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

FINANCIAL STATEMENT AUDIT
FOR THE YEAR ENDED JUNE 30, 2014
ISSUED DECEMBER 10, 2014

LOUISIANA LEGISLATIVE AUDITOR
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POST OFFICE BOX 94397
BATON ROUGE, LOUISIANA 70804-9397

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

November 19, 2014

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, the discretely presented component unit, 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, 2014, 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 did not audit the financial statements of the Louisiana Superdome Marketing and Promotional Fund, which represents the only discretely presented component unit of the District. The financial statements of the discretely presented component unit were audited by another auditor whose report thereon has been furnished to us, and our opinions, insofar as they relate to the amounts included for the component unit, are based on the report of the other auditor. 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

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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, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the District as of June 30, 2014, 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

As discussed in Note 1-N to the financial statements, the District adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* for the year ended June 30, 2014. The District applied the provisions of the statement retrospectively by restating beginning net position related to bond issuance costs that had been previously capitalized and amortized, but are no longer recognized as assets. As disclosed in Note 19 to the financial statements, the effect of this change is a decrease of $3,047,194 to Net Position of the primary government at June 30, 2013. 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 November 19, 2014, 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 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 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

JMJ:NM:EFS:THC:aa

LSED 2014

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, 2014. 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

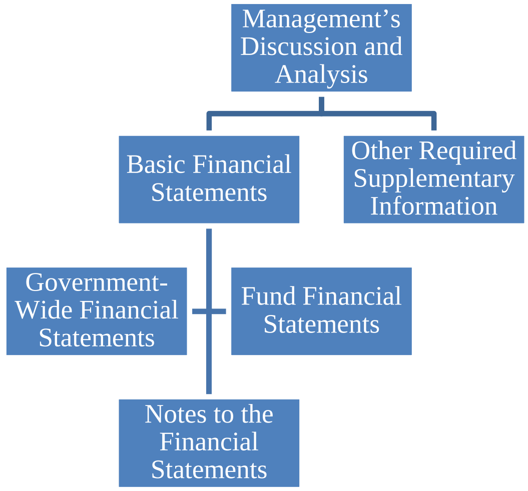
- The District's assets and deferred outflows of resources of business-type activities exceeded liabilities at the close of fiscal year 2014 by $365,469,853. The net position of business-type activities increased by $11,898,781 during fiscal year 2014. The liabilities of governmental activities exceeded assets and deferred outflows of resources at the close of fiscal year 2014 by $262,227,785. The net position of governmental activities increased by $27,101,145 during fiscal year 2014.

- The District has received $27,978,059 in capital contributions to its business-type activities for the year ended June 30, 2014. This represents an increase of $14,463,054 over the prior fiscal year. The contributions fund various capital projects for improvements to the Mercedes-Benz Superdome and the Smoothie King Center.

- The District received $47,453,910 of hotel occupancy taxes in its governmental activities for the year ended June 30, 2014. This represents an increase of $5,433,769 over the prior fiscal year and is the highest annual collections ever received. The increase in the hotel tax collections has reduced the District's dependency on the State's general fund appropriations to meet the contractual obligations on the District.

OVERVIEW OF THE FINANCIAL STATEMENTS

The following graphic illustrates the minimum requirements for the District established by Governmental Accounting Standards Board 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 and its component unit.
- 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 three 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
- Component unit, which represents the operation of the Louisiana Superdome Marketing and Promotional Fund, a legally separate nonprofit corporation

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, 2014 and 2013
(in thousands)

	2014	2013 Restated
Current and other assets	$113,537	$92,643
Capital assets	393,748	375,337
Total assets	507,285	467,980
Total deferred outflows of resources	38,103	40,752
Current and other liabilities	57,355	39,502
Long-term debt outstanding	384,791	404,988
Total liabilities	442,146	444,490
Net Position:		
Net investment in capital assets	106,726	127,495
Restricted	47,231	42,126
Unrestricted	(50,715)	(105,379)
Total net position	$103,242	$64,242

The District's total revenues of its governmental and business-type activities increased from 2013 to 2014 by $23,885,000. The total cost of all governmental and business-type activities programs and services decreased by $29,426,000, primarily as a result of a decrease in interest expense associated with existing debt. The increase in total revenues is due primarily to an increase in capital contributions made by the State for related improvements to the facilities.

Changes in Net Position
For the Years Ended June 30, 2014 and 2013
(in thousands)

	2014	2013 Restated
Revenues		
Program revenues:		
Charges for services	$45,004	$42,669
Grants and contributions	40,991	25,520
General revenues:		
Hotel occupancy taxes	47,454	42,020
New Orleans Sports Franchise Fund	8,200	7,000
Pari-Mutuel live racing facility slots	3,181	3,452
Players' tax	4,170	4,120
Interest and other income	609	943
Total revenues	149,609	125,724
Program Expenses		
Interest on long-term debt	15,591	34,034
Facility operation	103,454	114,437
Total expenses	119,045	148,471
Other revenues (expenses), net	8,436	5,967
Increase/(Decrease) in Net Position	$39,000	($16,780)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014 and 2013, the District had $393,748,449 and $375,337,632, respectively, invested in capital assets, net of accumulated depreciation of $223,497,779 and $195,247,705, respectively, including land, buildings and improvements, and furniture, fixtures, and equipment.

Capital assets as of June 30 (in thousands):

	2014	2013
Land	$13,944	$13,944
Building and improvements	234,442	250,186
Furniture, fixtures and equipment	8,106	8,399
Construction-in-progress	137,256	102,808
Total	$393,748	$375,337

Debt

The District had $357,045,000 and $361,345,000 in revenue bonds outstanding at June 30, 2014 and June 30, 2013, 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. Prior to the issuance of the Series 2013 bonds, the District issued, in March 2006, Series 2006A, 2006B, 2006C, and 2006D bonds totaling $294,325,000, for the purpose of refunding the District's existing debt, providing funds for enhancements to the Mercedes-Benz Superdome, and providing working capital for the District's operations. The District's first required principal payment on the Series 2013 bonds of $4,300,000 was due and paid on July 1, 2013.

