession services agreement restricts the use of certain assets to support food and beverage concessions at the venue, including items such as furniture, fixtures and non-expendable equipment for use in the concessions program. The venue management services agreement restricts the use of certain assets to offset the costs of operating the Lakeview Amphitheater. The venue management services agreement restricts the use of the assets for purposes such as assisting in the operating cash flow needs, acquisition of capital equipment to operate the venue and for marketing and promotional activities of the venue. As of November 30, 2016, the restricted cash under the concession agreement totaled \$500,238 and for the management services agreement totaled \$200,109.

4. Receivables

The Lakeview Amphitheater uses the allowance method to report receivables of doubtful collectability. Receivables that are past due over one year are 100% reserved for. The allowance as of November 30, 2016 was \$0.

LAKEVIEW AMPHITHEATER

Notes to Financial Statements

5. Multi-Year Agreements

Venue Management Service Agreement

Onondaga County entered into an agreement in 2016 with a management services company to provide venue management services, including operations and marketing services for the Lakeview Amphitheater. The term of the agreement is for the period from January 1, 2016 to December 31, 2018, with optional renewal periods for two additional three-year periods, with the maximum renewal period ending on December 31, 2024.

The agreement required the venue management services company to invest \$200,000 of monies into the Lakeview Amphitheater for operating and capital needs of the venue. The investment is amortized over a 6 year period on a straight line basis. If the agreement is terminated or expires, the unamortized investment is repaid to the management services company. The unamortized portion is shown as a liability on these financial statements.

Food and Beverage Concession Agreement

The venue management services company, as the agent of Onondaga County, entered into an agreement in April 2016, whereby a license was granted to a third party vendor to operate the concessions program at the Lakeview Amphitheater, where such operations include the exclusive right, privilege, and obligation to operate and manage a high-quality food and beverage concessions program for patrons attending concerts and other live events, consistent with terms and conditions of the agreement. The term of the agreement is from April 11, 2016 to December 31, 2021, with one optional renewal period of five years, with a maximum renewal period ending December 31, 2026.

The agreement required the concession services company to invest an amount up to \$1,000,000 for use in connection with the operation of the concessions program, including a Capital Investment of \$338,754 used by the concessionaire to acquire a Point of Sale (POS) system and Initial Capital Equipment and a Capital Investment of \$661,246 provided by the concessionaire to the venue management services company for the acquisition of additional Capital Equipment and the construction of a Concessions Building. The \$661,246 received by the venue management services company from the concessionaire is amortized over a 10 ½ period on a straight line basis. If the agreement is terminated or expires, the unamortized investment is repaid to the concession services company. The unamortized portion is shown as a deferred inflow of resources on these financial statements.

Fees for these services are based on payments of rent in the form of commissions, as set forth in the food and beverage concession agreement.

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Notes to Financial Statements

5. Multi-Year Agreements (continued)

In addition, an amount of 1% of gross sales from each event, not to exceed \$25,000 in total for all events during any concert season is required to be set aside as an equipment reserve by the management services company to cover the costs of replacing and/or purchasing new equipment needed to run the concessions program.

Concert Promotional Agreement

The venue management services company, as the agent of Onondaga County entered into a license agreement for a third party vendor to conduct concert promotional activities at the Lakeview Amphitheater for concerts and other live events, where such activities shall include the right, privilege, and obligation to perform booking, ticketing, production, advertising, marketing and other promotional activities for the Lakeview Amphitheater. The term of the agreement is from January 1, 2016 through December 31, 2018 with optional renewal periods for two additional two-year periods, with the maximum renewal period ending on December 31, 2022.

The concert promoter is obligated by contract to pay certain fixed annual license fees and to pay fees for services, fees for use of equipment, and fees for certain sponsorship rights. The concert promoter is also required to share proceeds from certain other sponsorship rights. For annual ticket sales above a threshold, the concert promoter is also required to pay a variable license fee per ticket sold.

Venue Parking Agreement

Onondaga County entered into an agreement with a governmental entity to access and use a portion of the governmental entity's property for use as parking lots for concerts and other live events at the Lakeview Amphitheater outside the dates of the annual New York State Fair. The term of the license agreement is an annual agreement, from June 1, 2016 to October 31, 2016. The Lakeview Amphitheater expects to renew the license agreement in the future on similar terms and conditions.

The agreement requires the Lakeview Amphitheater to pay a fixed percentage of the net operating income of the total parking fees collected for non-Fair events.

The venue management services company contracted with a parking management services company that receives a management fee for parking lot management services provided during events at the Lakeview Amphitheater.

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Notes to Financial Statements

6. Capital Assets and Depreciation

The Lakeview Amphitheater's property, plant, and equipment are reported in these financial statements. The Lakeview Amphitheater generally capitalizes assets with a cost of \$25,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized.

