

LOUISIANA STADIUM AND EXPOSITION DISTRICT
A COMPONENT UNIT OF THE
STATE OF LOUISIANA



FINANCIAL STATEMENT AUDIT
FOR THE YEAR ENDED JUNE 30, 2020
ISSUED DECEMBER 21, 2020

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

December 11, 2020

Independent Auditor's Report

**BOARD OF COMMISSIONERS OF THE
LOUISIANA STADIUM AND EXPOSITION DISTRICT
STATE OF LOUISIANA**
New Orleans, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Louisiana Stadium and Exposition District (the District), a component unit of the state of Louisiana, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District'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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditor's 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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the District as of June 30, 2020, and the respective changes in the financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Emphasis of Matter Regarding Impact of COVID-19

As discussed in note 20 to the financial statements, the COVID-19 pandemic has caused disruption in operations for the District, cancelled scheduled events at District facilities, and impacted the hotel tax revenues received by the District. Management's plans in regard to this matter are also described in note 20. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 11 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Respectfully submitted,



Daryl G. Purpera, CPA, CFE
Legislative Auditor

KPD:NM:RR:EFS:ch

LSED 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

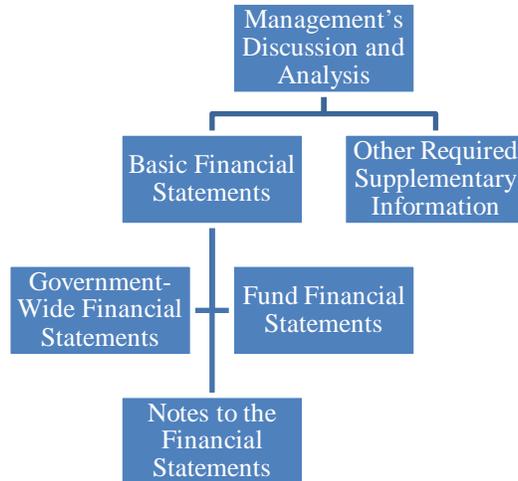
Management's Discussion and Analysis of the Louisiana Stadium and Exposition District's (the District) financial performance presents a narrative overview and analysis of the District's financial activities for the year ended June 30, 2020. This document focuses on the current year's activities, resulting changes, and currently-known facts in comparison with the prior year's information. Please read this document in conjunction with the information contained in the District's financial statements, which begin on page 12.

FINANCIAL HIGHLIGHTS

- The District's assets and deferred outflows of resources of business-type activities exceeded liabilities at the close of fiscal year 2020 by \$292,063,484. The net position of business-type activities increased by \$7,494,347 during fiscal year 2020. The liabilities of governmental activities exceeded assets and deferred outflows of resources at the close of fiscal year 2020 by \$236,015,194. The net position of governmental activities decreased by \$35,050,174 during fiscal year 2020.
- The District has received \$7,678,642 in capital contributions to its business-type activities for the year ended June 30, 2020. This represents an increase of \$2,138,423 over the prior fiscal year. The contributions fund various capital projects for improvements to the Mercedes-Benz Superdome and Smoothie King Center.
- The District received \$37,658,174 of hotel occupancy taxes in its governmental activities for the year ended June 30, 2020. This represents a decrease of \$17,512,948 over the prior fiscal year. The decrease is the result of the COVID-19 pandemic and state and local emergency declarations which have restricted business, travel, and other economic activity.

OVERVIEW OF THE FINANCIAL STATEMENTS

The following graphic illustrates the minimum requirements for the District established by Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*:



This annual report consists of three parts: Management's Discussion and Analysis (this section), the basic financial statements and related notes, and supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the District's financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements.
- The governmental fund financial statements tell how general government services were financed in the short-term as well as what remains for future spending.
- Proprietary fund statements offer short- and long-term financial information about the activities the government operates, such as businesses.

The basic financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The previous graphic shows how the required parts of this annual report are arranged and relate to one another.

BASIC FINANCIAL STATEMENTS

The basic financial statements present information for the District as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section are as follows:

Government-Wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how they have changed. Net position (the difference between the District's assets, deferred outflows of resources and liabilities) is one way to measure the District's financial health or position.

The government-wide financial statements of the District are divided into two categories:

- Governmental activities, which include the General Fund, Debt Service Fund, and Capital Projects Fund
- Business-type activities, which include the operation of the Mercedes-Benz Superdome, Smoothie King Center, and Champions Square

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

The District has two kinds of funds:

- Governmental funds, which focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader of the financial statements determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided at the bottom of the governmental funds statements that explains the relationship (or differences) between them.
- Proprietary funds, like government-wide statements, provide both short- and long-term financial information. The District's enterprise funds (one type of proprietary fund) are the same as its business-type activities but provide more detailed and additional information, such as cash flows.

FINANCIAL ANALYSIS OF THE DISTRICT

Restricted net position is not available for spending as a result of legislative requirements, donor agreements, or grant requirements. Conversely, unrestricted net position does not have any limitations on what these amounts may be used for.

Net Position
As of June 30, 2020, and 2019
(in thousands)

	<u>2020</u>	<u>2019</u>
Current and other assets	\$91,332	\$114,354
Capital assets	<u>366,865</u>	<u>338,924</u>
Total assets	<u>458,197</u>	<u>453,278</u>
Total deferred outflows of resources	<u>25,395</u>	<u>26,983</u>
Current and other liabilities	69,373	56,764
Long-term debt outstanding	<u>358,171</u>	<u>339,893</u>
Total liabilities	<u>427,544</u>	<u>396,657</u>
Net Position:		
Net investment in capital assets	149,013	105,067
Restricted	57,159	58,037
Unrestricted	<u>(150,124)</u>	<u>(79,500)</u>
Total net position	<u>\$56,048</u>	<u>\$83,604</u>

The District's total revenues of its governmental and business-type activities decreased by \$25,445,000 from 2019 to 2020. The total cost of all governmental and business-type activities programs and services decreased by \$2,295,000. The decrease in total revenues is due primarily to the COVID-19 pandemic which has severely impacted tourism and the hotel occupancy tax. The decrease in total cost is also primarily due to cutbacks made as a result of the COVID-19 pandemic.

Changes in Net Position
For the Years Ended June 30, 2020, and 2019
(in thousands)

	<u>2020</u>	<u>2019</u>
Revenues		
Program revenues:		
Charges for services	\$53,112	\$59,761
Grants and contributions	9,774	7,824
General revenues:		
Hotel occupancy taxes	37,658	55,171
New Orleans Sports Franchise Fund	6,959	10,000
Pari-mutuel live racing facility slots	2,750	2,567
Players' tax	4,145	4,112
Interest and other income	1,418	1,826
Total revenues	<u>115,816</u>	<u>141,261</u>
 Program Expenses		
Interest on long-term debt	14,121	14,109
Facility operation	<u>129,251</u>	<u>131,558</u>
Total expenses	<u>143,372</u>	<u>145,667</u>
 (Decrease) in Net Position	 <u><u>(\$27,556)</u></u>	 <u><u>(\$4,406)</u></u>

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2020, and June 30, 2019, the District had \$366,865,113 and \$338,923,679, respectively, invested in capital assets, net of accumulated depreciation of \$461,486,375 and \$422,070,458, respectively, including land, buildings and improvements, furniture, fixtures, equipment, and construction-in-progress.

Capital assets as of June 30 (in thousands):

	2020	2019 Restated
Land	\$20,069	\$20,069
Building and improvements	268,190	288,070
Furniture, fixtures, and equipment	3,899	4,301
Construction-in-progress	74,707	26,484
Total	<u>\$366,865</u>	<u>\$338,924</u>

Debt

The District had \$300,480,000 and \$310,670,000 in revenue bonds outstanding at June 30, 2020, and June 30, 2019, respectively. In January 2013, the District issued Series 2013A, 2013B, and 2013C Revenue Refunding Bonds totaling \$361,345,000 for the purpose of refunding the District's existing debt, providing funds for the termination of the fixed-rate hedge agreement and the interest rate swap agreement, and providing for the costs of issuance of the bonds. The District's required principal payment on the Series 2013 bonds of \$10,190,000 was due and paid on July 1, 2019.

The District issued \$30,000,000 of Bond Anticipation Notes Series 2019 on September 11, 2019, to provide construction financing for the Mercedes-Benz Superdome Master Plan project.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's appointed officials considered the following factors and indicators when setting next year's budgets, rates, and fees:

- Staffing requirements and operating expenses based on the reduction of potential events in the Mercedes-Benz Superdome, Smoothie King Center, and Champions Square.
- Hotel occupancy tax revenue based on projections considering an expected reduction in events and conventions in New Orleans.
- Contractual obligations to professional sports franchises
- Evaluation of the ongoing COVID-19 pandemic and the impact on events and statutorily dedicated revenues, grants, and hotel occupancy taxes.

During fiscal year 2020, the District's net position decreased \$27,556,000. During fiscal year 2019, the District's net position decreased \$4,406,000. The operating loss of the enterprise funds during fiscal year 2020, was funded by statutorily-dedicated revenues, grants, and hotel occupancy taxes, which were transferred from the General Fund, and capital contributions from the state.

Current projections by management of the District indicate that operating losses will continue. Plans to manage the deficit will be through budget management efforts which include a significant reduction of operational expenditures, including a decrease in fixed and variable costs, employee furloughs, and a reduction of capital outlay.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide our residents, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. Questions about this report or requests for additional financial information may be addressed to M. David Weidler, Senior Director of Finance and Administration, ASM, Post Office Box 52439, New Orleans, Louisiana 70152.