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 due to the Mercedes-Benz Superdome, the Smoothie King Center, and Champions Square being fully operational
- Events anticipated based on contracts and historical cost
- Hotel occupancy tax revenue based on conventions planned in New Orleans and estimates of future conventions projected to come to New Orleans
- Contractual obligations to professional sports franchises

The District has realized an operating gain during the fiscal year ended June 30, 2014, and incurred an operating loss for fiscal year ended June 30, 2013. During fiscal year 2014, the District's net position increased $38,999,926. During fiscal year 2013, the District's net position decreased $16,780,230, as restated. The operating loss was funded by statutorily-dedicated revenues, grants, and hotel occupancy taxes. Current projections by management of the District indicate that, with the projected tax increases and projected decrease in debt service expenses, the operating gains should continue in future years.

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, SMG, Post Office Box 52439, New Orleans, Louisiana 70152.

LOUISIANA STADIUM AND EXPOSITION DISTRICT
STATE OF LOUISIANA

Statement of Net Position
June 30, 2014

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNIT
ASSETS				
Cash and cash equivalents (note 2)	$52,697,664	$27,706,666	$80,404,330	$836,906
Accounts receivable, net	13,590	349,290	362,880	426,163
Due from State of Louisiana (note 3)	10,518,062	1,966,150	12,484,212	
Equipment lease receivable, current portion (note 6)		140,000	140,000	
Internal balances	501,507	(501,507)		
Due from component unit		3,497,053	3,497,053	
Inventory of materials and supplies		119,075	119,075	3,329
Prepaid expenses		177,748	177,748	5,228
Advance on construction				286,263
Restricted assets: (notes 2 and 9)				
Renewal and Replacement Reserve Account - cash and cash equivalents	3,022,665	552,114	3,574,779	
Concessionaire Fund - receivable		817,648	817,648	
Debt service reserve - cash and cash equivalents				213,889
Deposits				35,869
Equipment lease receivable (note 6)		420,000	420,000	
Notes receivable (note 4)		11,539,075	11,539,075	
Capital assets, net of accumulated depreciation (note 5)	42,178,849	351,569,600	393,748,449	11,389,935
Total assets	108,932,337	398,352,912	507,285,249	13,197,582
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	38,103,127		38,103,127	
Total deferred charge on refunding	38,103,127	NONE	38,103,127	NONE
LIABILITIES				
Accounts payable and accrued expenses	1,422,759	5,608,476	7,031,235	81,159
Payable to SMG		432,478	432,478	
Sports franchise inducements payable (notes 15 and 16)	2,593,752	312,120	2,905,872	
Due to primary government				3,497,053
Unearned revenue and security deposits		201,844	201,844	
Compensated absences (note 1-J)	4,389	404,361	408,750	2,385
Advance deposits on future events		25,637,517	25,637,517	295,102
Accrued bond interest payable	8,824,255		8,824,255	
Advance on construction		286,263	286,263	
Bonds payable current portion, net (note 7)	11,627,071		11,627,071	
Capital lease obligations current portion (note 6)				115,226
Noncurrent liabilities:				
Bonds payable, net (note 7)	384,791,023		384,791,023	
Capital lease obligations (note 6)				386,281
Notes payable (note 8)				14,142,171
Total liabilities	409,263,249	32,883,059	442,146,308	18,519,377

(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, 2014

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNIT
NET POSITION				
Net investment in capital assets	($244,843,361)	$351,569,600	$106,726,239	
Restricted for:				
Debt service	42,838,030		42,838,030	
Renewal and replacement	3,022,665	552,114	3,574,779	
Concessionaire reserve		817,648	817,648	
Unrestricted	(63,245,119)	12,530,491	(50,714,628)	($5,321,795)
TOTAL NET POSITION	($262,227,785)	$365,469,853	$103,242,068	($5,321,795)

(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, 2014

		PROGRAM REVENUES		
FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
PRIMARY GOVERNMENT:				
Governmental activities:				
Facility operation	$10,010,199			$13,012,976
Interest on bonds	15,590,584			
Total governmental activities	25,600,783	NONE	NONE	13,012,976
Business-type activities:				
Facility operation	93,443,984	$45,004,023	NONE	27,978,059
TOTAL PRIMARY GOVERNMENT	$119,044,767	$45,004,023	NONE	$40,991,035
COMPONENT UNIT:				
Louisiana Superdome Marketing and Promotional Fund	$5,580,004	$3,388,564	NONE	NONE
TOTAL COMPONENT UNIT	$5,580,004	$3,388,564	NONE	NONE

General revenues:
Taxes: (note 9)
Hotel occupancy taxes, levied for general purposes
Hotel occupancy taxes, levied for debt service
New Orleans Sports Franchise Fund
Pari-Mutuel Live Racing Facility Slots
Players' tax
Vehicle License Plate Royalties
Miscellaneous
Investment earnings
Special Item - contractual reduction of deferred transition payment
Transfers in (out)
Loss on disposal of capital assets
Total general revenues and transfers

Change in net position

NET POSITION, BEGINNING OF YEAR, AS RESTATED (note 19)

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	COMPONENT UNIT
$3,002,777		$3,002,777	
(15,590,584)		(15,590,584)	
(12,587,807)	NONE	(12,587,807)	
NONE	($20,461,902)	(20,461,902)	
(12,587,807)	(20,461,902)	(33,049,709)	
			($2,191,440)
			(2,191,440)
24,105,256		24,105,256	
23,348,654		23,348,654	
8,200,000		8,200,000	
3,181,081		3,181,081	
4,170,497		4,170,497	
362,345		362,345	
903		903	
41,872	203,393	245,265	84
8,453,000		8,453,000	
(32,174,656)	32,174,656		
	(17,366)	(17,366)	
39,688,952	32,360,683	72,049,635	84
27,101,145	11,898,781	38,999,926	(2,191,356)
(289,328,930)	353,571,072	64,242,142	(3,130,439)
($262,227,785)	$365,469,853	$103,242,068	($5,321,795)