Capital assets are depreciated using the straight-line method. When capital assets are disposed of, the cost and applicable accumulated depreciation will be removed from the respective accounts, and the resulting gain or loss will be recorded in operations. Estimated useful lives for depreciable assets are as follows:

| | |
|-------------------------------------|----|
| Buildings and building improvements | 40 |
| Machinery and equipment | 10 |
| Office equipment | 5 |

The following is a summary of the capital assets and depreciation being reported by the Lakeview Amphitheater as of November 30:

| | Balance at 1/1/2016 | Additions | Disposals | Balance at 11/30/2016 |
|-------------------------------------|------------------------|----------------|-----------|--------------------------|
| Capital assets, at cost | | | | |
| Buildings and building improvements | \$49,500,000 | \$ - | \$ - | \$49,500,000 |
| Venue Equipment | - | 725,933 | - | 725,933 |
| Concession Equipment | - | 352,899 | - | 352,899 |
| Office Equipment | - | 44,547 | - | 44,547 |
| Total capital assets, at cost | \$49,500,000 | \$ 1,123,379 | \$ - | \$50,623,379 |
| Accumulated depreciation | | | | |
| Buildings and building improvements | \$ (412,500) | \$ (1,134,375) | \$ - | \$ (1,546,875) |
| Venue Equipment | - | (65,940) | - | (65,940) |
| Concession Equipment | - | (5,646) | - | (5,646) |
| Office Equipment | - | (3,347) | - | (3,347) |
| Total accumulated depreciation | \$ (412,500) | \$ (1,209,308) | \$ - | \$ (1,621,808) |
| Net capital assets | \$49,087,500 | \$ (85,929) | \$ - | \$49,001,571 |

LAKEVIEW AMPHITHEATER

Notes to Financial Statements

7. Debt Obligations

The Lakeview Amphitheater does not in and by itself issue bonds or notes for financing purposes. All bonds or notes are issued in the name of the County of Onondaga, New York. The primary purpose for debt obligations is to finance various capital operations of the Lakeview Amphitheater.

In May 2015, the County of Onondaga, New York issued \$79,900,000 of General Obligation (Serial) Bonds. Of this issuance, \$49,500,000 of such bonds was directly related to the Lakeview Amphitheater. These serial bonds have interest rates ranging from 3.0% to 5.0%, due and payable each May 15th and November 15th of each calendar year. Principal payments are due each May 15th. The first optional redemption of these serial bonds is May 15, 2024.

A summary of the future minimum debt service payments is as follows:

| Due in | Principal | Interest | Total Debt Service |
|-----------|----------------------|----------------------|-----------------------|
| 2017 | \$ 1,130,000 | \$ 1,907,212 | \$ 3,037,212 |
| 2018 | 1,160,000 | 1,849,962 | 3,009,962 |
| 2019 | 1,195,000 | 1,791,087 | 2,986,087 |
| 2020 | 1,230,000 | 1,730,462 | 2,960,462 |
| 2021 | 1,260,000 | 1,668,212 | 2,928,212 |
| 2022-2026 | 6,865,000 | 7,344,185 | 14,209,185 |
| 2027-2031 | 7,875,000 | 5,755,635 | 13,630,635 |
| 2032-2036 | 9,035,000 | 4,431,228 | 13,466,228 |
| 2037-2041 | 10,365,000 | 2,809,894 | 13,174,894 |
| 2042-2045 | 9,385,000 | 760,892 | 10,145,892 |
| | <u>\$ 49,500,000</u> | <u>\$ 30,048,769</u> | <u>\$ 79,548,769</u> |

Under the Upstate New York Gaming and Economic Development Act, Onondaga County will share in Native American gaming facility revenues. An amount of 10% of the net gaming revenue will be distributed to Onondaga County. Onondaga County expects to receive more than \$2,500,000 annually from these revenues and such revenues are earmarked to fund the debt service associated with the Lakeview Amphitheater. Any amounts received from Onondaga County for debt service are shown as transfer from County for debt service on the statement of activities and changes in net position.

8. Risk Management

The Lakeview Amphitheater has a risk management plan in place to minimize the adverse effects of certain types of losses. These losses can be job-related injuries to employees, theft or, damage to, or destruction of capital assets, torts and other types of losses. Risk-financing techniques include risk retention (also called self-insurance), risk transfer to and from an insurer (through a commercial insurance company or public entity risk pool) and risk transfer to a noninsurer. The Lakeview Amphitheater believes its commercial insurance and other risk-financing techniques are sufficient.

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Notes to Financial Statements

9. Concentrations of Credit Risk

The Lakeview Amphitheater maintains cash balances at financial institutions located in New York. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000, at various times throughout the year the balance may exceed the FDIC insurance limit. Although the balances may exceed the limit, the Lakeview Amphitheater's deposits are collateralized by a financial institution to achieve a 102% collateralization threshold.

10. Subsequent Events

In preparing financial statements, management of the Lakeview Amphitheater has evaluated events and transactions for potential recognition or disclosure through December 16, 2016, the date the financial statements were available to be shared. There were no additional events or transactions that were discovered during the evaluation that required further disclosure.

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