**LOUISIANA STADIUM AND EXPOSITION DISTRICT
STATE OF LOUISIANA**

**Statement of Net Position
June 30, 2020**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and cash equivalents (note 2)	\$54,966,968	\$13,409,190	\$68,376,158
Accounts receivable	47,511	5,636,681	5,684,192
Due from State of Louisiana (note 3)	1,564,956		1,564,956
Inventory of materials and supplies		5,434	5,434
Prepaid expenses		82,167	82,167
Restricted assets: (notes 2, 6 and 9)			
Renewal and Replacement Reserve Account - cash and cash equivalents	10,124,061	3,759,572	13,883,633
Energy savings performance trust - cash and cash equivalents	101,515		101,515
Concessionaire Fund - receivable		1,597,997	1,597,997
Deposits		35,869	35,869
Capital assets, net of accumulated depreciation (note 4)	57,913,360	308,951,753	366,865,113
Total assets	<u>124,718,371</u>	<u>333,478,663</u>	<u>458,197,034</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	25,395,349		25,395,349
Total deferred charge on refunding	<u>25,395,349</u>	<u>NONE</u>	<u>25,395,349</u>
LIABILITIES			
Accounts payable and accrued expenses	3,819,693	30,022,241	33,841,934
Sports franchise obligations payable (notes 15 and 16)	2,305,655	283,278	2,588,933
Unearned revenue and security deposits		128,610	128,610
Compensated absences (note 1-J)	7,029	251,892	258,921
Advance deposits on future events		10,729,158	10,729,158
Accrued bond interest payable current portion	6,771,249		6,771,249
Bonds payable current portion, net (note 7)	13,150,319		13,150,319
Capital lease obligations current portion (note 6)	1,170,248		1,170,248
Judgments and settlements payable, current portion (note 5)	733,384		733,384
Noncurrent liabilities:			
Accrued bond interest payable	9,029,258		9,029,258
Bonds payable, net (note 7)	310,138,650		310,138,650
Bond anticipation note (note 8)	30,000,000		30,000,000
Capital lease obligations (note 6)	7,111,317		7,111,317
Judgments and settlements payable (note 5)	1,892,112		1,892,112
Total liabilities	<u>386,128,914</u>	<u>41,415,179</u>	<u>427,544,093</u>

(Continued)

The accompanying notes are an integral part of this statement.

LOUISIANA STADIUM AND EXPOSITION DISTRICT
STATE OF LOUISIANA
Statement of Net Position
June 30, 2020

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL
NET POSITION			
Net investment in capital assets	(\$159,938,632)	\$308,951,753	\$149,013,121
Restricted for:			
Debt service	41,575,944		41,575,944
Renewal and replacement	10,124,061	3,759,572	13,883,633
Concessionaire reserve		1,597,997	1,597,997
Energy savings performance	101,515		101,515
Unrestricted	(127,878,082)	(22,245,838)	(150,123,920)
TOTAL NET POSITION	(\$236,015,194)	\$292,063,484	\$56,048,290

(Concluded)

The accompanying notes are an integral part of this statement.

**LOUISIANA STADIUM AND EXPOSITION DISTRICT
STATE OF LOUISIANA**

**Statement of Activities
For the Year Ended June 30, 2020**

<u>FUNCTIONS/PROGRAMS</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u>		
		<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>CAPITAL GRANTS AND CONTRIBUTIONS</u>
PRIMARY GOVERNMENT:				
Governmental activities:				
Facility operation	\$14,931,816			\$2,095,024
Interest on bonds and capital leases	14,121,483			
Total governmental activities	29,053,299	NONE	NONE	2,095,024
Business-type activities:				
Facility operation	114,318,210	\$53,111,592	NONE	7,678,642
TOTAL PRIMARY GOVERNMENT	\$143,371,509	\$53,111,592	NONE	\$9,773,666

General revenues:

Taxes: (note 9)

Hotel occupancy taxes

New Orleans Sports Franchise Fund

Pari-mutuel live racing facility slots

Players' tax

Vehicle license plate royalties

Miscellaneous

Investment earnings

Transfers in (out)

Total general revenues and transfers

Change in net position

NET POSITION, BEGINNING OF YEAR

TOTAL NET POSITION, END OF YEAR

The accompanying notes are an integral part of this statement.

Statement B

NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL
(\$12,836,792)		(\$12,836,792)
(14,121,483)		(14,121,483)
(26,958,275)	NONE	(26,958,275)
NONE	(\$53,527,976)	(53,527,976)
(\$26,958,275)	(\$53,527,976)	(\$80,486,251)
\$37,658,174		\$37,658,174
6,959,480		6,959,480
2,749,852		2,749,852
4,145,006		4,145,006
338,350		338,350
190,267		190,267
725,897	\$163,398	889,295
(60,858,925)	60,858,925	
(8,091,899)	61,022,323	52,930,424
(35,050,174)	7,494,347	(27,555,827)
(\$200,965,020)	\$284,569,137	\$83,604,117
(\$236,015,194)	\$292,063,484	\$56,048,290

**LOUISIANA STADIUM AND EXPOSITION DISTRICT
STATE OF LOUISIANA
GOVERNMENTAL FUNDS**

**Balance Sheet
June 30, 2020**

	GENERAL FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash and cash equivalents (note 2)	\$14,723,617	\$40,243,343	\$8	\$54,966,968
Accounts receivable	47,511			47,511
Due from State of Louisiana (note 3)	232,355	1,332,601		1,564,956
Restricted assets: (notes 2, 6, and 9)				
Renewal and Replacement Reserve Account - cash and cash equivalents	10,124,061			10,124,061
Energy savings performance trust - cash and cash equivalents	101,515			101,515
TOTAL ASSETS	\$25,229,059	\$41,575,944	\$8	\$66,805,011
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued expenses	\$3,819,693			\$3,819,693
Sports franchise obligations payable (notes 15 and 16)	2,305,655			2,305,655
Compensated absences (note 1-J)	7,029			7,029
Total liabilities	6,132,377	NONE	NONE	6,132,377
Fund Balances:				
Restricted for - debt service		\$41,575,944		41,575,944
Restricted for - renewal and replacement	10,124,061			10,124,061
Restricted for - energy savings performance	101,515			101,515
Assigned for - capital projects			\$8	8
Unassigned	8,871,106			8,871,106
Total fund balances	19,096,682	41,575,944	8	60,672,634
TOTAL LIABILITIES AND FUND BALANCES	\$25,229,059	\$41,575,944	\$8	\$66,805,011

(Continued)

The accompanying notes are an integral part of this statement.

**LOUISIANA STADIUM AND EXPOSITION DISTRICT
STATE OF LOUISIANA
GOVERNMENTAL FUNDS
Balance Sheet
June 30, 2020**

	TOTAL GOVERNMENTAL FUNDS
	<u> </u>
Total fund balances, as presented in this statement	\$60,672,634
Amounts presented for governmental activities in the Statement of Net Position are different because:	
Accrued bond interest is reported in the Statement of Net Position but is not due and payable in the current period and, therefore, is not reported as a liability of the fund balance sheet.	(15,800,507)
Deferred charges on refunding of bonds payable are not reported in the funds.	25,395,349
Long-term liabilities are reported in the Statement of Net Position but are not due and payable in the current period and, therefore, are not reported as liabilities of the fund balance sheet.	(364,196,030)
Capital assets reported in the Statement of Net Position are not current financial resources.	<u>57,913,360</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>(\$236,015,194)</u></u>

(Concluded)

The accompanying notes are an integral part of this statement.

**LOUISIANA STADIUM AND EXPOSITION DISTRICT
STATE OF LOUISIANA
GOVERNMENTAL FUNDS**

**Statement of Revenues, Expenditures,
and Changes in Fund Balances
For the Year Ended June 30, 2020**

	GENERAL FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES				
Hotel occupancy tax (note 9)	\$17,755,255	\$19,902,919		\$37,658,174
New Orleans Sports Franchise Fund	6,959,480			6,959,480
Pari-mutuel live racing facility slots	2,749,852			2,749,852
Players' tax	4,145,006			4,145,006
Vehicle license plate royalties	338,350			338,350
Interest earnings	338,938	386,959		725,897
Miscellaneous income	190,267			190,267
Total revenues	<u>32,477,148</u>	<u>20,289,878</u>	NONE	<u>52,767,026</u>
EXPENDITURES				
Salaries, wages, and benefits	592,232			592,232
Utilities	258,858			258,858
Management fee - ASM (note 13)	75,000			75,000
Professional fees	1,598,438			1,598,438
Insurance	301,848			301,848
Other Saints obligations (note 15)	2,355,376			2,355,376
Other Pelicans obligations (note 16)	4,040,155			4,040,155
Other facility obligations	963,797			963,797
Other expenditures	459,016			459,016
Capital outlay			\$2,687,763	2,687,763
Debt service:				
Principal	1,381,117	10,190,000		11,571,117
Interest	344,398	13,414,285		13,758,683
Total expenditures	<u>12,370,235</u>	<u>23,604,285</u>	<u>2,687,763</u>	<u>38,662,283</u>
Excess (deficiency) of revenues over expenditures	<u>20,106,913</u>	<u>(3,314,407)</u>	<u>(2,687,763)</u>	<u>14,104,743</u>

(Continued)

The accompanying notes are an integral part of this statement.

LOUISIANA STADIUM AND EXPOSITION DISTRICT
STATE OF LOUISIANA
GOVERNMENTAL FUNDS
Statement of Revenues, Expenditures,
and Changes in Fund Balances
For the Year Ended June 30, 2020

	GENERAL FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TOTAL GOVERNMENTAL FUNDS
OTHER FINANCING SOURCES (USES)				
Transfers in		\$696,499	\$592,739	\$1,289,238
Transfers out	(\$62,148,163)			(62,148,163)
Proceeds from issuance of bond anticipation notes	30,000,000			30,000,000
Debt issuance costs	(168,911)			(168,911)
Capital contributions			2,095,024	2,095,024
Total other financing sources (uses)	<u>(32,317,074)</u>	<u>696,499</u>	<u>2,687,763</u>	<u>(28,932,812)</u>
Net change in fund balances	(12,210,161)	(2,617,908)	NONE	(14,828,069)
Fund balances at beginning of year	<u>\$31,306,843</u>	<u>\$44,193,852</u>	<u>\$8</u>	<u>\$75,500,703</u>
Fund balances at end of year	<u>\$19,096,682</u>	<u>\$41,575,944</u>	<u>\$8</u>	<u>\$60,672,634</u>
Net change in fund balances, as presented in this statement				(14,828,069)
Amounts presented for governmental activities in the Statement of Activities are different because:				
Bond and capital lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position.				
Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.				
				(18,428,883)
Governmental funds report interest expense only when the expense is due for payment, while the Statement of Activities reports bond interest as it is incurred.				
				(1,326,083)
Governmental funds do not include amortization for bond premium and refunding costs.				
				963,283
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds				
				(2,115,000)
Governmental funds report the acquisition of capital assets as expenditures of the period in which the asset is acquired. In the Statement of Activities, the cost of those assets is capitalized and allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay (\$2,687,763) exceeded depreciation (\$2,003,185) in the current period.				
				<u>684,578</u>
Change in net position of governmental activities as reported on the Statement of Activities				<u>(\$35,050,174)</u>

(Concluded)

The accompanying notes are an integral part of this statement.