LOUISIANA STADIUM AND EXPOSITION DISTRICT
STATE OF LOUISIANA
GOVERNMENTAL FUNDS

Balance Sheet
June 30, 2014

	GENERAL FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash and cash equivalents (note 2)	$13,760,503	$38,937,153	$8	$52,697,664
Accounts receivable	13,590			13,590
Due from State of Louisiana (note 3)	6,193,700	3,900,877	423,485	10,518,062
Due from other funds	501,507			501,507
Restricted assets: (notes 2 and 9)				
Renewal and Replacement Reserve Account - cash and cash equivalents	3,022,665			3,022,665
TOTAL ASSETS	$23,491,965	$42,838,030	$423,493	$66,753,488
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued expenses	$1,422,759			$1,422,759
Sports franchise inducements payable (notes 15 and 16)	2,593,752			2,593,752
Compensated absences (note 1-J)	4,389			4,389
Total liabilities	4,020,900	NONE	NONE	4,020,900
Fund Balances:				
Restricted for - debt service		$42,838,030		42,838,030
Committed for - renewal and replacement	3,022,665			3,022,665
Assigned for - capital projects			$423,493	423,493
Unassigned	16,448,400			16,448,400
Total fund balances	19,471,065	42,838,030	423,493	62,732,588
TOTAL LIABILITIES AND FUND BALANCES	$23,491,965	$42,838,030	$423,493	$66,753,488

(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, 2014

	TOTAL GOVERNMENTAL FUNDS
Total fund balances, as presented in this statement	$62,732,588
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.	(8,824,255)
Deferred charges on refunding of bonds payable are not reported in the funds.	38,103,127
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.	(396,418,094)
Capital assets reported in the Statement of Net Position are not current financial resources.	42,178,849
NET POSITION OF GOVERNMENTAL ACTIVITIES	($262,227,785)

(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, 2014

	GENERAL FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES				
Hotel occupancy tax (note 9)	$24,105,256	$23,348,654		$47,453,910
New Orleans Sports Franchise Fund	8,200,000			8,200,000
Pari-Mutuel Live Racing Facility Slots	3,181,081			3,181,081
Players' tax	4,170,497			4,170,497
Vehicle License Plate Royalties	362,345			362,345
Interest earnings	38,752	3,120		41,872
Miscellaneous income	903			903
Total revenues	40,058,834	23,351,774	NONE	63,410,608
EXPENDITURES				
Salaries, wages, and benefits	429,048			429,048
Utilities	17,879			17,879
Management fee - SMG (note 13)	75,600			75,600
Professional fees	524,795			524,795
Insurance	379,332			379,332
Other Saints inducements (note 15)	1,736,440			1,736,440
Other Pelicans inducements (note 16)	4,940,876			4,940,876
Other facility obligations	536,933			536,933
Other expenditures	93,996			93,996
Capital outlay			$13,604,923	13,604,923
Debt service:				
Principal		4,300,000		4,300,000
Interest		13,263,054		13,263,054
Other charges		4,452		4,452
Total expenditures	8,734,899	17,567,506	13,604,923	39,907,328
Excess (deficiency) of revenues over expenditures	31,323,935	5,784,268	(13,604,923)	23,503,280

(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, 2014

	GENERAL FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TOTAL GOVERNMENTAL FUNDS
OTHER FINANCING SOURCES (USES)				
Transfers in			$961,114	$961,114
Transfers out	($33,135,770)			(33,135,770)
Capital contributions			13,012,976	13,012,976
Total other financing sources (uses)	(33,135,770)	NONE	13,974,090	(19,161,680)
Net change in fund balances	(1,811,835)	$5,784,268	369,167	4,341,600
Fund balances at beginning of year	21,282,900	37,053,762	54,326	58,390,988
Fund balances at end of year	$19,471,065	$42,838,030	$423,493	$62,732,588

Net change in fund balances, as presented in this statement	$4,341,600
Amounts presented for governmental activities in the Statement of Activities are different because:	
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilites in the Statement of Net Position. This is the amount by which proceeds exceed repayments.	4,300,000
Governmental funds report interest expense on bonds only when the expense is due for payment, while the Statement of Activities reports bond interest as it is incurred.	(2,296,842)
Governmental funds do not include amortization for bond premium, escrow, and issuance costs.	(30,688)
The reduction of sports franchise inducement payment through satisfaction of options in contractual agreement reported in the Statement of Activities does not provide current financial resources and, therefore, is not reported as revenues in governmental funds.	8,453,000
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 ($13,539,769) exceeded depreciation ($1,205,694) in the current period.	12,334,075
Change in net position of governmental activities as reported on the Statement of Activities	$27,101,145

(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, 2014

	ENTERPRISE FUNDS			
	MERCEDES-BENZ SUPERDOME	SMOOTHIE KING CENTER	CHAMPIONS SQUARE	TOTAL
ASSETS				
Current assets:				
Cash and cash equivalents (note 2)	$21,316,838	$5,570,436	$819,392	$27,706,666
Accounts receivable, net	179,052	84,546	85,692	349,290
Due from State of Louisiana (note 3)		1,966,150		1,966,150
Equipment lease receivable (note 6)			140,000	140,000
Due from other funds	3,600,000			3,600,000
Due from component unit	29,292		3,467,761	3,497,053
Inventory	78,022	41,053		119,075
Prepaid expenses	111,587	66,161		177,748
Total current assets	25,314,791	7,728,346	4,512,845	37,555,982
Restricted assets: (notes 2 and 9)				
Renewal and Replacement Reserve Account - cash and cash equivalents		525,229	26,885	552,114
Concessionaire Fund - receivable	382,371	435,277		817,648
Total restricted assets	382,371	960,506	26,885	1,369,762
Other assets:				
Equipment lease receivable (note 6)			420,000	420,000
Notes receivable (note 4)			11,539,075	11,539,075
Capital assets, net of accumulated depreciation (note 5)	253,100,526	96,066,937	2,402,137	351,569,600
Total other assets	253,100,526	96,066,937	14,361,212	363,528,675
TOTAL ASSETS	$278,797,688	$104,755,789	$18,900,942	$402,454,419

