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

Financial Statements and Schedules

December 31, 2014

(With Independent Auditors' Reports Thereon)

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date AUG 19 2015

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 Timothy Larkin, 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, 2014, 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, 2014, 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Arena's basic financial statements. The schedule of compensation, benefits, and other payments to elected officials is presented for purposes of additional analysis and is not a required part of the basic financial statements.

This schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of compensation, benefits, and other payments to elected officials is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2015 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 12, 2015

CENTURYLINK CENTER ARENA FUND
A Special Revenue Fund of the City of Bossier City, Louisiana
Management's Discussion and Analysis – Unaudited
December 31, 2014

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, 2014.

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 \$(72,789), which consists of \$42,500 nonspendable for prepaid items and an unassigned deficit of \$(115,289). 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 \$2,813,825, 73% is in cash. The fund deficit decreased by \$132,862 in 2014 after the transfer of \$450,000 from the City. Transfers from the City were lower than 2013 due to the Arena requesting less funds to cover needs. Revenues were up in 2014 primarily due to higher ancillary and other income offset by lower direct event income. The increases in ancillary income were primarily due to an increase in large concerts that have high stagehand payments as well as food and beverage and merchandise sales. The increase in other income was primarily due to large shows in 2014 that resulted in higher Ticketmaster rebates as well as the sale of more club memberships. The decrease in direct event income was primarily due to the Arena taking a loss on a show for which the Arena acted as the promoter. Expenditures in 2014 remained relatively consistent.

	2014	2013
Assets	\$ 2,813,825	2,420,830
Liabilities	2,886,614	2,626,481
Fund deficit	\$ (72,789)	(205,651)

CENTURYLINK CENTER ARENA FUND
A Special Revenue Fund of the City of Bossier City, Louisiana
Management's Discussion and Analysis – Unaudited
December 31, 2014

Change in fund deficit:

	2014	2013
Revenues	\$ 2,446,827	1,997,590
Expenditures	2,763,965	2,820,609
Deficiency of revenues under expenditures	(317,138)	(823,019)
Transfer in	450,000	750,000
Net change in fund deficit	\$ 132,862	(73,019)

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 3, 2013. There were no amendments made in 2014. The most significant budget variance in the current year related to direct event income which was significantly below budget. Budget variance are not expected to have a significant effect on future services or liquidity.

Economic Factors and Next Year's Budgets and Rates

Due to a rise in the economy, Arena Management budgeted 2015 with an increase in shows, causing an increase in event income, event related income, ancillary income, and other income. Although 2015 was budgeted at a loss, the amount of loss was reduced from 2014.

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
A Special Revenue Fund of the City of Bossier City, Louisiana

Balance Sheet

December 31, 2014

Assets		
Cash		\$ 2,044,706
Accounts receivable		726,619
Prepaid items		<u>42,500</u>
Total assets		\$ <u>2,813,825</u>
Liabilities		
Accounts payable and accrued expenses		\$ 676,041
Unearned revenue		286,579
Deposits		<u>1,923,994</u>
Total liabilities		<u>2,886,614</u>
Fund balance:		
Nonspendable		42,500
Unassigned		<u>(115,289)</u>
Total fund deficit		<u>(72,789)</u>
Total liabilities and fund deficit		\$ <u>2,813,825</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, 2014

Revenues:	
Ancillary income	\$ 978,243
Advertising	517,727
Luxury box income	609,814
Direct event loss	(60,524)
Other income	401,567
	<hr/>
Total revenues	2,446,827
Expenditures – culture and recreation:	
Executive	190,418
Finance	202,256
Operations	1,131,118
Marketing	130,950
Box office	120,594
Facility overhead	988,629
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Total expenditures	2,763,965
Deficiency of revenues under expenditures	(317,138)
Other financing sources – transfers in	450,000
	<hr/>
Net change in fund deficit	132,862
Fund deficit, beginning of year	(205,651)
	<hr/>
Fund deficit, end of year	\$ (72,789)
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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, 2014

(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
A Special Revenue Fund of the City of Bossier City, Louisiana

Notes to Financial Statements

December 31, 2014

(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, 2014 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, 2014, total cash per the books was \$2,044,706 and included \$34,433 cash on hand. The carrying amount of the Arena's deposits was \$2,010,273 and the bank balance was \$2,000,078. The difference between carrying amount and bank balance is due to outstanding checks and deposits in transit at December 31, 2014.

