



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

Financial Statements

December 31, 2003

(With Independent Auditors' Report Thereon)

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

Release Date 9-15-04

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

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KPMG LLP
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Independent Auditors' Report

The Honorable Members of the City Council
and the Honorable George Dement, Mayor
City of Bossier City, Louisiana:

We have audited the accompanying financial statements of the CenturyTel Center Arena Fund, a special revenue fund of the City of Bossier City, Louisiana, as of and for the year ended December 31, 2003. These financial statements are the responsibility of the City of Bossier City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in note 1, the financial statements present only the CenturyTel Center Arena Fund and do not purport to, and do not present fairly, the financial position of the City of Bossier City, Louisiana as of December 31, 2003 and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the CenturyTel Center Arena Fund of the City of Bossier City, Louisiana, as of December 31, 2003, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 26, 2004, on our consideration of the CenturyTel Center Arena Fund of the City of Bossier City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



The management's discussion and analysis and budgetary comparison schedule listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

KPMG LLP

March 26, 2004

CENTURYTEL CENTER ARENA FUND,
A Special Revenue Fund of the City of Bossier City, Louisiana
Management's Discussion and Analysis – Unaudited
December 31, 2003

We offer readers of the CenturyTel Center Arena Fund of the City of Bossier City's (Arena) financial statements this narrative overview and analysis of the financial activities of the Arena for the fiscal year ended December 31, 2003.

Overview of the Financial Statements

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

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

Financial Analysis of the Arena Fund

Governmental Fund

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

The Arena has a fund balance of \$129,747, all of which may be used to meet the Arena's obligations to citizens. Of the Arena's assets totaling \$1,716,057, 60% is in cash. Fund balance reflected a decrease of \$50,393 in 2003.

	2003	2002
Assets	\$ 1,716,057	2,270,151
Liabilities	1,586,310	2,090,011
Fund balance	\$ 129,747	180,140

Change in Fund Balance

	2003	2002
Revenues	\$ 2,802,168	3,110,049
Expenditures	2,851,561	2,984,715
Net change in fund balance	\$ (49,393)	125,334

CENTURYTEL CENTER ARENA FUND,
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Management's Discussion and Analysis – Unaudited
December 31, 2003

Economic Factors and Next Year's Budgets and Rates

When the budget for FY 2003 was prepared, the only economic factor considered was an expected increase in utility rates.

Requests for Information

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

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

Balance Sheet

December 31, 2003

Assets:		
Cash	\$	1,027,896
Accounts receivable		525,922
Prepaid items		<u>162,239</u>
Total assets	\$	<u><u>1,716,057</u></u>
Liabilities:		
Accounts payable	\$	260,254
Deferred revenue		390,039
Deposits		<u>936,017</u>
Total liabilities		1,586,310
Fund Balance:		
Reserved for prepaid items		162,239
Unreserved – undesignated		<u>(32,492)</u>
Total fund balance		<u>129,747</u>
Total liabilities and fund balance	\$	<u><u>1,716,057</u></u>

See accompanying notes to financial statements.

CENTURYTEL CENTER ARENA FUND,
A Special Revenue Fund of the City of Bossier City, Louisiana
Statement of Revenues, Expenditures, and Changes in Fund Balance
Year ended December 31, 2003

Revenues:	
Direct event income	\$ 227,982
Ancillary income	846,701
Advertising	917,517
Luxury box income	518,681
Other income	291,287
Total revenues	2,802,168
Expenditures – current – culture and recreation:	
Executive	233,432
Finance	194,607
Operations	1,174,139
Marketing	188,942
Box office	111,258
Facility overhead	949,183
Total expenditures	2,851,561
Other operating uses:	
Transfer out	(1,000)
Total other operating uses	(1,000)
Net change in fund balance	(50,393)
Fund balance, beginning of year	180,140
Fund balance, end of year	\$ 129,747

See accompanying notes to financial statements.

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

Notes to Financial Statements

December 31, 2003

(1) Summary of Significant Accounting Policies

The CenturyTel Center Arena Fund of the City of Bossier City (the Arena) is a separate accounting entity of the City of Bossier City (the City). The fund was established to account for the operations of the 14,000-seat multipurpose arena constructed by the City. The operations of the Fund are accounted for with a separate set of self-balancing accounts that comprises its assets, liabilities, fund balance, revenues, and expenditures. The accounts of the Arena are reported as a Special Revenue Fund within the City's financial statements. The accompanying financial statements present only the CenturyTel Center Arena Fund and are not intended to present fairly the financial position of the City of Bossier City, Louisiana, and the results of its operations in conformity with accounting principles generally accepted in the United States of America.

(a) Basis of Presentation – Fund Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose the Arena considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Rental income for luxury box suites and events and advertising income are susceptible to accrual and are recognized when earned or when the underlying transaction occurs. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred and has matured.