LOUISIANA STADIUM AND EXPOSITION DISTRICT
STATE OF LOUISIANA
PROPRIETARY FUNDS

Statement of Net Position
June 30, 2020

	ENTERPRISE FUNDS			TOTAL
	MERCEDES-BENZ SUPERDOME	SMOOTHIE KING CENTER	CHAMPIONS SQUARE	
ASSETS				
Current assets:				
Cash and cash equivalents (note 2)	\$1,210,432	\$10,439,631	\$1,759,127	\$13,409,190
Accounts receivable	3,856,300	1,768,753	11,628	5,636,681
Due from other funds	3,601,475			3,601,475
Inventory		5,434		5,434
Prepaid expenses	73,886	8,281		82,167
Total current assets	<u>8,742,093</u>	<u>12,222,099</u>	<u>1,770,755</u>	<u>22,734,947</u>
Restricted assets: (notes 2 and 9)				
Renewal and Replacement Reserve Account - cash and cash equivalents		3,759,572		3,759,572
Concessionaire Fund - receivable	595,277	1,002,720		1,597,997
Total restricted assets	<u>595,277</u>	<u>4,762,292</u>	NONE	<u>5,357,569</u>
Other assets:				
Capital assets, net of accumulated depreciation (note 4)	227,736,542	73,186,226	8,028,985	308,951,753
Deposits			35,869	35,869
Total other assets	<u>227,736,542</u>	<u>73,186,226</u>	<u>8,064,854</u>	<u>308,987,622</u>
TOTAL ASSETS	<u>\$237,073,912</u>	<u>\$90,170,617</u>	<u>\$9,835,609</u>	<u>\$337,080,138</u>

(Continued)

The accompanying notes are an integral part of this statement.

LOUISIANA STADIUM AND EXPOSITION DISTRICT
STATE OF LOUISIANA
PROPRIETARY FUNDS
Statement of Net Position
June 30, 2020

	ENTERPRISE FUNDS			TOTAL
	MERCEDES-BENZ SUPERDOME	SMOOTHIE KING CENTER	CHAMPIONS SQUARE	
LIABILITIES				
Current liabilities:				
Accounts payable and accrued expenses	\$29,464,040	\$485,231	\$72,970	\$30,022,241
Sports franchise obligations payable (note 16)		283,278		283,278
Unearned revenue and security deposits	10,720	106,050	11,840	128,610
Compensated absences (note 1-J)	208,294	41,687	1,911	251,892
Funds held in escrow for future events	416,691	10,264,067	48,400	10,729,158
Due to other funds		3,600,000	1,475	3,601,475
Total current liabilities	<u>30,099,745</u>	<u>14,780,313</u>	<u>136,596</u>	<u>45,016,654</u>
Total liabilities	<u>\$30,099,745</u>	<u>\$14,780,313</u>	<u>\$136,596</u>	<u>\$45,016,654</u>
NET POSITION				
Net investment in capital assets	\$227,736,542	\$73,186,226	\$8,028,985	\$308,951,753
Restricted	595,277	4,762,292		5,357,569
Unrestricted	<u>(21,357,652)</u>	<u>(2,558,214)</u>	<u>1,670,028</u>	<u>(22,245,838)</u>
Total net position	<u>206,974,167</u>	<u>75,390,304</u>	<u>9,699,013</u>	<u>292,063,484</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$237,073,912</u>	<u>\$90,170,617</u>	<u>\$9,835,609</u>	<u>\$337,080,138</u>

(Concluded)

The accompanying notes are an integral part of this statement.

**LOUISIANA STADIUM AND EXPOSITION DISTRICT
STATE OF LOUISIANA
PROPRIETARY FUNDS**

**Statement of Revenues, Expenses, and
Changes in Fund Net Position
For the Year Ended June 30, 2020**

	ENTERPRISE FUNDS			
	MERCEDES-BENZ SUPERDOME	SMOOTHIE KING CENTER	CHAMPIONS SQUARE	TOTAL
OPERATING REVENUES				
Event rental:				
Musical events and entertainment	\$434,823	\$1,276,322	\$304,400	\$2,015,545
High school and college sports	307,600	50,000		357,600
Conventions and trade shows	71,638			71,638
Other events	256,225	142,500		398,725
Reimbursement event costs	10,012,024	2,428,298	396,456	12,836,778
Total event rental	11,082,310	3,897,120	700,856	15,680,286
Concessions and souvenirs	13,185,740	4,742,673	801,825	18,730,238
Box suite rental	7,104,648	571,486		7,676,134
Parking	2,827,209	894,776	1,151,443	4,873,428
Ticket incentives	1,112,521	2,106,172	72,910	3,291,603
Lease income (note 10)	619,727	9,540		629,267
Advertising and broadcasting			517,666	517,666
Other	972,076	695,284	45,610	1,712,970
Total operating revenues	36,904,231	12,917,051	3,290,310	53,111,592
OPERATING EXPENSES				
Salaries, wages, and benefits	11,381,003	3,333,200	256,451	14,970,654
Utilities	4,157,072	1,165,884	339,494	5,662,450
Repairs and maintenance	2,047,970	538,296	93,264	2,679,530
Management fee - ASM (note 13)	949,631	406,984		1,356,615
Saints lease obligation payments (note 15)	15,931,539			15,931,539
Pelicans obligation payments (note 16)		3,214,590		3,214,590
Professional fees	412,077	72,864	9,750	494,691
Professional sports staffing	3,250,614	2,497,927		5,748,541
Insurance	2,391,624	715,614		3,107,238
Direct event expense	8,997,822	3,680,753	854,206	13,532,781
Advertising and public relations	47,092	54,537	35,016	136,645
Rent (note 12)			2,420,111	2,420,111
Other operating expenses	5,232,344	1,679,973	401,251	7,313,568
Total operating expenses	54,798,788	17,360,622	4,409,543	76,568,953
Operating loss before depreciation	(17,894,557)	(4,443,571)	(1,119,233)	(23,457,361)
Depreciation	28,541,888	7,963,983	1,243,386	37,749,257
Operating loss	(46,436,445)	(12,407,554)	(2,362,619)	(61,206,618)

(Continued)

The accompanying notes are an integral part of this statement.

LOUISIANA STADIUM AND EXPOSITION DISTRICT
STATE OF LOUISIANA
PROPRIETARY FUNDS
Statement of Revenues, Expenses, and
Changes in Fund Net Position
For the Year Ended June 30, 2020

	ENTERPRISE FUNDS			
	MERCEDES-BENZ SUPERDOME	SMOOTHIE KING CENTER	CHAMPIONS SQUARE	TOTAL
NONOPERATING REVENUE				
Interest revenue	\$32,394	\$118,568	\$12,436	\$163,398
Total nonoperating revenue	32,394	118,568	12,436	163,398
Loss before transfers and capital contributions	(46,404,051)	(12,288,986)	(2,350,183)	(61,043,220)
Transfers in	55,295,023	8,300,626	2,476,865	66,072,514
Transfers out	(3,713,589)		(1,500,000)	(5,213,589)
Capital contributions	6,963,028	715,614		7,678,642
Change in net position	12,140,411	(3,272,746)	(1,373,318)	7,494,347
Net position, beginning of year	\$194,833,756	\$78,663,050	\$11,072,331	\$284,569,137
NET POSITION, END OF YEAR	\$206,974,167	\$75,390,304	\$9,699,013	\$292,063,484

(Concluded)

The accompanying notes are an integral part of this statement.

**LOUISIANA STADIUM AND EXPOSITION DISTRICT
STATE OF LOUISIANA
PROPRIETARY FUNDS**

**Statement of Cash Flows
For the Year Ended June 30, 2020**

	ENTERPRISE FUNDS			
	MERCEDES-BENZ SUPERDOME	SMOOTHIE KING CENTER	CHAMPIONS SQUARE	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$19,433,443	\$11,999,113	\$2,963,063	\$34,395,619
Payments to suppliers	(43,242,604)	(14,548,896)	(4,291,650)	(62,083,150)
Payments for salaries and related expenses	(11,620,092)	(3,344,091)	(265,223)	(15,229,406)
Net cash (used) by operating activities	(35,429,253)	(5,893,874)	(1,593,810)	(42,916,937)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating grants/transfers	51,581,434	8,300,626	976,865	60,858,925
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital appropriations and contributions	6,963,028	715,614		7,678,642
Purchases of capital assets	(37,297,950)	(2,738,982)	(56,752)	(40,093,684)
Net cash (used) by capital and related financing activities	(30,334,922)	(2,023,368)	(56,752)	(32,415,042)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and dividends	32,394	118,568	12,436	163,398
Net increase (decrease) in cash and cash equivalents	(14,150,347)	501,952	(661,261)	(14,309,656)
Cash and cash equivalents, beginning of year	\$15,360,779	\$13,697,251	\$2,420,388	\$31,478,418
CASH AND CASH EQUIVALENTS, END OF YEAR	\$1,210,432	\$14,199,203	\$1,759,127	\$17,168,762

(Continued)

The accompanying notes are an integral part of this statement.