(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, 2014

	ENTERPRISE FUNDS			
	MERCEDES-BENZ SUPERDOME	SMOOTHIE KING CENTER	CHAMPIONS SQUARE	TOTAL
LIABILITIES				
Current liabilities:				
Accounts payable and accrued expenses	$2,758,554	$2,630,112	$219,810	$5,608,476
Payable to SMG	302,735	129,743		432,478
Sports franchise inducement payable (note 17)		312,120		312,120
Unearned revenue and security deposits	118,351		83,493	201,844
Compensated absences (note 1-J)	356,931	47,430		404,361
Funds held in escrow for future events	20,920,049	4,717,468		25,637,517
Advance on construction			286,263	286,263
Due to other funds		3,600,000	501,507	4,101,507
Total current liabilities	24,456,620	11,436,873	1,091,073	36,984,566
NET POSITION				
Net investment in capital assets	253,100,526	96,066,937	2,402,137	351,569,600
Restricted	382,371	960,506	26,885	1,369,762
Unrestricted	858,171	(3,708,527)	15,380,847	12,530,491
Total net position	254,341,068	93,318,916	17,809,869	365,469,853
TOTAL LIABILITIES AND NET POSITION	$278,797,688	$104,755,789	$18,900,942	$402,454,419

(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, 2014

	ENTERPRISE FUNDS			
	MERCEDES-BENZ SUPERDOME	SMOOTHIE KING CENTER	CHAMPIONS SQUARE	TOTAL
OPERATING REVENUES				
Event rental:				
Musical events and entertainment	$519,552	$1,035,434		$1,554,986
High school and college sports	539,921	123,636		663,557
Conventions and trade shows	200,558			200,558
Professional football		45,000		45,000
Other events	554,251	35,400		589,651
Reimbursement event costs	5,312,906	3,563,453		8,876,359
Total event rental	7,127,188	4,802,923	NONE	11,930,111
Concessions and souvenirs	11,790,065	4,516,973		16,307,038
Box suite rental	7,241,831	605,912		7,847,743
Parking	2,636,770	936,688		3,573,458
Ticket incentives	877,837	1,131,202		2,009,039
Lease income (note 10)	674,074	7,540	$1,937,148	2,618,762
Advertising and broadcasting			375,325	375,325
Other	213,373	129,174		342,547
Total operating revenues	30,561,138	12,130,412	2,312,473	45,004,023
OPERATING EXPENSES				
Salaries, wages, and benefits	10,200,065	2,652,026		12,852,091
Utilities	4,508,979	1,354,599		5,863,578
Repairs and maintenance	1,538,465	469,639		2,008,104
Management fee - SMG (note 13)	1,068,525	457,939		1,526,464
Saints lease inducement payments (note 15)	14,400,876			14,400,876
Pelicans inducement payments (note 16)		3,178,685		3,178,685
Professional fees	193,469	54,800		248,269
Professional sports staffing	2,273,705	1,818,282		4,091,987
Insurance	2,768,505	892,907		3,661,412
Direct event expense	4,807,197	3,654,966		8,462,163
Advertising and public relations	80,850	54,505		135,355
Rent (note 12)			2,326,122	2,326,122
Other operating expenses	4,980,411	2,305,986	115,200	7,401,597
Total operating expenses	46,821,047	16,894,334	2,441,322	66,156,703
Operating loss before depreciation	(16,259,909)	(4,763,922)	(128,849)	(21,152,680)
Depreciation	20,721,035	6,458,785	107,461	27,287,281
Operating loss	(36,980,944)	(11,222,707)	(236,310)	(48,439,961)

(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, 2014

	ENTERPRISE FUNDS			
	MERCEDES-BENZ SUPERDOME	SMOOTHIE KING CENTER	CHAMPIONS SQUARE	TOTAL
NONOPERATING REVENUE (EXPENSES)				
Interest revenue	$37,809	$16,799	$148,785	$203,393
Loss on disposal of capital assets	(9,997)	(7,369)		(17,366)
Total nonoperating revenue (expenses)	27,812	9,430	148,785	186,027
(Loss) before transfers and capital contributions	(36,953,132)	(11,213,277)	(87,525)	(48,253,934)
Transfers in	21,289,815	5,401,084	5,483,757	32,174,656
Capital contributions	393,288	27,584,771		27,978,059
Change in net position	(15,270,029)	21,772,578	5,396,232	11,898,781
Net position, beginning of year	269,611,097	71,546,339	12,413,636	353,571,072
NET POSITION, END OF YEAR	$254,341,068	$93,318,917	$17,809,868	$365,469,853

(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, 2014

	ENTERPRISE FUNDS			
	MERCEDES-BENZ SUPERDOME	SMOOTHIE KING CENTER	CHAMPIONS SQUARE	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	$43,677,772	$15,584,639	$2,552,784	$61,815,195
Payments to suppliers	(38,119,599)	(13,865,424)	(7,400,756)	(59,385,779)
Payments for salaries and related expenses	(10,146,643)	(2,626,676)		(12,773,319)
Net cash (used) by operating activities	(4,588,470)	(907,461)	(4,847,972)	(10,343,903)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating grants/transfers	21,289,815	5,401,084	5,483,757	32,174,656
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital appropriations and contributions	409,708	30,136,657		30,546,365
Principal payments received for capital lease			109,058	109,058
Purchases of capital assets	(4,133,265)	(31,142,717)	(959,090)	(36,235,072)
Net cash (used) by capital and related financing activities	(3,723,557)	(1,006,060)	(850,032)	(5,579,649)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and dividends	37,809	16,799	148,785	203,393
Net increase/(decrease) in cash and cash equivalents	13,015,597	3,504,362	(65,462)	16,454,497
Cash and cash equivalents, beginning of year	8,301,241	2,591,303	911,739	11,804,283
CASH AND CASH EQUIVALENTS, END OF YEAR	$21,316,838	$6,095,665	$846,277	$28,258,780

(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, 2014

	ENTERPRISE FUNDS			
	MERCEDES-BENZ SUPERDOME	SMOOTHIE KING CENTER	CHAMPIONS SQUARE	TOTAL
RECONCILIATION OF OPERATING LOSS TO NET CASH (USED) BY OPERATING ACTIVITIES				
Operating loss	($36,980,944)	($11,222,707)	($236,310)	($48,439,961)
Adjustments to reconcile operating loss to net cash (used) by operating activities:				
Depreciation expense	20,721,035	6,458,785	107,461	27,287,281
Changes in assets and liabilities:				
(Increase) decrease in:				
Receivables	271,436	(78,846)	(1,671,837)	(1,479,247)
Restricted assets	(153,815)	40,977		(112,838)
Inventory	8,907	5,486		14,393
Prepaid expenses	(64,396)	(60,420)		(124,816)
(Decrease) increase in:				
Accounts payable and accrued expenses	(1,248,693)	413,948	(2,913,228)	(3,747,973)
Compensated absences	23,251	2,387		25,638
Unearned revenue	38,534		(25,000)	13,534
Funds held in escrow	12,796,215	3,532,929		16,329,144
Due to/from other funds			(109,058)	(109,058)
Net cash (used) by operating activities	($4,588,470)	($907,461)	($4,847,972)	($10,343,903)

(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 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, 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 SMG, the State delegated its management authority over the Arena to SMG. 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 SMG.

