



CENTURLINK CENTER ARENA FUND
A Special Revenue Fund of the City of Bossier City, Louisiana

Financial Statements and Schedule

December 31, 2013

(With Independent Auditors' Reports Thereon)

CENTURYLINK CENTER ARENA FUND
A Special Revenue Fund of the City of Bossier City, Louisiana

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KPMG LLP
333 Texas Street, Suite 1900
Shreveport, LA 71101-3692

Independent Auditors' Report

The Honorable Members of the City Council
and the Honorable Jeffery Darby, President
City of Bossier City, Louisiana:

Report on the Financial Statements

We have audited the accompanying financial statements of the CenturyLink Center Arena Fund, a special revenue fund of the City of Bossier City, Louisiana, (the Arena) as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the 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 U.S. generally accepted accounting principles; 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the CenturyLink Center Arena Fund, a special revenue fund of the City of Bossier City, Louisiana, as of and for the year ended December 31, 2013, and the changes in its financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that management's discussion and analysis and budgetary comparison information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2014 on our consideration of the Arena'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 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 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 Arena's internal control over financial reporting and compliance.

KPMG LLP

Shreveport, Louisiana
June 6, 2014

CENTURYLINK CENTER ARENA FUND
A Special Revenue Fund of the City of Bossier City, Louisiana
Management's Discussion and Analysis – Unaudited
December 31, 2013

We offer readers of the CenturyLink Center Arena Fund, a special revenue fund of the City of Bossier City's (Arena) financial statements this narrative overview and analysis of the financial activities of the Arena for the fiscal year ended December 31, 2013.

Overview of the Financial Statements

Management's Discussion and Analysis (MD&A) is intended to serve as an introduction to the Arena's financial statements. The Arena's financial statements comprise two components: (1) fund financial statements and (2) notes to the financial statements. This report also contains other supplementary information in addition to the financial statements themselves.

Fund Financial Statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Arena, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Arena is composed of a single governmental fund.

Financial Analysis of the Arena Fund

Governmental Fund

The focus of the Arena's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Arena's financing requirements. In particular, an unreserved fund balance may serve as a useful measure of the Arena's net resources available for spending at the end of the fiscal year.

The Arena has a fund deficit of \$(205,651), which consists of \$47,106 nonspendable for prepaid items and an unassigned deficit of \$(252,757). The deficit will be funded through future operations and/or transfers from the City of Bossier City (the City). Of the Arena's assets totaling \$2,420,830, 76% is in cash. The fund deficit increased by \$(73,019) in 2013 after the transfer of \$750,000 from the City. Transfers from the City were higher than 2012 due to the Arena requesting more funds to cover needs. Revenues were down in 2013 primarily due to lower ancillary and luxury box income. The decreases in ancillary income were primarily due to lower novelty and concession sales while the decrease in luxury box income was primarily due to a box not being leased out during the year. Expenditures in 2013 remained relatively consistent compared to 2012 due to a similar number of events held at the Arena.

	2013	2012
Assets	\$ 2,420,830	1,228,560
Liabilities	2,626,481	1,361,192
Fund deficit	\$ (205,651)	(132,632)

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Change in fund deficit:

	2013	2012
Revenues	\$ 1,997,590	2,298,706
Expenditures	2,820,609	2,887,735
Deficiency of revenues under expenditures	(823,019)	(589,029)
Transfer in	750,000	462,373
Net change in fund deficit	\$ (73,019)	(126,656)

Budgetary Highlights

The budget policy of the City of Bossier City complies with state law, as amended, and as set forth in Louisiana Revised Statutes Title 39, Chapter 9, *Louisiana Local Government Budget Act* (LSA-R.S. 39:1301 et seq.).

The original budget for the Arena was adopted by the City Council on December 4, 2012. There were no amendments made in 2013. No significant revenue or expenditure increases have been budgeted relative to the 2013 budget.

Economic Factors and Next Year's Budgets and Rates

Over the past two years, Arena management has noted attendance to Arena events dropping due to the economy. This was the main factor considered while preparing the 2014 budget. Budgeted amounts for revenues and expenditures were both lowered in 2014 as compared to the 2013 budget while anticipated net change was kept relatively consistent.

Requests for Information

This financial report is designed to provide a general overview of the Arena's finances for all those with an interest in the Arena's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Director of Finance of the City of Bossier City, P.O. Box 5337, Bossier City, Louisiana 71171, or by calling 318-741-8525.