LOUISIANA STADIUM AND EXPOSITION DISTRICT
STATE OF LOUISIANA
PROPRIETARY FUNDS
Statement of Cash Flows
For the Year Ended June 30, 2020

	ENTERPRISE FUNDS			
	MERCEDES-BENZ SUPERDOME	SMOOTHIE KING CENTER	CHAMPIONS SQUARE	TOTAL
RECONCILIATION OF OPERATING LOSS TO NET CASH (USED) BY OPERATING ACTIVITIES				
Operating loss	(\$46,436,445)	(\$12,407,554)	(\$2,362,619)	(\$61,206,618)
Adjustments to reconcile operating loss to net cash (used) by operating activities:				
Depreciation expense	28,541,888	7,963,983	1,243,386	37,749,257
Changes in assets and liabilities:				
(Increase) decrease in:				
Receivables	(2,297,007)	(1,692,026)	1,913	(3,987,120)
Restricted assets	195,962	(249,985)		(54,023)
Inventory	11,827	6,186	1,234	19,247
Prepaid expenses	83,461	(8,281)		75,180
(Decrease) increase in:				
Accounts payable and accrued expenses	(172,794)	(268,221)	(70,400)	(511,415)
Compensated absences	(251,756)	(12,064)	(8,772)	(272,592)
Unearned revenue	(3,120)		(1,910)	(5,030)
Funds held in escrow	(14,670,661)	774,088	(327,250)	(14,223,823)
Other Long-term Liability	(500,000)			(500,000)
Due to/from other funds	69,392		(69,392)	
Net cash (used) by operating activities	(\$35,429,253)	(\$5,893,874)	(\$1,593,810)	(\$42,916,937)

(Concluded)

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

INTRODUCTION

The Louisiana Stadium and Exposition District (the District) was created in 1966 pursuant to Article XIV, Section 47 of the Constitution of the State of Louisiana (the State) of 1921, as amended and continued as a statute by Article XIV, Section 16 of the Constitution of the State of Louisiana of 1974 (the “Original Act”) as a body politic and corporate and political subdivision of the state, composed of all the territory in the parishes of Orleans and Jefferson, Louisiana. The District was created for the purpose of planning, acquiring, financing, owning, constructing, maintaining, and operating recreational facilities, recreation centers, and other facilities to be located within the District to accommodate the holding of conventions, exhibitions, sports events, athletic contests, and other public meetings, and all facilities and properties incidental and necessary to a complex suitable for any or all types of sports and recreation, all as more specifically provided in the Original Act.

The District acquired a site and constructed thereon the Louisiana Superdome, which opened in August 1975. The Louisiana Superdome is leased by the District to the state pursuant to a Lease Agreement. The District initially managed and operated the Louisiana Superdome on behalf of the state pursuant to a management and operating agreement dated February 1, 1969. In 1976, Act No. 541 of the 1976 Regular Session of the State Legislature (Act No. 541) transferred the responsibility for the management and operation of the Louisiana Superdome to the Office of the Governor of the State and authorized the governor to delegate the management and operation of the Louisiana Superdome to a professional management organization. In 1977, the District was transferred to and placed in the Office of the Governor of the State pursuant to the Executive Reorganization Act. At the same time, Act No. 64 of the 1977 Regular Session of the State Legislature approved and authorized execution of a Management Agreement between the state and HMC Management Corporation (the predecessor in interest of SMG, which merged with AEG Facilities to form ASM Global (ASM) effective October 1, 2019, the current manager of the Louisiana Superdome), which was signed by the parties under date of June 30, 1977.

In October 2011, the New Orleans Saints entered into a naming rights agreement with the Mercedes-Benz Corporation to acquire the name and title sponsorship to the Louisiana Superdome. Louisiana Revised Statute 51:293.1 authorizes the District to sell or transfer the right to designate and use an alternative name to refer to the Louisiana Superdome. With state lawmakers’ final approval on October 28, 2011, the new name of the Louisiana Superdome became the Mercedes-Benz Superdome (the Superdome).

Act No. 640 of the 1993 Regular Session of the State Legislature amended Act No. 541 to provide, among other things, for the construction of the New Orleans Arena (the Arena) and that all authority for the management and operation of all properties then or thereafter owned by or under the control of the District vested in the state, through the Office of the Governor, with continuing authority to delegate that authority and responsibility to a private management company. In 1998, by a Fourth Amendment to the Management Agreement dated June 19, 1998,

between the state, Facility Management of Louisiana, Inc. (formerly doing business under the name HMC Management Corporation), and ASM, the state delegated its management authority over the Arena to ASM. The District completed construction of the Arena adjacent to the Superdome in 1999, and the Arena opened for operations in October 1999 under the management of ASM.

In February 2014, the New Orleans Pelicans entered into a naming rights agreement with Smoothie King to acquire the name and title sponsorship to the New Orleans Arena. The use agreement between the Pelicans and the District granted the Pelicans the right to market the naming rights for the New Orleans Arena. Upon approval of the District, the new name of the New Orleans Arena became the Smoothie King Center (the Arena).

In September 2009, the District negotiated an agreement to lease the former New Orleans Centre Shopping Mall and parking garage along with a co-development agreement with the property owners to redevelop the premises as a venue for entertainment (Champions Square).

Notwithstanding the transfer of management authority to the state and by the state to the manager, Act No. 541, as amended by Act No. 640, provides that for the purposes of and in connection with the undertakings authorized by the Act, including the issuance and servicing of any bonds, the District shall be acting solely in its capacity as a political subdivision of the state and further provides that the District shall provide annually to the State Legislature and the Legislative Auditor information concerning the finances of the District.

The District is governed by a board of commissioners (the Board) composed of seven members appointed by the governor of the state and confirmed by the State Senate. The commissioners serve at the pleasure of the governor of the state.

The Board has the power to plan, acquire, finance, own, construct, operate, and maintain recreational facilities, recreation centers, and other facilities to accommodate expositions, conventions, exhibitions, sports events, spectacles, and other public meetings, and all facilities and properties incidental and necessary to a complex suitable for any or all types of sports and recreation, and shall exercise them in the name and on behalf of the District. The District has no employees.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The District's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations).

B. REPORTING ENTITY

The District is a component unit of the state of Louisiana as defined by GASB Statement No. 14, *The Financial Reporting Entity*, and amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, GASB Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*, and GASB Statement No. 80, *Blending Requirements for Certain Component Units, an amendment of GASB Statement No. 14*. The accompanying component unit financial statements of the District contain sub-account information of the state of Louisiana. As such, the accompanying statements present information only as to the transactions of the District as authorized by Louisiana statutes and administrative regulations. Annually, the state of Louisiana issues financial statements which include the activity contained in the accompanying component unit financial statements.

C. GOVERNMENT-WIDE FINANCIAL STATEMENTS

The District's financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). In the government-wide Statement of Net Position, both the governmental and business-type activities of the District are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables, as well as long-term debt and obligations.

The net position of the District is reported in three parts: net investment in capital assets, restricted, and unrestricted. The District first uses restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the District's functions and business-type activities. The functions are also supported by general government revenues and hotel occupancy taxes. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues and operating and capital grants. Program revenues must be directly associated with functions or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function or activity) are normally covered by general revenues (taxes, intergovernmental revenues, interest income, et cetera).

The District does not allocate indirect costs.

D. FUND FINANCIAL STATEMENTS

The financial transactions of the District are reported in individual major funds in the fund financial statements. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance/net

position, revenues, and expenditures/expenses, as appropriate. Resources are allocated and accounted for in the individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The District does not have any special revenue funds. The following fund types are used by the District:

Governmental Funds

The General Fund is the general operating fund of the District. It administers and accounts for legislative appropriations provided to fund the general administrative expenditures of the District and those expenditures, including sports franchise annual payments, not funded through other specific legislative appropriations or revenues.

Debt service funds are established to meet requirements of bond ordinances and are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. The Debt Service Fund maintained by the District accounts for the transactions of certain bond issues outstanding.

Capital projects funds are used to account for financial resources received and used for the acquisition, construction, or improvement of capital facilities not reported in the other governmental funds. The Capital Project Fund maintained by the District accounts for construction and improvement of the facilities of the District.

In the governmental fund financial statements, fund balances are classified as follows:

1. Non-spendable fund balance - amounts that cannot be spent either because they are in a non-spendable form or because they are legally or contractually required to be maintained intact. There are no non-spendable amounts as of June 30, 2020.
2. Restricted fund balance - amounts that can be spent only for specific purposes because of the Constitution of the State of Louisiana, other state and federal laws, or externally imposed conditions by grantors, creditors, or voter approved propositions.
3. Committed fund balance - amounts that can be used only for specific purposes determined by a formal action by the District's board.
4. Assigned fund balance - amounts that are constrained by the District's intent that they will be used for specific purposes.
5. Unassigned fund balance - all other amounts not included elsewhere.

The District considers restricted fund balances to be spent for governmental expenditures first when both restricted and unrestricted resources are available. The District also considers committed fund balances to be spent first when other unrestricted fund balance classifications are available for use.

Proprietary Funds

Enterprise funds are used to account for activities (a) that are operated in a manner similar to private business, where the intent of the governing body is that the cost (expense, including depreciation) of providing goods and services to the general public is financed or recovered primarily through user charges or (b) where the governing body has decided that the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Operating revenues include activities that have characteristics of exchange transactions, such as event rentals and concession sales. Nonoperating revenues result from nonexchange or ancillary activities. Operating expenses generally include transactions resulting from providing goods or services, such as payments to vendors for goods or services and payments for salaries, wages, and benefits, and game day entitlements to sports franchises. Nonoperating expenses include losses resulting from the disposal of capital assets.

The District has three enterprise funds that are used to account for the operations of the Superdome, the Arena, and Champions Square. The District has contracted with ASM (formerly SMG) to manage all three facilities. Future enterprise funds may be established as various activities of the District are placed in operation.

E. BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Both governmental and business-type activities in the government-wide financial statements and the proprietary funds financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

Revenues from general sources consist primarily of the hotel occupancy tax, which is recognized in the month collected by the hotel proprietors. The hotel occupancy tax is used to fund annual debt service requirements, operations, repairs and maintenance, and capital additions.

F. RESTRICTED ASSETS AND LIABILITIES

Certain assets and liabilities are segregated and classified as restricted and may not be used except in accordance with contractual terms, under certain conditions, or to fulfill the District's obligations to the state under its Lease, Management, and Operating Agreements. Assets of the Capital Projects Fund are to be used for construction purposes, and assets of the Debt Service Fund are to be used for debt service payments.