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).

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* and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34.* 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 and its component unit 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.

Discretely Presented Component Unit

In 2011, the District entered into various transactions with the Louisiana Superdome Marketing and Promotional Fund (the Marketing Fund), a separate legal nonprofit corporation, to take advantage of new market tax credits available to fund further economic development of the District. The Articles of Incorporation of the Marketing Fund were amended to include that the Board of Directors would be comprised of the chairman of the board of the District, a member appointed by the governor of the state of Louisiana, and a third member appointed by either of the other two directors.

As required by GASB Statement No. 14, as amended, a legally-separate entity is considered a component unit if at least one of the following criteria is met:

- The District appoints a voting majority of the organization's governing board and is either able to impose its will on the organization or there is a potential financial benefit/burden to the District.
- There is a fiscal dependency by the organization on the District.
- The nature and significance of the relationship between the District and the organization is such that exclusion would cause the financial statements of the District to be misleading or incomplete.

Based on the previous criteria, the District has included the Marketing Fund as a discretely presented component unit within the accompanying financial statements. Discretely presented component units are presented in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the District. The voting majority of the Marketing Fund's board is appointed by the District and there is a financial benefit/burden to the District.

Complete financial statements for the component unit can be obtained from Louisiana Stadium and Exposition District, Post Office Box 52439, New Orleans, Louisiana 70152.

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 and the component unit columns 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 and its component unit are 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, business-type activities, and component unit. 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 inducements, 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.

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 transactions resulting from inducement payments, remediation expenses, and losses on disposal of capital assets.

The District has three major enterprise funds that are used to account for the operations of the Superdome, the Arena, and Champions Square. The District has contracted with 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 needs and operations. Any excess tax collections are then distributed as specified by law.

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
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 SMG, all employees engaged in managing and operating the Superdome, Arena, and Champions Square are employees of SMG. SMG provides for compensated absences for its employees. SMG 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 SMG as of June 30, 2014, was $408,750.

Non-union, full-time SMG 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 and its component unit are reported on separate lines. During the year ended June 30, 2014, the general fund transferred $32,174,656 to the proprietary funds and $961,114 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. ADOPTION OF NEW ACCOUNTING STANDARDS

For the year ended June 30, 2014, the District implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities.* The objective of GASB Statement No. 65 is to either (a) properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources, or (b) recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses and expenditures) or inflows of resources (revenues). The District applied the provisions of the statement retrospectively by restating the District's beginning net position (Note 19) related to bond issuance costs that had been previously capitalized and amortized, but are no longer recognized as assets.

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, 2014:

	Bank Balance	Book Balance
Primary government:		
Cash on hand		$74,434
Demand deposits	$46,054,632	44,967,522
Money market funds	38,937,153	38,937,153
Total primary government	84,991,785	83,979,109
Component unit - demand deposits	1,036,110	1,050,795
Total	$86,027,895	$85,029,904

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

	Primary Government			
	Governmental Activities	Business-type Activities	Component Unit	Total
Cash and cash equivalents	$52,697,664	$27,706,666	$836,906	$81,241,236
Restricted assets	3,022,665	552,114	213,889	3,788,668
Total	$55,720,329	$28,258,780	$1,050,795	$85,029,904

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, 2014, 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 2014 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, 2014, 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, appropriations, and grants totaled $12,484,212 at June 30, 2014.

4. NOTES RECEIVABLE

To generate additional construction dollars for revenue enhancing improvements to Champions Square, the District entered into a cooperative endeavor agreement with the Marketing Fund to allow for participation in a new market tax credit transaction (NMTC). As part of the NMTC, on December 29, 2010, the District entered into an agreement to loan $11,539,075 to USB LSED Investment Fund, LLC, at an annual interest rate of 1%, maturing on June 30, 2026. The agreement calls for interest-only payments to begin on February 10, 2011, and continue until May 1, 2018. Beginning May 1, 2018, the District will receive 98 regular principal and interest payments in the amount of $120,314. Collateral has been pledged by an assignment of all rights, title, and interest in the investor membership interest NCF Sub-CDS 5, LLC (NCF) and Mid-City

Community CDE-Loan Fund, LLC (Mid City) and the deposit accounts of the Investment Fund. The loan can be prepaid any time prior to maturity. See note 17 for further details of the cooperative endeavor agreement and details of the NMTC.

5. CAPITAL ASSETS

A summary of changes in capital assets is as follows:

Governmental Activities

	Balance June 30, 2013	Additions	Deletions/ Transfers	Balance June 30, 2014
Capital assets not being depreciated - construction-in-progress	$1,473,155	$3,604,004	($65,154)	$5,012,005
Other capital assets:				
Building and improvements:				
Baseball stadium	$28,053,009			$28,053,009
Outdoor practice facility complex	6,565,115			6,565,115
Indoor practice facility	6,459,360			6,459,360
TPC golf facility	149,346			149,346
Pelicans training facility		$10,000,919		10,000,919
Less accumulated depreciation	(12,855,211)	(1,205,694)		(14,060,905)
Total other capital assets	$28,371,619	$8,795,225	NONE	$37,166,844
Capital asset summary:				
Capital assets not depreciated	$1,473,155	$3,604,004	($65,154)	$5,012,005
Other capital assets, at cost	41,226,830	10,000,919		51,227,749
Total cost of capital assets	42,699,985	13,604,923	(65,154)	56,239,754
Less accumulated depreciation	(12,855,211)	(1,205,694)		(14,060,905)
Capital assets, net	$29,844,774	$12,399,229	($65,154)	$42,178,849