CENTURYLINK CENTER ARENA FUND
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Balance Sheet

December 31, 2013

Assets	
Cash	\$ 1,836,311
Accounts receivable	537,413
Prepaid items	<u>47,106</u>
Total assets	<u>\$ 2,420,830</u>
Liabilities	
Accounts payable and accrued expenses	\$ 566,462
Unearned revenue	269,602
Deposits	<u>1,790,417</u>
Total liabilities	<u>2,626,481</u>
Fund balance:	
Nonspendable	47,106
Unassigned	<u>(252,757)</u>
Total fund deficit	<u>(205,651)</u>
Total liabilities and fund deficit	<u>\$ 2,420,830</u>

See accompanying notes to financial statements.

CENTURYLINK CENTER ARENA FUND
A Special Revenue Fund of the City of Bossier City, Louisiana
Statement of Revenues, Expenditures, and Changes in Fund Deficit
Year ended December 31, 2013

Revenues:		
Direct event income	\$	136,905
Ancillary income		653,415
Advertising		503,137
Luxury box income		532,583
Other income		171,550
		<u>1,997,590</u>
Total revenues		
Expenditures – culture and recreation:		
Executive		164,597
Finance		191,674
Operations		1,230,017
Marketing		147,397
Box office		117,959
Facility overhead		968,965
		<u>2,820,609</u>
Total expenditures		
Deficiency of revenues under expenditures		(823,019)
Other financing sources – transfers in		<u>750,000</u>
Net change in fund deficit		(73,019)
Fund deficit, beginning of year		<u>(132,632)</u>
Fund deficit, end of year	\$	<u><u>(205,651)</u></u>

See accompanying notes to financial statements.

CENTURYLINK CENTER ARENA FUND
A Special Revenue Fund of the City of Bossier City, Louisiana

Notes to Financial Statements

December 31, 2013

(1) Summary of Significant Accounting Policies

The CenturyLink Center Arena Fund of the City of Bossier City (the Arena) is a separate accounting entity of the City of Bossier City (the City). The fund was established to account for the operations of the 14,000-seat multipurpose arena constructed by the City. The operations of the fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. The preparation of financial statements in conformity with government accounting standards requires management to classify the fund balances. For committed fund balance classification, the City Council must take formal action to establish, modify, or rescind a fund balance commitment. The nonspendable classification includes amounts that are not in spendable form or required to be maintained intact. The accounts of the Arena are reported as a Special Revenue Fund within the City's financial statements. The accompanying financial statements present only the CenturyLink Center Arena Fund and are not intended to present fairly the financial position of the City and the results of its operations, in conformity with accounting principles generally accepted in the United States of America.

(a) Basis of Presentation Fund Accounting

Governmental fund financial statements are provided for the Arena. The Arena consists of only one governmental fund.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Arena considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Rental income for luxury box suites and events and advertising income are susceptible to accrual and are recognized when earned or when the underlying transaction occurs. In addition, when advances are received on rentals of luxury box suites and advertising agreements, the advances are recorded as unearned revenue and income recognized over the term of the agreements when earned. Ancillary income consists of revenues from concessions, merchandise, and other sales. Ancillary revenue is recognized at the time of sale. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability has been incurred and has matured.

The operations of the Arena are incorporated into one special revenue fund. The acquisition, use, and balances of expendable financial resources and the related liabilities are accounted for through this fund.

All expenditures incurred in the operation of the Arena are accounted for in this fund, except capital assets and debt. All items of capital assets used by the Arena and bonds issued to fund the construction of the Arena are accounted for in the government-wide financial statements of the City.

Transfers are periodically received from the City to cover any revenue shortfalls. These transfers are made on an as-needed basis.

CENTURYLINK CENTER ARENA FUND
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Notes to Financial Statements

December 31, 2013

(b) *Accounts Receivable*

Accounts receivable consist of amounts due from luxury box rentals, advertisers, and SMG Food and Beverage, LLC (note 3). Accounts receivable are presented net of any allowance. The allowance at December 31, 2013 was \$0, as all accounts were deemed collectible.

(c) *Unearned Revenue*

The balance of unearned revenue represents advances received by the Arena on rentals of luxury box suites and advertising agreements. Income is recognized over the term of the rental agreement when earned.

(d) *Deposits*

The balance of deposits represents advance ticket sales for events to be held at a future date. Income is recognized when the event is held. If an event is canceled, this amount is subject to refund.

(2) *Cash*

All cash deposits of the Arena are held by area financial institutions in the name of the Arena's management company. At December 31, 2013, total cash per the books was \$1,836,311 and included \$13,796 cash on hand. The carrying amount of the Arena's deposits was \$1,822,515 and the bank balance was \$1,830,642. The difference between carrying amount and bank balance is due to outstanding checks and deposits in transit at December 31, 2013.