G. INVENTORIES

Inventories, principally repair parts and operating supplies, are stated at cost, which approximates market. Cost is determined by the first-in, first-out method.

H. CAPITAL ASSETS

Capital assets acquired or constructed are recorded at cost. Donated capital assets are valued at estimated fair value on the date donated or contributed. Depreciation is charged to expense over the estimated useful lives of the assets and is determined using the straight-line method. Expenditures for maintenance and repairs which do not materially extend the useful life of the asset are charged to expense as incurred. Interest expense is capitalized during the construction period for long-term construction projects. For movable property, the District's capitalization policy includes all items with a unit cost of \$1,000 or more and an estimated useful life greater than one year. Buildings and improvements costing \$1,000 or more are capitalized.

The estimated useful lives used in computing depreciation and amortization for capital assets are as follows:

Building and improvements:	
Structure:	
Superdome	40 years
Arena	25 years
Baseball stadium	40 years
Practice facilities	40 years
Alario Center	40 years
Major components	10-20 years
Furniture, fixtures, and equipment	5-10 years

The District is also party to various leases of office space. Those leases contain provisions whereby improvements were paid for by the lessee. These leasehold

improvements have not been recorded by the District. Capital improvements to Champions Square are depreciated over the remaining term of the Entertainment District Master Lease Agreement as they are placed into service. The agreement extends through June 30, 2026.

I. REVENUE RECOGNITION

Event rentals, including advance deposits, are recognized as revenue in the period in which the event is held. Annual box suite rentals are recognized in the period earned. Unearned receipts for event rentals and box suite rentals are included in unearned revenue. Revenues from the hotel occupancy tax are recognized in the month such amounts are collected by the hotel proprietors.

J. COMPENSATED ABSENCES

Under the Management Agreement with ASM, all employees engaged in managing and operating the Superdome, Arena, and Champions Square are employees of ASM. ASM provides for compensated absences for its employees. ASM employees can earn 10 to 30 days per year of vacation leave, depending on their length of employment and on certain collective bargaining and union agreements. At the end of any fiscal year, all employees can carry forward no more than the number of days earned during the fiscal year. Upon termination, a non-union employee is paid for up to 192 hours of accumulated vacation, if applicable. Members of the Craft Council and Teamsters Union are paid for accumulated vacation up to what they have earned during the year. The accumulated net provision by the District for unpaid vacation benefits due employees of ASM as of June 30, 2020, was \$258,921.

Non-union, full-time ASM employees and members of the Craft Council earn six days per year of sick leave with no carryforward provision. Members of the Teamsters Union earn six days of sick leave per year which can be accumulated up to a maximum of 192 hours. Accumulated sick leave is not paid upon termination of employment; therefore, no liability has been recognized.

K. CASH FLOW INFORMATION

For the purpose of the Statement of Cash Flows, the District considers all highly-liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

L. INTERFUND ACTIVITY

Interfund activity is reported as loans or transfers. Loans are reported as interfund receivables and payables as appropriate, and are subject to elimination upon consolidation if within the same fund type. Any residual balance outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances. All internal balances are eliminated in the

total primary government column. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements. Receivables or payables between the primary government are reported on separate lines. During the year ended June 30, 2020, the General Fund transferred \$60,858,925 to the proprietary funds, \$696,499 to the Debt Service Fund, and \$592,739 to the Capital Projects Fund. Funds transferred from governmental funds are no longer restricted for debt service or capital projects and are available for allowable uses of the proprietary funds.

M. USE OF ESTIMATES

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions about amounts reported in the financial statements. Actual results could differ from those estimates.

N. ACCOUNTING PRONOUNCEMENTS

In May 2020, the Government Accounting Standards Board (GASB) issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, in order to provide temporary relief to governments in light of the COVID-19 pandemic. The pronouncement postpones the effective dates of certain provisions of Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018 and later.

2. CASH AND CASH EQUIVALENTS

The District maintains cash on hand, cash on deposit with banks in demand deposit accounts, and cash in interest-bearing deposit accounts. The District maintains cash equivalents that consist of money market funds held in escrow by the bond trustee. Cash and cash equivalents are recorded at cost, which approximates market. Cash and cash equivalents consist of the following at June 30, 2020:

	Bank Balance	Book Balance
	<u> </u>	<u> </u>
Primary government:		
Cash on hand		\$86,888
Demand deposits	\$43,632,132	42,031,075
Money market funds	40,243,343	40,243,343
	<u> </u>	<u> </u>
Total	<u>\$83,875,475</u>	<u>\$82,361,306</u>

A reconciliation of cash and cash equivalents to the Statement of Net Position is as follows:

	Primary Government		Total
	Governmental	Business-Type	
	Activities	Activities	
Cash and cash equivalents	\$54,966,968	\$13,409,190	\$68,376,158
Restricted assets	10,225,576	3,759,572	13,985,148
Total	\$65,192,544	\$17,168,762	\$82,361,306

The District's deposits are exposed to custodial credit risk, which is the risk that, in the event of a bank failure the District's deposits might not be recovered. The District's deposit policy for custodial credit risk conforms to state law. Under state law, deposits in banks must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank.

The District is allowed to invest funds as prescribed and allowed by state law. Generally, the law provides that allowable investments are direct securities of the U.S. Treasury, certificates of deposit of Louisiana-domiciled banks, certain guaranteed investment contracts, and other federally-insured investments (i.e., FNMA, FHLMC, FHLB, PEFCO, and Sallie Mae) and mutual or trust fund institutions registered with the Securities and Exchange Commission under appropriate acts which have underlying investments consisting solely of and limited to securities in the U.S. government or its agencies.

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to a transaction the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. The District's investment policy does not limit the amount of its holdings of securities by counterparties. At June 30, 2020, the District's cash and cash equivalents are invested in money market funds held by a counterparty in the name of the District. Money market investments for 2020 consisted of the Federated Government Obligations Fund (Symbol GOSXX), which is rated Aaa-mf by Moody's and AAAM by Standard and Poor's. The fund's holdings consist exclusively of short-term U.S. Treasury bills, notes and other obligations issued or guaranteed by the U.S. Treasury, and repurchase agreements collateralized by such obligations. The investments are not exposed to custodial credit risk or concentration of credit risk.

As a means of limiting its exposure to fair value losses arising from rising interest rates (interest rate risk), the investment policy prescribed by Louisiana law establishes limits for investments with maturities of 30 days or longer and establishes parameters for interest rates of certain investments. As of June 30, 2020, all cash equivalents had maturities of 30 days or less; therefore, the District was not exposed to interest rate risk. The type of investments allowed by the investment policy (as detailed above) ensures that the District is not exposed to credit risk, concentration of credit risk, and foreign currency risk.

3. DUE FROM STATE OF LOUISIANA

Amounts due from the state of Louisiana for hotel occupancy tax collections and appropriations totaled \$1,564,956 at June 30, 2020.

4. CAPITAL ASSETS

A summary of changes in capital assets is as follows:

Governmental Activities

	Balance June 30, 2019	Prior Period Adjustment	Restated Balance June 30, 2019	Additions	Deletions/ Transfers	Balance June 30, 2020
Capital assets not being depreciated:						
Land	\$3,125,336	\$3,000,000	\$6,125,336			\$6,125,336
Construction-in-progress	6,943,596		6,943,596	\$2,263,248	(\$7,000,000)	2,206,844
Total capital assets not being depreciated	<u>\$10,068,932</u>	<u>\$3,000,000</u>	<u>\$13,068,932</u>	<u>\$2,263,248</u>	<u>(\$7,000,000)</u>	<u>\$8,332,180</u>
Other capital assets:						
Building and improvements:						
Shrine on Airline Stadium	\$32,193,573	(\$3,000,000)	\$29,193,573			\$29,193,573
Outdoor practice facility complex	6,565,115		6,565,115			6,565,115
Indoor practice facility	7,659,360		7,659,360			7,659,360
TPC golf facility	149,346		149,346		\$7,000,000	7,149,346
Pelicans training facility	10,000,919		10,000,919			10,000,919
Alario center	18,496,911		18,496,911	\$424,515		18,921,426
Less accumulated depreciation	<u>(27,905,374)</u>		<u>(27,905,374)</u>	<u>(2,003,185)</u>		<u>(29,908,559)</u>
Total other capital assets	<u>\$47,159,850</u>	<u>(\$3,000,000)</u>	<u>\$44,159,850</u>	<u>(\$1,578,670)</u>	<u>\$7,000,000</u>	<u>\$49,581,180</u>
Capital asset summary:						
Capital assets not depreciated	\$10,068,932	\$3,000,000	\$13,068,932	\$2,263,248	(\$7,000,000)	\$8,332,180
Other capital assets, at cost	75,065,224	(3,000,000)	72,065,224	424,515	7,000,000	79,489,739
Total cost of capital assets	85,134,156		85,134,156	2,687,763		87,821,919
Less accumulated depreciation	<u>(27,905,374)</u>		<u>(27,905,374)</u>	<u>(2,003,185)</u>		<u>(29,908,559)</u>
Capital assets, net	<u>\$57,228,782</u>		<u>\$57,228,782</u>	<u>\$684,578</u>		<u>\$57,913,360</u>

Depreciation expense of \$2,003,185 was charged to facility operations in governmental activities for the year ended June 30, 2020.

Depreciation expense of \$37,749,257 was charged to facility operations in business-type activities for the year ended June 30, 2020.