Business-Type Activities

	Balance June 30, 2013	Additions	Deletions/ Transfers	Balance June 30, 2014
Capital assets not being depreciated:				
Land	$13,944,160			$13,944,160
Construction-in-progress	101,334,684	$32,340,225	($1,430,859)	132,244,050
Total capital assets not being depreciated	$115,278,844	$32,340,225	($1,430,859)	$146,188,210
Other capital assets:				
Building and improvements	$390,044,898	$232,200		$390,277,098
Leasehold improvements	1,552,237	2,212		1,554,449
Furniture, fixtures and equipment	21,009,373	2,237,610	($260,266)	22,986,717
Less accumulated depreciation	(182,392,494)	(27,287,281)	242,901	(209,436,874)
Total other capital assets	$230,214,014	($24,815,259)	($17,365)	$205,381,390
Capital asset summary:				
Capital assets not depreciated	$115,278,844	$32,340,225	($1,430,859)	$146,188,210
Other capital assets, at cost	412,606,508	2,472,022	(260,266)	414,818,264
Total cost of capital assets	527,885,352	34,812,247	(1,691,125)	561,006,474
Less accumulated depreciation	(182,392,494)	(27,287,281)	242,901	(209,436,874)
Capital assets, net	$345,492,858	$7,524,966	($1,448,224)	$351,569,600

Component Unit

	Balance June 30, 2013	Additions	Deletions/ Transfers	Balance June 30, 2014
Capital assets not being depreciated - construction-in-progress	NONE			NONE
Other capital assets:				
Assets under capital lease	$850,825			$850,825
Leasehold improvements	12,643,926			12,643,926
Less accumulated depreciation	(1,090,701)	($1,014,115)		(2,104,816)
Total other capital assets	$12,404,050	($1,014,115)	NONE	$11,389,935
Capital asset summary:				
Capital assets not depreciated	NONE			NONE
Other capital assets, at cost	$13,494,751			$13,494,751
Total cost of capital assets	13,494,751	NONE	NONE	13,494,751
Less accumulated depreciation	(1,090,701)	($1,014,115)		(2,104,816)
Capital assets, net	$12,404,050	($1,014,115)	NONE	$11,389,935

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 baseball stadium, home to the Zephyrs, the two 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.

6. CAPITAL LEASE

The Marketing Fund leases certain equipment in Champions Square from the District under a capital lease that expires June 30, 2018. The assets and liabilities were recorded at the lower of the present value of minimum lease payments or the fair value of the asset. The carrying value of the assets under the capital lease totaled $443,909 net of accumulated depreciation of $409,916 for the year ended June 30, 2014. Depreciation expense related to the assets acquired by capital lease for the year ended June 30, 2014, totaled $110,977.

The capital lease obligation at June 30, 2014, is payable to the District in annual installments of $140,000 with a 5.515% implicit rate of interest at inception. The equipment lease receivable was recorded as a sales-type lease at the gross investment by Champions Square equal to the total minimum lease payments to be received from the Marketing Fund. The portion representing the unearned interest income is reported within unearned revenue and will be amortized to income over the lease term using the interest method.

At June 30, 2014, future minimum lease payments under the capital lease obligation and the net present value of the future minimum lease payments are as follows:

Fiscal Year	
2015	$140,000
2016	140,000
2017	140,000
2018	140,000
Total future minimum lease payments	560,000
Less amount representing interest	(58,493)
Present value of future minimum lease payments	501,507
Less current principal obligation	(115,226)
Total long-term principal obligation	$386,281

7. BONDS PAYABLE

The bond issues outstanding at June 30, 2014, and changes in long-term debt for the year then ended are as follows:

Governmental Activities

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014	Amounts Due Within One Year
Series 2013A (various interest rates; maturing by 2036)	$270,870,000			$270,870,000	
Series 2013B (various interest rates; maturing by 2017)	40,475,000		($4,300,000)	36,175,000	$8,920,000
Series 2013C (2.25% interest rates; maturing by 2039)	50,000,000			50,000,000	
Total outstanding principal	361,345,000	NONE	(4,300,000)	357,045,000	8,920,000
Add bond premium	41,991,122		(2,618,028)	39,373,094	2,707,071
Total bonds payable, net	$403,336,122	NONE	($6,918,028)	$396,418,094	$11,627,071

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 2014 Statement of Net Position, net of unamortized premiums of $39,373,094.

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.

The annual requirements to amortize all District bonds outstanding at June 30, 2014 (excluding support fees), are presented in the following schedule.

Fiscal Year	Principal	Interest	Total
2015	$8,920,000	$14,364,207	$23,284,207
2016	9,065,000	14,260,946	23,325,946
2017	9,270,000	14,127,038	23,397,038
2018	9,420,000	13,958,212	23,378,212
2019	9,700,000	13,638,650	23,338,650
2020-2024	56,205,000	60,373,313	116,578,313
2025-2029	71,200,000	44,943,875	116,143,875
2030-2034	70,410,000	25,886,813	96,296,813
2035-2039	101,985,105	38,637,116	140,622,221
2040	10,869,895	8,829,422	19,699,317
Total	$357,045,000	$249,019,592	$606,064,592

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.

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.

The Debt Service Fund had assets available of $42,838,030 at June 30, 2014, 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. NOTES PAYABLE

On December 29, 2010, the Marketing Fund issued two promissory notes (A and B) in the amounts of $7,389,333 and $2,410,667, respectively, to Mid City at an interest rate of 1.34%. The notes mature on June 30, 2026. Interest payments are due monthly beginning February 7, 2011, on both Notes A and B and a $100,000 principal payment on Note B is due on October 22, 2017. Regular principal and interest payments on notes A and B begin on August 5, 2018 and are payable in 95 equal installments of $107,681. The notes cannot be repaid prior to October 22, 2017. The notes are collateralized by a leasehold mortgage on the property leased by the Marketing Fund.

On December 29, 2010, the Marketing Fund issued two promissory notes (A and B) in the amounts of $3,635,000 and $1,365,000, respectively, to NCF at an interest rate of 1.34%. The notes mature on June 30, 2026. Interest payments are due monthly beginning February 7, 2011, on both Notes A and B. Regular principal and interest payments on Notes A and B begin on August 5, 2018, and are payable in 95 equal installments of $55,506. The notes cannot be repaid prior to October 22, 2017. The notes are collateralized by a leasehold mortgage on the property leased by the Marketing Fund.