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, 2014, \$250,000 of the \$2,000,078 bank balance held in the name of the Arena's management company was insured by the Federal Deposit Insurance Corporation. The remaining \$1,750,078 bank balance is exposed to custodial credit risk at December 31, 2014. 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, 2014, the base fee totaled \$198,096, 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.

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

Notes to Financial Statements

December 31, 2014

(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, 2014, the Arena paid SMG Food and Beverage, LLC a fee of \$57,322 for their services. Also, at December 31, 2014, the Arena had a receivable from SMG Food and Beverage, LLC of \$191,371. No additional fees were paid in 2014.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

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

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

Year ended December 31, 2014

(Unaudited)

	<u>Actual</u>	<u>Original and Final Budget</u>	<u>Variance with budget positive (negative)</u>
Revenues:			
Direct event income	\$ (60,524)	157,731	(218,255)
Ancillary income	978,243	946,361	31,882
Advertising	517,727	505,467	12,260
Luxury box income	609,814	604,975	4,839
Other income	401,567	217,535	184,032
Total revenues	<u>2,446,827</u>	<u>2,432,069</u>	<u>14,758</u>
Expenditures – current – culture and recreation:			
Executive	190,418	161,679	(28,739)
Finance	202,256	203,116	860
Operations	1,131,118	1,225,584	94,466
Marketing	130,950	173,076	42,126
Box office	120,594	121,592	998
Facility overhead	988,629	1,001,898	13,269
Total expenditures	<u>2,763,965</u>	<u>2,886,945</u>	<u>122,980</u>
Deficiency of revenues over (under) expenditures	(317,138)	(454,876)	137,738
Other financing sources:			
Transfers in	450,000	450,000	—
Net change in fund balance	132,862	(4,876)	137,738
Fund balance (deficit), beginning of year	<u>(205,651)</u>	<u>4,511</u>	<u>(210,162)</u>
Fund balance (deficit), end of year	<u>\$ (72,789)</u>	<u>(365)</u>	<u>(72,424)</u>

See accompanying independent auditors' report.

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

Note to Budgetary Comparison Schedule

December 31, 2014

(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 2014.
- (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 exceeded budgeted expenditures on a line-item basis as follows:

	Actual	Budget	Variance with budget
Expenditures:			
Current - culture and recreation			
Executive	\$ 190,418	161,679	(28,739)

SUPPLEMENTARY INFORMATION

CENTURYLINK CENTER ARENA FUND
A Special Revenue Fund of the City of Bossier City, Louisiana
Schedule of Compensation, Benefits, and Other Payments to Elected Officials
Year ended December 31, 2014
(Unaudited)

Purpose	Amount											
	Lorenz Walker	Jeffery Darby	Jeffrey Frie	William Hanisee*	Thomas Harvey	Scott Irwin	William Jones*	Timothy Larkin	David Montgomery	Don Williams	Allen Austin	Thomas Wilson
Salary	\$ 94,041	11,441	10,814	21	10,800	10,821	21	11,441	10,839	10,800	72,541	34,829
Benefits - insurance	24,575	9,083	9,076	—	181	9,077	—	9,083	9,077	852	8,642	9,319
Benefits - retirement	8,577	—	—	—	—	—	—	—	—	—	—	13,393
Vehicle	756	—	—	—	—	—	—	—	—	—	—	—
Reimbursements	33	—	—	—	—	—	—	—	—	—	—	—
Travel and training	248	990	200	—	—	—	—	—	3,170	—	—	—
Totals	\$ 128,230	21,514	20,090	21	10,981	19,898	21	20,524	23,086	11,652	81,183	57,541

* This elected official did not serve during 2014 as he was terminated on 6/30/2013. The amount indicated represents a rebate payment from United Healthcare Insurance Company in accordance with the Affordable Care Act for health insurance payments made in 2013.

Note:

These officials are paid by the City of Bossier City, Louisiana. The Centurylink Center Arena Fund is a special revenue fund of the City of Bossier City, Louisiana.

See accompanying independent auditors' report.



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

**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 Timothy Larkin, 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 basic financial statements of the CenturyLink Center Arena Fund (the Arena), which comprise the statement of financial position as of December 31, 2014, 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 12, 2015.

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 12, 2015