Business-Type Activities

	Balance June 30, 2019	Additions	Deletions/ Transfers	Balance June 30, 2020
Capital assets not being depreciated:				
Land	\$13,944,160			\$13,944,160
Construction-in-progress	19,540,055	\$52,960,573	NONE	72,500,628
	<u>\$33,484,215</u>	<u>\$52,960,573</u>	<u>NONE</u>	<u>\$86,444,788</u>
Total capital assets not being depreciated				
	<u>\$33,484,215</u>	<u>\$52,960,573</u>	<u>NONE</u>	<u>\$86,444,788</u>
Other capital assets:				
Building and improvements	\$594,451,004	\$10,651,982		\$605,102,986
Leasehold improvements	17,394,805	56,754		17,451,559
Furniture, fixtures, and equipment	30,529,957	1,336,804	(\$336,525)	31,530,236
Less accumulated depreciation	(394,165,084)	(37,749,257)	336,525	(431,577,816)
	<u>\$248,210,682</u>	<u>(\$25,703,717)</u>	<u></u>	<u>\$222,506,965</u>
Total other capital assets				
	<u>\$248,210,682</u>	<u>(\$25,703,717)</u>	<u></u>	<u>\$222,506,965</u>
Capital asset summary:				
Capital assets not depreciated	\$33,484,215	\$52,960,573		\$86,444,788
Other capital assets, at cost	642,375,766	12,045,540	(\$336,525)	654,084,781
Total cost of capital assets	675,859,981	65,006,113	(336,525)	740,529,569
Less accumulated depreciation	(394,165,084)	(37,749,257)	336,525	(431,577,816)
	<u>\$281,694,897</u>	<u>\$27,256,856</u>	<u></u>	<u>\$308,951,753</u>
Capital assets, net				
	<u>\$281,694,897</u>	<u>\$27,256,856</u>	<u></u>	<u>\$308,951,753</u>

A component of the 15-year extension of the New Orleans Saints lease agreement with the Superdome through 2025 was the state's approval to fund \$85,000,000 in funding for upgrades and improvements to the facility. These improvements have completely modernized the facility to include an expansion of the Plaza concourse, concession areas, restrooms, and elevators; addition of two ground-level clubs; new electrical, video, and audio systems; widening the ramp to the Gate A entrance; a permanent staircase to Champions Square; expansion of the team retail store; relocation of the press box to the 700 level; an additional 16 suites; and an additional 3,100 seats.

The Shrine on Airline stadium; the New Orleans Saints Practice Facilities; and the New Orleans Pelicans Training Facility are owned by the District. The District has the use of the land related to the baseball stadium and practice facilities for 60 years at no cost, expiring in April 2055.

Mercedes-Benz Superdome Master Plan Project

During 2019, the District undertook a plan to construct, improve, equip, and furnish the facility (the Project). The District secured financing as described in Note 8. For the year ended June 30, 2020, the District had \$63,267,237 of construction-in-progress related to the Project. As of June 30, 2020, the District had commitments under the following two contracts, which are the largest related to the Project, as follows:

	Spent-to-Date	Remaining Commitment
Construction	\$34,547,936	\$19,827,525
Architect	\$8,201,166	\$21,088,715

5. JUDGMENTS AND SETTLEMENTS PAYABLE

On May 3, 2017, the Louisiana Supreme Court handed down its decision ordering the refunding of hotel occupancy taxes for the sales tax periods October 1, 1999, through June 30, 2004, plus interest to a local entity. The District will repay \$1,300,646 over a period of five years. Beginning on July 1, 2017, monthly installments of \$21,949 will be withheld from the hotel occupancy taxes collected by the Louisiana Department of Revenue on behalf of the District. During the year ended June 30, 2020, the District paid \$263,384. The District's future payments on the judgment are \$263,384 for the fiscal year ending June 30, 2021 and \$247,112 for the fiscal year ending June 30, 2022.

On May 28, 2020, the District entered into a settlement agreement with the city of New Orleans to remit payment for the use of the LaSalle street right-of-way between Poydras street and Girod street for event purposes dating back to January 2011 and through December 2020. The District shall pay a total of \$2,350,000 to the city of New Orleans over a five year period beginning in May 2020. Subsequent payments of \$235,000 will be paid by the District on or before June 30th and December 31st beginning December 2020. During the year ended June 30, 2020, the District paid \$235,000. The District's future payments on this settlement are \$470,000 for the fiscal years ending June 30, 2021 through June 30, 2024, and \$235,000 for the fiscal year ending June 30, 2025. For the fiscal year ended June 30, 2020, the settlement amount of \$2,350,000 is included as part of facility operations expenses for governmental activities on the Statement of Activities.

6. CAPITAL LEASE - ENERGY SAVINGS PERFORMANCE CONTRACTS

The District has entered into an energy savings performance contract, whereby the District will lease from the vendor the necessary equipment for energy conservation measures applied to existing buildings that improve energy efficiency and are life cycle cost effective. The terms of the lease agreement expire in April 2026. A second lease agreement entered into during the year ended June 30, 2017, has a term which expires in January 2027. Each capital lease obligation at June 30, 2020, is payable in quarterly installments and has a 4.0% implicit rate of interest.

At June 30, 2020, future minimum lease payments under the capital lease obligation and the net present value of the future minimum lease payments are as follows:

<u>Fiscal Year</u>	
2021	\$1,471,008
2022	1,480,031
2023	1,489,206
2024	1,498,534
2025	1,508,018
Thereafter	<u>1,917,936</u>
Total future minimum lease payments	9,364,733
Less amount representing interest	<u>(1,083,168)</u>
Present value of future minimum lease payments	8,281,565
Less current principal obligation	<u>(1,170,248)</u>
Total long-term principal obligation	<u><u>\$7,111,317</u></u>

Under the terms of the contract, the vendor has guaranteed the amount of energy and cost savings to be realized by the District. In the event the annual energy cost savings plus annual maintenance cost savings, less the annual new maintenance costs achieved during a guarantee year, is less than the energy and cost savings guarantee for the year, the vendor shall pay to the District an amount equal to the difference.

7. BONDS PAYABLE

The bond issues outstanding at June 30, 2020, and changes in long-term debt for the year then ended are as follows:

Governmental Activities

	Balance June 30, 2019	Additions	Reductions	Balance June 30, 2020	Amounts Due Within One Year
Series 2013A (various interest rates; maturing fiscal year 2037)	\$260,670,000		(\$10,190,000)	\$250,480,000	\$10,690,000
Direct Placement: Series 2013C (2.25% interest rates; maturing fiscal year 2040)	<u>50,000,000</u>			<u>50,000,000</u>	
Total outstanding principal	310,670,000	NONE	(10,190,000)	300,480,000	10,690,000
Add bond premium	<u>25,359,462</u>		(2,550,493)	<u>22,808,969</u>	<u>2,460,319</u>
Total bonds payable, net	<u>\$336,029,462</u>	<u>NONE</u>	<u>(\$12,740,493)</u>	<u>\$323,288,969</u>	<u>\$13,150,319</u>

On January 16, 2013, the District issued \$361,345,000 of Series 2013 Revenue Refunding Bonds. The purposes of the issue were to refund and defease approximately \$294,000,000 of the

District's existing outstanding bonds, to provide approximately \$109,000,000 for the termination of the fixed-rate hedge agreement and interest rate swap agreement, and to provide for the costs of issuance of the bonds. The bonds are secured by a pledge of the hotel occupancy tax and excess annual revenues of the District. See note 9 for additional information on pledged revenues. The bonds are reported in the 2020 Statement of Net Position, net of unamortized premiums of \$22,808,969.

The 2013 bonds consist of Senior Revenue Refunding Bonds Tax-Exempt Series 2013-A (\$270,870,000); Revenue Refunding Bonds Tax-Exempt Series 2013B (\$40,475,000); and Subordinate Revenue Refunding Bonds Taxable Series 2013C (\$50,000,000). The state owns 100% of the Series 2013C Bonds.

At June 30, 2020, the District had a deferred charge on refunding totaling \$25,395,349, which resulted from the refunding of the Series 2006 Bonds. The deferred charged is being amortized over the life of the Series 2013 Bonds through 2036.

The annual requirements to amortize all District bonds outstanding at June 30, 2020 (excluding support fees), are presented in the following schedule.

Fiscal Year	Series 2013A		Direct Placement: Series 2013C	
	Principal	Interest	Principal	Interest
2021	\$10,690,000	\$12,017,088		\$733,781
2022	11,215,000	11,474,963		750,361
2023	11,775,000	10,900,212		767,344
2024	12,335,000	10,322,463		784,710
2025	12,925,000	9,715,963		802,460
2026-2030	74,620,000	38,302,000		4,293,017
2031-2035	94,725,000	17,684,944		4,801,184
2036-2040	22,195,000	570,088	\$50,000,000	40,731,838
Total	<u>\$250,480,000</u>	<u>\$110,987,721</u>	<u>\$50,000,000</u>	<u>\$53,664,695</u>

Other significant bond features are as follows:

1. The Series 2013A Bonds maturing on or after July 1, 2024, are subject to redemption prior to maturity at the option of the District.
2. The Series 2013B Bonds are not subject to optional redemption and have been fully redeemed as of June 30, 2018.
3. The Series 2013C Bonds were issued through a private placement with the state of Louisiana.

4. The Series 2013C Bonds are subject to redemption prior to maturity at the option of the District.
5. The Series 2013A Bonds contain a provision that in an event of default, outstanding amounts become immediately due if the District is unable to make payment of principal or interest; or the hotel occupancy tax is eliminated, reduced or the District's share of the tax is reduced.

The Debt Service Fund had assets available of \$41,575,944 at June 30, 2020, for payment of the bonds included in governmental activities. Each month, the hotel occupancy tax pays the debt service accounts (a) the interest amount that will be sufficient when accumulated to pay the next installment of interest on the bonds and (b) the principal amount that will be sufficient when accumulated to pay the principal of any of the bonds becoming due and payable.

8. BOND ANTICIPATION NOTES

On September 11, 2019, the District issued a \$30,000,000 Bond Anticipation Note (BAN), Series 2019. The purposes of this note are to provide construction financing for the Mercedes-Benz Superdome Master Plan Project (the Project) and to pay the cost of issuance of the note. The note is the first tranche of the total \$350,000,000 authorized to be issued. The note shall mature on July 3, 2023 and shall bear interest at a rate of 1.78%.

Principal and interest payments due on the note as of June 30, 2020 are as follows:

<u>Fiscal Year</u>	<u>BAN, Series 2019</u>	
	<u>Principal</u>	<u>Interest</u>
2021		\$534,000
2022		534,000
2023		534,000
2024	<u>\$30,000,000</u>	<u>269,967</u>
Total	<u>\$30,000,000</u>	<u>\$1,871,967</u>

Subsequent to year-end, on July 1, 2020, the District issued a \$90,000,000 Bond Anticipation Note. The purposes of this note are to provide construction financing for the Project and to pay the cost of issuance of the note. The note is the second tranche of the total \$350,000,000 authorized to be issued. The note shall mature on July 3, 2023 and shall bear interest at a rate of 5.0%.