The principal outstanding at June 30, 2014, and changes in notes payable for the year then ended are as follows:

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014	Amounts Due Within One Year
Component Unit:					
Mid City Community CDE Note A	$7,389,333			$7,389,333	
Mid City Community CDE Note B	2,410,667			2,410,667	
NCF Sub CDE 5 Note A	3,635,000			3,635,000	
NCF Sub CDE 5 Note B	1,365,000			1,365,000	
Total outstanding principal	14,800,000	NONE	NONE	14,800,000	NONE
Less unamortized issuance and escrow costs	(712,647)	NONE	$54,818	(657,829)	NONE
Total component unit	$14,087,353	NONE	$54,818	$14,142,171	NONE

Annual principal and interest payments for notes payable are as follows:

Fiscal Year	Component Unit Principal	Component Unit Interest	Total
2015		$198,320	$198,320
2016		198,864	198,864
2017		198,320	198,320
2018	$100,000	197,505	297,505
2019	1,623,280	187,961	1,811,241
2020-2024	9,214,428	576,756	9,791,184
2025-2026	3,862,292	54,183	3,916,475
Total	$14,800,000	$1,611,909	$16,411,909

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, 2014 was $108,618,024. Total principal and interest remaining on the bonds was $357,045,000 and $249,019,592, respectively. For the current year, the District paid principal and interest payments of $4,300,000 and $13,263,054, respectively, on the Series 2013 Bonds.

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. 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 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.

Of the $47,453,910 of hotel occupancy tax earned for the year ended June 30, 2014, $23,348,654 was used for debt service requirements, and $24,105,256 was used by the District for operational needs. No monies were available for funding of the other requirements.

Various acts of the state legislature, bond resolutions, and indentures and agreements impose the establishment of various restricted accounts that are restricted as to the use of monies deposited therein. The District maintains the following account:

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, 2014, no funds from operations were required to be deposited into the reserve. Deposits to the account were made from nonoperating sources. The total amount of deposits on reserve was $3,574,779 as of June 30, 2014.

Of the total net position reported in the Statement of Net Position for the year ended June 30, 2014, $3,574,779 was restricted by enabling legislation.

10. RENTALS FROM NONCANCELABLE OPERATING LEASES (LESSOR LEASES)

Commitments for future revenue under noncancelable operating leases as of June 30, 2014, are as follows:

	Business-type Activities			Component Unit	
Year Ended June 30,	Cellular Tower Leases	Office Space Lease	Champions Square	Parking Garage	Total
2015	$507,156	$22,233	$2,709,975	$929,758	$4,169,122
2016	494,866	18,900	2,836,403	952,251	4,302,420
2017	491,815	18,900	2,965,360	975,291	4,451,366
2018	493,274	18,900	3,096,895	998,882	4,607,951
2019	490,767	18,900	1,000,000	1,023,049	2,532,716
2020-2024	1,409,034	75,600	5,000,000	5,498,689	11,983,323
2025-2026			2,000,000	2,390,217	4,390,217
Total	$3,886,912	$173,433	$19,608,633	$12,768,137	$36,437,115

The District leases office space within the Superdome to the Sugar Bowl under a lease agreement that ended June 2014, and to the Sun Belt 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 2023. The District subleases to the Marketing Fund portions of its leased interest in the former New Orleans Centre Shopping Mall, currently referred to as Champions Square. The sublease allowed the District and the Marketing Fund to take advantage of available new market tax credits to fund additional construction to Champions Square. The terms of the sublease coincide with the terms of the lease agreement with the property owners as described in note 12.

The Marketing Fund entered into a sublease with SMG for the portion of its sublease attributable to the parking garage until June 30, 2026.

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, 2014, were $2,618,762 for the District and $910,637 for the Marketing Fund.

11. PENSION AND PROFIT SHARING PLANS

On April 1, 1992, the employees of SMG, paid indirectly by the District, became members of SMG's 401(k) plan (the Plan). Employees who are eligible to participate in the 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. SMG will match 40% of the first 5% of eligible compensation contributed by employees. In addition to the matching contribution, SMG 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:

Years of Vesting Service	Nonforfeitable Percentage
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 $72,460 for the year ended June 30, 2014.

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 Saints Stadium Agreement, discussed in Note 15, is extended.

On October 13, 2010, the lease was amended and restated to include all amendments and to allow the District to negotiate an agreement to sublease the New Orleans Centre Shopping Mall and parking garage to the Marketing Fund. The terms of the sublease extend through June 30, 2026, and the Marketing Fund has the option to extend the sublease for a term equal to the terms of the original lease.

The total payments for operating leases during fiscal year 2014 amounted to $2,326,122 for the District and $1,937,149 for the Marketing Fund. The annual base rental payments are as follows:

Year Ended June 30,	Business-Type Activities	Component Unit
2015	$2,362,862	$2,362,862
2016	2,836,403	2,836,403
2017	2,965,360	2,965,360
2018	2,868,324	3,096,895
2019	3,002,491	1,000,000
2020-2024	17,120,769	5,000,000
2025-2026	7,885,627	2,000,000

The annual base rental payments include an annual 2% increase and a fixed incremental increase over the life of the leases. Payments made under this lease by the Marketing Fund are reported as lease income for Champions Square on Statement F.

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 for Facility Management of Louisiana, Inc., as manager under the agreement, and to include the Arena among the properties to be managed by the manager 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 SMG by June 30, 2011, if it elected not to extend the Management Agreement for an additional five years. SMG was not notified by the state and the Management Agreement was further extended for an additional five-year period ending June 30, 2017.

Pursuant to the amendment to the Management Agreement on July 1, 2003, beginning in the year ended June 30, 2007, compensation paid to SMG for its services at the Superdome and the 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 SMG for the year may not exceed $1,500,000 as adjusted for the Consumer Price Index, outstanding manager's capital contributed by SMG, 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 October 1, 2008, the District entered into a Support Services Agreement with SMG 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 SMG 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 Zephyr Field in Metairie, Louisiana. For its services, SMG 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. As a result of the sublease of certain portions of Champions Square to the Marketing Fund, a separate support services agreement was entered into between the Marketing Fund and SMG to provide services for an annual fee of $75,000 and for terms consistent to the sublease.