Custodial credit risk is the risk that in the event of the failure of a depository financial institution, the government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. At December 31, 2013, \$250,000 of the \$1,830,642 bank balance held in the name of the Arena's management company was insured by the Federal Deposit Insurance Corporation. The remaining \$1,580,642 bank balance is exposed to custodial credit risk at December 31, 2013. Under Louisiana state law, all public funds are required to be covered by depository insurance or securities pledged by the bank; however, as these deposits are held in the name of the Arena's management company, a private company, state and federal laws prohibit banks from collateralizing these deposits.

(3) *Related-Party Transactions*

(a) *Management Fee*

The City has contracted with Leisure Management International (LMI) to manage the operations of the Arena through December 31, 2015, with additional renewal periods. Management fees are \$150,000 annually, payable in 12 equal installments, adjusted each year for changes in the consumer price index. For the year ended December 31, 2013, the base fee totaled \$195,169, which is included in the accompanying financial statements as facility overhead. In addition to the base fees, the City has also agreed to pay additional fees based on the performance of the operations of the Arena.

CENTURYLINK CENTER ARENA FUND
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Notes to Financial Statements

December 31, 2013

(b) *Food and Beverage*

LMI has contracted with SMG Food and Beverage, LLC to provide the food and beverage concessions and catering at the Arena. For these services, SMG Food and Beverage, LLC receives 4% of the gross revenues collected in connection with the services they perform. For the year ended December 31, 2013, the Arena paid SMG Food and Beverage, LLC a fee of \$42,836 for their services. Also, at December 31, 2013, the Arena had a receivable from SMG Food and Beverage, LLC of \$176,199. No additional fees were paid in 2013.

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Schedule of Revenues, Expenditures, and Changes
in Fund Balance – Budget and Actual

Year ended December 31, 2013

(Unaudited)

	Actual	Budget	Variance with budget positive (negative)
Revenues:			
Direct event income	\$ 136,905	241,133	(104,228)
Ancillary income	653,415	861,624	(208,209)
Advertising	503,137	581,167	(78,030)
Luxury box income	532,583	644,833	(112,250)
Other income	171,550	207,500	(35,950)
Total revenues	<u>1,997,590</u>	<u>2,536,257</u>	<u>(538,667)</u>
Expenditures – current – culture and recreation:			
Executive	164,597	203,177	38,580
Finance	191,674	199,635	7,961
Operations	1,230,017	1,284,216	54,199
Marketing	147,397	181,934	34,537
Box office	117,959	119,544	1,585
Facility overhead	968,965	998,441	29,476
Total expenditures	<u>2,820,609</u>	<u>2,986,947</u>	<u>166,338</u>
Deficiency of revenues over (under) expenditures	(823,019)	(450,690)	(372,329)
Other financing sources:			
Transfers in	750,000	455,000	295,000
Net change in fund balance	(73,019)	4,310	(77,329)
Fund balance (deficit), beginning of year	<u>(132,632)</u>	<u>201</u>	<u>(132,833)</u>
Fund balance (deficit), end of year	<u>\$ (205,651)</u>	<u>4,511</u>	<u>(210,162)</u>

See accompanying independent auditors' report.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

CENTURYLINK CENTER ARENA FUND
A Special Revenue Fund of the City of Bossier City, Louisiana

Note to Budgetary Comparison Schedule

December 31, 2013

(Unaudited)

Budget and Budgetary Accounting

The City utilizes formal budgetary integration as a management control device for the Arena. The City adopted a budget for the Arena using the following procedures:

- (1) Prior to October 15, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- (2) A public hearing is then conducted, after proper official journal notification, to obtain taxpayer comments.
- (3) Prior to December 15, the budget is legally enacted through passage of an ordinance.
- (4) The budget ordinance is structured such that revenues are budgeted by source, and appropriations are budgeted by department and by principal object of expenditure. The City Charter provides that expenditures may not legally exceed appropriations on a departmental basis, which is the same as the fund basis for the Arena, after considering fund surpluses or deficits. The City Council may revise or amend the budget at its discretion during legally convened sessions. Management may amend the budget only below the department level. The budget was not amended in 2013.
- (5) The basis of accounting applied to budgetary data presented is substantially consistent with the basis of accounting for the Arena. Appropriations that are not expended lapse at year-end, except appropriations for capital improvements, which do not lapse until the purpose of the appropriation has been accomplished or abandoned.

Excess of Expenditures over Budget

Actual expenditures did not exceed budgeted expenditures on a line-item basis.



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

The Honorable Jeffery Darby, President
and Members of the City Council
City of Bossier City, 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 CenturyLink Center Arena Fund (the Arena), which comprise the statement of financial position as of December 31, 2013, and the related statements of activities for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 6, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Arena's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Arena's internal control. Accordingly, we do not express an opinion on the effectiveness of the Arena's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or 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 Arena'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 results of that testing, and not to provide an opinion on the effectiveness of the Arena'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 Arena's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Shreveport, Louisiana
June 6, 2014