9. REVENUE SOURCES AND REQUIRED RESTRICTED ASSETS

The District's bonds are secured by a pledge of all revenues of the District that are not previously dedicated for another use; however, the hotel occupancy tax revenues in the parishes of Orleans and Jefferson are expected to be the primary source of funding. These revenues will cover

principal and interest requirements until the bonds are fully paid and discharged in 2039. Total revenue pledged for fiscal year ended June 30, 2020, was \$106,042,016. Total principal and interest remaining on the Series 2013 bonds and BAN, Series 2019, was \$330,480,000 and \$166,524,383, respectively, as of June 30, 2020. For the current year, the District paid principal and interest payments of \$10,190,000 and \$13,251,118, respectively, on the Series 2013 Bonds and interest payments of \$163,167 on the BAN, series 2019.

In accordance with the laws of the state, funds to operate the District are derived from self-generated funds, the 4% hotel occupancy tax (which expires when all bonds are either paid or funded), the lease agreement with the state, the management and operating agreement with the state, and the state's Capital Budget and Capital Outlay Program.

As noted above, the hotel occupancy tax is pledged by the state for the payment of principal and interest on the District's bonds. Of the \$37,658,174 of hotel occupancy tax earned for the year ended June 30, 2020, \$19,902,919 was used for debt service requirements.

At the end of each fiscal year after the payment and satisfaction of all obligations of the District, and after all expenses of the operation and maintenance of the District, including depreciation, and funding of \$2,300,000 to the Renewal and Replacement Reserve Account and \$500,000 annually to the Greater New Orleans Sports Foundation, the excess is then distributed, as established or as prorated based on available amounts, to Jefferson Parish for tourism promotion; the City of New Orleans for use by the New Orleans Recreation Department; Xavier University; Southern University - New Orleans for its Small Business Center; Jefferson Parish Westbank Sports and Civic Center; University of New Orleans for the School of Hotel, Restaurant, and Tourism Administration; and the New Orleans Visitors and Information Center. After meeting these requirements, the remaining monies shall be deposited for use as outlined in the 1994 Lease Agreement between the District and the state.

At June 30, 2020, after payment and satisfaction of all obligations of the District and after all operating expenses including depreciation, no excess monies were available for distribution.

Various acts of the state legislature and agreements impose the establishment of the Renewal and Replacement Reserve Account, which is restricted as to the use of monies deposited therein.

Renewal and Replacement Reserve Account

This account was established to accumulate monies for major maintenance, repairs, renewals, and replacements that are not annually recurring. Excess unrestricted funds at year-end are to be transferred to this account as required by various acts of the state legislature. During the year ended June 30, 2020, no funds from operations were required to be deposited into the reserve. The total amount of deposits on reserve was \$13,883,633 as of June 30, 2020.

10. RENTALS FROM NONCANCELABLE OPERATING LEASES (LESSOR LEASES)

Commitments for future revenue under noncancelable operating leases as of June 30, 2020, are as follows:

<u>Year Ended June 30,</u>	<u>Business-type Activities</u>		<u>Total</u>
	<u>Cellular Tower Leases</u>	<u>Office Space Lease</u>	
2021	\$601,468	\$18,900	\$620,368
2022	457,658	18,900	476,558
2023	101,005	18,900	119,905
Total	<u>\$1,160,131</u>	<u>\$56,700</u>	<u>\$1,216,831</u>

The District leases office space within the Superdome to the Sunbelt Conference under a lease agreement until June 2023. It also leases space within the Superdome and Arena to various cell service providers under agreements expiring at varying intervals until fiscal year 2023.

Many of the leases contain provisions whereby the annual rentals are to be adjusted by the percentage increase in the Consumer Price Index or other factors dependent on annual revenues which cannot be determined at this time. The District is also a party to other leases in which the annual rentals are based on a percentage of the lessees' annual revenues or on gate receipts and are, therefore, not included in the above totals.

Lease revenues, not including box suite revenues, for the year ended June 30, 2020, were \$629,267 for the District.

11. PENSION AND PROFIT SHARING PLANS

On April 1, 1992, the employees of ASM, paid indirectly by the District, became members of ASM's 401(k) plan (the Plan). Employees who are eligible to participate in the 401(k) plan may contribute between 1% and 60% of their eligible compensation for non-highly compensated employees and 5% for highly compensated employees up to the limits established by federal law. ASM will match 40% of the first 5% of eligible compensation contributed by employees. In addition to the matching contribution, ASM may contribute 1% of employees' compensation to the Plan. To be eligible for this 1% contribution, employees must have worked at least 1,000 hours during the plan year, be employed by December 31 of the plan year, and be contributing to the Plan. The vesting schedule is as follows:

<u>Years of Vesting Service</u>	<u>Nonforfeitable Percentage</u>
Less than 1	0%
1 year, but less than 2	33%
2 years, but less than 3	55%
3 years or more	100%

Total pension expense for the Plan was \$133,635 for the year ended June 30, 2020.

Contributions are also made to pension plans for members of the Teamsters Union in accordance with its collective bargaining agreement; the District does not guarantee the benefits granted by the Teamsters Union plans.

12. LEASE AND RENTAL COMMITMENTS

On September 15, 2009, the District negotiated an agreement to lease the former New Orleans Centre Shopping Mall and parking garage (Entertainment District Master Lease). The District also entered into a Co-development Agreement with the property owners to redevelop the premises as a venue for entertainment. The term of the lease extends through June 30, 2026, and will automatically be extended until June 30, 2031, if the Stadium Agreement, discussed in note 15, is extended.

The total payments for operating leases during fiscal year 2020 amounted to \$2,420,111 for the District. The annual base rental payments are as follows:

<u>Fiscal Year</u>	<u>Business-Type Activities</u>
2021	\$2,604,379
2022	\$3,421,305
2023	\$3,566,531
2024	\$3,714,662
2025	\$3,865,755
2026	\$4,019,870

The annual base rental payments include an annual 2% increase and a fixed incremental increase over the life of the leases.

13. MANAGEMENT AND SUPPORT SERVICES AGREEMENTS

Effective July 1, 1977, the state of Louisiana (the State) entered into a management agreement with HMC Management Corporation (which later changed its name to Facility Management of Louisiana, Inc.) (the Management Agreement). Effective June 19, 1998, the Management Agreement was amended to authorize the substitution of SMG (now operating as ASM after the

merger of SMG and AEG Facilities effective October 1, 2019) for Facility Management of Louisiana, Inc., as manager under the agreement, and to include the Arena among the properties to be managed under the Management Agreement. Effective July 1, 2003, the Management Agreement was amended and the term of the agreement was extended until June 30, 2012. By the terms of this amendment, the state was required to notify ASM by June 30, 2011, if it elected not to extend the Management Agreement for an additional five years. ASM was not notified by the state and the Management Agreement was further extended for an additional five-year period ending June 30, 2017. On March 12, 2015, the seventh amendment to the Management Agreement extended the term of the agreement for an additional five years, ending June 30, 2022. Effective July 1, 2017, the Management Agreement was amended to further extend the term for an additional five-year period ending June 30, 2027.

Pursuant to the amendment to the Management Agreement on July 1, 2003, beginning in the year ended June 30, 2007, compensation paid to ASM for its services at the Superdome and Arena will consist of a combination of base fee, incentive fee, and bonus fee. The annual “base fee” is \$700,000 for the Superdome and \$300,000 for the Arena. The “incentive fee” will consist of 10% of the adjusted net income of the Superdome and the Arena, subject to limits established in the agreement. The “bonus fee” will be computed using a percentage of the combined base fees derived from comparing the actual financial performance of the two buildings to budgeted performance. The combined fee paid to ASM (aggregate cap) for the year may not exceed \$1,500,000 as adjusted for the Consumer Price Index (CPI), outstanding manager’s capital contributed by ASM, and a fee increment determined by comparing actual fees earned for fiscal years ended June 30, 2004, 2005, and 2006, to those that would have been earned for those years had the revised fee structure been in effect for those years.

Effective July 1, 2017, the base fees for the Superdome and Arena are reduced by \$210,000 and \$90,000, respectively, less than the amount of their respective base fees as of June 30, 2017, increased in proportion to increases in the CPI published for June 2017 over that published for June 2016, provided that no such CPI increase shall exceed 4%. In addition, the aggregate cap shall not exceed an amount that is \$300,000 less than the aggregate cap as of June 30, 2017, increased in proportion to increases in the CPI published for June 2017 over that published for June 2016, provided that no such CPI increase shall exceed 4%. The amendment provides that ASM will contribute up to \$5,000,000 (manager’s capital) to the District upon written request from the state. The manager’s capital is a non-interest bearing, non-refundable contribution provided certain terms of the agreement are met in relation to the duration of the Management Agreement. Through June 30, 2020, ASM has contributed \$5,000,000 of manager’s capital.

Effective July 1, 2018, the base fees, the first tier of the incentive fee, and the aggregate cap are increased in proportion to increases in the CPI published for June immediately preceding the start of the applicable fiscal year over that published for the previous June, provided that no such CPI increase shall exceed 2%.

Effective October 1, 2008, the District entered into a Support Services Agreement with ASM to provide personnel and resources necessary to perform the administrative, accounting and finance, asset management, public relations, governmental matters, and other support services for other facilities. The services with respect to the other facilities and related matters are

outside the current scope of the Management Agreement. These services are performed by ASM on behalf of the District, which retains final authority over the other facilities and approval for services. The other facilities consist of Champions Square adjacent the Superdome; the Alario Center in Westwego, Louisiana; the Saints Training Facility in Jefferson, Louisiana; the TPC Louisiana Golf Course in Avondale, Louisiana; and The Shrine on Airline, home of the New Orleans Baby Cakes, in Metairie, Louisiana. For its services, ASM shall be entitled to receive an annual fee of \$150,000. On October 13, 2010, the agreement was amended to reduce the annual fee to \$75,000 to provide for the separation of services related to Champions Square.