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, 2014, 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. SUPERDOME 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, SMG, 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 inducements 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 inducement payments totaling $14,400,876 to the Club for the year ended June 30, 2014.

During the year ended June 30, 2014, the Club received $1,736,440 of other inducements 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 shall be $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, 2014, thus reducing the obligation to pay additional inducements to the Club. The reduction in inducement 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 financial inducements. 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 5-year extension which must be elected in writing by June 30, 2023.

The Original Agreement included a relocation allowance to move the team to New Orleans. The District agreed to reimburse the Pelicans for 20% of any relocation fee paid to the NBA, not to exceed $5,000,000 over the term of their agreement. The remaining $714,286 of the reimbursement obligation was included within the terms of the Arena Use Agreement. The balance was paid during the year ended June 30, 2013, bringing the total reimbursed to date to $5,000,000.

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 inducement obligations are recorded as operating expenses of the Arena and totaled $2,866,565 during fiscal year 2014. 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 $312,120 during fiscal year 2014.

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, 2014, the Pelicans were paid $2,347,124 from the nonresident players' tax.

The District's inducement obligation to the Pelicans under the Original Agreement, as amended, equaled net parking revenues, 40% of gross concession revenues, and 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. These inducement obligations are recorded as operating expenses of the Arena and totaled $3,178,685 during fiscal year 2014.

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 inducement 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 inducement for the revenue benchmark totaled $2,593,752 during the year ended June 30, 2014.

In conjunction with the new Arena Use Agreement, the District entered into a Project Development Agreement regarding certain improvements and upgrades to the Arena. The state will provide $50,000,000 of capital outlay funding in three phases of construction each to be completed prior to the 2012, 2013, and 2014 NBA seasons. The Arena Use Agreement provides that for fiscal years ended June 30, 2012 and 2013, when construction is ongoing and additional revenues will not be realized by the Pelicans, the District's inducement obligation has been restated to a fixed amount. The District has been permitted to defer payment of a portion of these additional inducements until the Arena upgrades are substantially complete. For fiscal years ended June 30, 2012 and 2013, the portion of the District's inducement obligation deferred will be $5,100,000 and $3,200,000, respectively. The aggregate amount of $8,300,000, plus accrued interest of 3% on the outstanding balance from July 1, 2012, was to be paid in 96 equal installments beginning July 31, 2014. As part of the agreement, the state also agreed to provide the Pelicans $10,000,000 for the construction of a new training facility or the redevelopment of an existing training facility, subject to certain elections which must be made by the Pelicans. On June 11, 2013, the Pelicans elected to use the entire $10,000,000. By electing to use the funds toward the training facility, the funds provided shall be applied against the deferred inducement obligation to reduce or eliminate principal and associated interest. As of June 30, 2014, the balance of both the principal and interest of the deferred inducement obligation was reduced to $0.

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

17. COOPERATIVE ENDEAVOR AGREEMENTS

On July 1, 2002, the District entered into a cooperative endeavor agreement with the Louisiana Department of Treasury to undertake capital improvements totaling $10,002,800 for the NBA upgrades to the New Orleans Arena for the Pelicans to play home games. The total amount of the agreement, as amended in June 2004 to provide additional funding of $6,500,000 for the improvements, is $16,502,800. Of this amount, $16,332,481 has been expended as of June 30, 2014.

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.

On October 15, 2010, the District entered into a cooperative endeavor agreement with the Marketing Fund to evidence the obligations of the District with respect to a NMTC transaction pursuant to Section 45D of the Internal Revenue Code of 1986. The agreement further defines the project as the development of Champions Square and the responsibilities of each party related to the project under the NMTC transaction. The term of the agreement will expire on the earlier of (a) the date that the community development entity (CDE) loan documents with the Marketing Fund are terminated or do not become effective, the loans are paid in full, or (b) June 30, 2026. The participation in the NMTC transaction required the District to make certain guarantees, including the CDE loans to the Marketing Fund. The District's obligations under the agreement are only payable in the event the Marketing Fund has insufficient funds to cover its operating expenses or debt service payments. The District has agreed to make a contribution to the capital of the Marketing Fund sufficient to meet its obligations, but only to the extent that resources are available after the District has met its own obligations. The contribution of capital can only be made from sources not dedicated or restricted for other purposes.

Effective November 14, 2012, the state, the District, and Jefferson Parish entered into a 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. The District will serve as Contract Administrator and represent the state. As part of the agreement, the District will allocate $1,000,000 to Jefferson Parish for the preparation of and work related to the repair plan at the Alario Center. Jefferson Parish will reimburse all funds allocated by the District within one year of the cash advanced. As of June 30, 2014, no funds were allocated to the parish.

18. WORKING CAPITAL AND FINANCIAL POSITION

During the year ended June 30, 2014, the District experienced an operating gain, in part, because of the reduction in interest expense as a result of the refunding of the Series 2006 bonds during 2013 and the termination of the interest rate hedge agreements.

19. NET POSITION RESTATEMENT - GOVERNMENT-WIDE FINANCIAL STATEMENTS

The following table discloses the restatement of net position due to the adoption of GASB Statement No. 65:

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Unit
Net Position at June 30, 2013	($286,281,736)	$353,571,072	$67,289,336	($3,130,439)
Change in Accounting Principle	(3,047,194)		(3,047,194)	
Net Position at June 30, 2013, as restated	($289,328,930)	$353,571,072	$64,242,142	($3,130,439)

20. SUBSEQUENT EVENTS

On July 1, 2014, the District entered into an agreement with Service America Corporation, doing business as Centerplate, granting Centerplate the exclusive right and obligation to manage and operate food and beverage concessions at the Superdome and Arena. The term of the agreement expires on June 30, 2019, with an optional five-year extension.

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 solely 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

November 19, 2014

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, the discretely-presented component unit, 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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 19, 2014. Our report was modified to include an emphasis of matter paragraph regarding financial statement comparability. Our report includes a reference to another auditor who audited the financial statements of the Louisiana Superdome Marketing and Promotional Fund, as described in our report on the District's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by that auditor.

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) to determine the 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

Daryl G. Purpera, CPA, CFE
Legislative Auditor

JMJ:NM:EFS:THC:ch

LSED 2014