14. CONTINGENT LIABILITIES, RISK MANAGEMENT, AND CLAIMS LIABILITY

Losses arising from judgments, claims, and similar contingencies are paid through the state's self-insurance fund operated by the Office of Risk Management, the agency responsible for the state's risk management program, or by the General Fund appropriation. At June 30, 2020, the District is involved in pending and threatened litigation. The District's legal counselors assess the likelihood of material adverse judgments as remote or are unable to express opinions on the probable outcomes of the proceedings.

15. STADIUM AGREEMENT

The New Orleans Saints lease the Superdome under an agreement (Stadium Agreement) dated September 15, 2009, as amended, with the state, the District, ASM, and the New Orleans Louisiana Saints L.L.C. (the Club), a National Football League (NFL) football franchise. The agreement amends and restates the previous lease agreement dated September 30, 1994, as amended. The agreement provides, among other things, certain annual payments in the form of reduced rentals and the assignment of certain revenues attributable, directly or indirectly, to the presence of the Club in the Superdome in exchange for the Club remaining in the Superdome through the end of the 2025 NFL season. The assignment of revenues resulted in payments totaling \$15,931,539 to the Club for the year ended June 30, 2020.

During the year ended June 30, 2020, the Club received other payments totaling \$2,355,376 representing amounts collected by the Louisiana Department of Revenue attributable to the income of nonresident NFL professional athletes.

Beginning with the 2012 fiscal year, should the Club's revenue fall below certain benchmark amounts, the state is required to reimburse the Club an amount to cause the Club's revenue to equal the benchmark. For the year ending June 30, 2012, the state's cap on this reimbursement was \$6 million, increased at a rate of 2% annually for each subsequent fiscal year.

The Club's eligible revenues, as defined in the Stadium Agreement, as amended and restated, exceeded the revenue benchmark for the year ended June 30, 2020, thus reducing the obligation to pay additional inducements to the Club. The reduction in additional payment obligations was, in part, a result of the naming rights agreement between the Club and the Mercedes-Benz Corporation. Granting the Club the ability to sell naming rights sponsorship was considered a key factor in lowering the state's economic exposure to future annual payment obligations. The

naming rights revenues are included in the calculation of eligible revenue for each fiscal year under the terms of the Stadium Agreement.

16. ARENA USE AGREEMENTS

On May 2, 2002, the District entered into a use agreement (Original Agreement) with the Hornets NBA Limited Partnership (the Pelicans, formerly the Hornets), a franchise of the National Basketball Association (NBA), under which the Pelicans would relocate to New Orleans and play all home basketball games in the Arena. In January 2008, the Original Agreement was amended to extend the initial terms to June 30, 2014. In June 2012, the Original Agreement was amended and restated in its entirety (Arena Use Agreement) to extend the term and provide for significant improvements to the Arena. The initial term of the Arena Use Agreement extends through June 30, 2024, with an optional five-year extension which must be elected in writing by June 30, 2023.

The Arena Use Agreement entitles the Pelicans to all realized revenues from home games including, but not limited to, ticket sales, 40% of gross concession revenues, net revenues from merchandise sales and parking, and various advertising revenues as defined in the agreement. These annual payment obligations are recorded as operating expenses of the Arena and totaled \$2,931,312 during fiscal year 2020. In return, the Pelicans will reimburse the District for 32% of game day expenses for regular season games and 100% for playoff games. It also provides for an annual payment, beginning in 2012, equal to the greater of \$300,000 (increased by 2% annually) or one-half of the net revenues from luxury box suite ticket sales for other Arena events. The annual expense totaled \$283,278 during fiscal year 2020. The annual expense was impacted by the COVID-19 pandemic which reduced the number of home games played in 2020 to 33.

The Pelicans are also entitled to receive an amount equal to the income taxes collected by the Louisiana Department of Revenue attributable to the income of nonresident professional NBA sports franchise personnel. For fiscal year ended June 30, 2020, the Pelicans were paid \$1,734,500 from the nonresident players' tax.

Under the Original Agreement, as amended, should the Pelicans' revenue fall below certain benchmark amounts, the District was required to reimburse the Pelicans an amount to cause the Pelicans' revenue to equal the benchmark. Beginning with the 2008 fiscal year, the District's cap on this reimbursement was \$6.5 million, increased at a rate of 5% for each subsequent fiscal year. The amounts due to the Pelicans for fiscal years 2012 and 2013 for this revenue benchmark were incorporated into the renegotiation of their use agreement with a portion deferred until the Arena improvements and upgrades are substantially complete. The restated Arena Use Agreement requires the District to pay the Pelicans \$2,500,000 with a 2% increase per year, annually, due on July 31 of each year beginning 2012. This additional annual payment is in consideration of annual financial investments required of the Pelicans to host events in Champions Square, advertise and promote events at the facilities owned by the District, and others as defined in the agreement. The additional annual payment for the revenue benchmark totaled \$2,305,655 during the year ended June 30, 2020. The annual payment was impacted by

the COVID-19 pandemic which reduced the number of home games played in 2020 to 33 and events held in Champions Square to 12.

The Arena Use Agreement created the Arena Renewal and Replacement Fund and established quarterly funding requirements beginning in fiscal year 2013.

17. NOLA GOLD AGREEMENT

The District entered into an agreement with the NOLA Gold Rugby Club (NOLA Gold) to hold games at the Shrine on Airline. Under the terms of the agreement, the baseball field at the Shrine on Airline was reconfigured into a field suitable to host rugby games at the expense of NOLA gold. Prior to cancellation of the season due to the COVID-19 pandemic, NOLA Gold hosted four rugby games at the Shrine on Airline.

18. COOPERATIVE ENDEAVOR AGREEMENTS

Effective November 25, 2008, the state, The Players Club (TPC), the District, and the Division of Administration (DOA) entered into a purchase agreement and a cooperative endeavor agreement for the state to acquire the TPC's Louisiana golf course property and to transfer from the state and DOA to the District all state and DOA jurisdiction over, and authority for, the oversight and administration of the Tournament Players Club Golf Facility (the Golf Facility) as well as oversight and administration of all funds appropriated, or to be appropriated, by the state related to the supervision, operation, and management of the Golf Facility.

Effective April 20, 2017, the District and Jefferson Parish entered into a cooperative endeavor agreement whereby the District will provide development services to construct a recreational facility in Westwego, Louisiana, for the youth and citizens of Jefferson Parish. The project will be funded through capital outlay funds appropriated by the state of Louisiana to the District and specifically designated for the implementation of the project. Upon completion of the project, an act of transfer and conveyance will be executed, conveying ownership of the project site, land, improvements, and equipment located on or obtained for the project to Jefferson Parish. During the year ended June 30, 2017, the District acquired the land on which the facility will be located. As of June 30, 2020, initial design and planning on the project continues.

Effective March 28, 2019, the state, the District, and Jefferson Parish entered into an amended and restated management agreement whereby Jefferson Parish accepts the exclusive rights to manage, operate, market, and administer the Alario Center. The agreement is for an initial five-year term with an automatic five-year extension. Jefferson Parish will fund operating and maintenance costs of the Alario Center for the duration of the agreement.

19. MASTER PLAN AND PROJECT

In April 2019, the District and the Club have entered into an agreement whereby the District and the Club have agreed to split the costs of the architectural design services associated with Mercedes-Benz Superdome Master Plan (the Master Plan). Under the terms of the agreement, the District will be responsible for 20% of the total architectural services design expenses and the

Club will be responsible for the remaining 80%. The District and Club anticipate that the expenses will not exceed \$8,000,000. During the year ended June 30, 2020, the Club contributed the remaining \$970,142 to bring the Club's total contribution to \$6,400,000.

During 2020, the District and the Club agreed to split additional expenses associated with the Master Plan. The Club's contribution of \$3,594,358 represented 28% of the additional expenses.

20. COVID-19 AND MANAGEMENT'S PLAN

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern," and on March 10, 2020, declared it to be a pandemic. In response to the COVID-19 pandemic, national and state emergency declarations are in effect, resulting in significant reductions, in business, travel, and other economic activity. On March 11, 2020, Louisiana Governor John Bel Edwards declared a public health emergency, and on March 22, 2020, Governor Edwards issued a Stay at Home order that ordered people to stay home unless taking essential trips, ordered some non-essential businesses to close, and placed limitations on other businesses that were allowed to remain open. Further restrictions were put in place and continue in varying degrees through the date of this report.

The outbreak of COVID-19 has caused disruption in operations for the District, cancelled events scheduled to occur at District facilities, and impacted the hotel tax revenue received by the District. The District's current fiscal year 2021 rolling forecast anticipates a more than 70% drop of total budgeted revenues. These revenues are anticipated to be nearly 73% less than the historical 3-year average from fiscal year 2017 through fiscal year 2019, which represents a loss of approximately \$76,000,000 in revenues to the District. The District intends to mitigate these effects through budget management efforts which include employee furlough, reduction of capital outlay, and fixed and variable cost reductions.

21. SUBSEQUENT EVENTS

As described in note 8, on July 1, 2020, the District issued Bond Anticipation Note Series 2020 in the amount of \$90,000,000 as part of the Mercedes-Benz Superdome Master Plan.

OTHER REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS

Exhibit A

The following pages contain a report on internal control over financial reporting and on compliance with laws and regulations and other matters required by *Government Auditing Standards*, issued by the Comptroller General of the United States. The report is based on the audit of the financial statements and includes, where appropriate, any significant deficiencies and/or material weaknesses in internal control or compliance and other matters that would be material to the presented financial statements.



LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

December 11, 2020

Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards*

Independent Auditor's Report

**BOARD OF COMMISSIONERS OF THE
LOUISIANA STADIUM AND EXPOSITION DISTRICT
STATE OF LOUISIANA**
New Orleans, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Louisiana Stadium and Exposition District (the District), a component unit of the state of Louisiana, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 11, 2020. Our report was modified to include an emphasis of matter paragraph about the impact of the COVID-19 pandemic on operations of the District.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a

combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance, and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,



Daryl G. Purpera, CPA, CFE
Legislative Auditor

KPD:NM:RR:EFS:ch

LSED 2020