The accounts of the Arena are organized on the basis of fund accounting and are accounted for with a set of self-balancing accounts. The operations of the Arena are incorporated into one special revenue fund. Special revenue funds are those through which most governmental functions are financed. The acquisition, use, and balances of expendable financial resources and the related liabilities are accounted for through this fund.

All items of capital assets used by the Arena are recorded in the financial statements of the City. Bonds issued to fund the construction of the Arena are accounted for in the financial statements of the City.

(b) Accounts Receivable

Accounts receivable consists of amounts due from luxury box rentals, advertisers, and SMG Food and Beverage, LLC (see note 3).

(c) Deferred Revenue

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

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

Notes to Financial Statements

December 31, 2003

(2) Cash

All cash deposits of the Arena are held by area financial institutions. At December 31, 2003, the carrying amount of the Arena's deposits was \$1,027,896 and the bank balance was \$1,234,024. The difference is due to outstanding checks and deposits in transit at December 31, 2003. The entire bank balance was either insured by the Federal Deposit Insurance Corporation or collateralized with securities held by the pledging bank in the Arena's name at December 31, 2003.

(3) Related-Party Transactions

Management Fee

The City has contracted with Leisure Management International (LMI) to manage the operations of the Arena through December 31, 2005, with additional renewal periods. Management fees are \$150,000 annually, payable in 12 equal installments, adjusted each year for changes in the consumer price index. For the year ended December 31, 2003, the base fee totaled \$156,057, which is reflected in the accompanying financial statements. In addition to the base fees, the City has also agreed to pay additional fees based on the performance of the operations of the Arena. For the year ended December 31, 2003, the incentive fee earned totaled \$69,196. At December 31, 2003, the Arena had a payable to LMI of \$69,196.

Food and Beverage

LMI has contracted with SMG Food and Beverage, LLC to provide the food and beverage concessions and catering at the Arena. For these services, SMG Food and Beverage, LLC receives 4% of the gross revenues collected in connection with the services they perform. For the year ended December 31, 2003, the Arena paid SMG Food and Beverage, LLC a fee of \$64,528 for their services. Also, at December 31, 2003, the Arena had a receivable from SMG Food and Beverage, LLC of \$193,487.

REQUIRED SUPPLEMENTARY INFORMATION

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

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

Year ended December 31, 2003
(unaudited)

	<u>Actual</u>	<u>Original and final budget</u>	<u>Variance with final budget positive (negative)</u>
Revenues:			
Direct event income	\$ 227,982	371,079	(143,097)
Ancillary income	846,701	925,331	(78,630)
Advertising	917,517	992,330	(74,813)
Luxury box income	518,681	535,760	(17,079)
Other income	291,287	254,470	36,817
Total revenues	<u>2,802,168</u>	<u>3,078,970</u>	<u>(276,802)</u>
Expenditures – current – culture and recreation:			
Executive	233,432	210,406	(23,026)
Finance	194,607	186,349	(8,258)
Operations	1,174,139	1,251,461	77,322
Marketing	188,942	195,005	6,063
Box office	111,258	109,760	(1,498)
Facility overhead	949,183	846,830	(102,353)
Total expenditures	<u>2,851,561</u>	<u>2,799,811</u>	<u>(51,750)</u>
Other operating uses:			
Transfer out	(1,000)	—	(1,000)
Total other operating uses	<u>(1,000)</u>	<u>—</u>	<u>(1,000)</u>
Net change in fund balance	(50,393)	279,159	(329,552)
Fund balance, beginning of year	180,140	180,140	—
Fund balance, end of year	<u>\$ 129,747</u>	<u>459,299</u>	<u>(329,552)</u>

See accompanying independent auditors' report.

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

Notes to Budgetary Comparison Schedule

December 31, 2003
(unaudited)

Budget and Budgetary Accounting

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

- (1) Prior to October 15, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- (2) A public hearing is then conducted, after proper official journal notification, to obtain taxpayer comments.
- (3) Prior to December 15, the budget is legally enacted through passage of an ordinance.
- (4) The budget ordinance is structured such that revenues are budgeted by source, and appropriations are budgeted by department and by principal object of expenditure. The City Charter provides that expenditures may not legally exceed appropriations on a departmental basis, which is the same as the fund basis for the Arena, after considering fund surpluses or deficits. The City Council may revise or amend the budget at its discretion during legally convened sessions. Management may amend the budget only below the department level. No amendments to the budget were made and adopted by the City Council during 2003.
- (5) The basis of accounting applied to budgetary data presented is substantially consistent with the basis of accounting for the Arena. Appropriations that are not expended lapse at year-end, except appropriations for capital improvements, which do not lapse until the purpose of the appropriation has been accomplished or abandoned.

Excess of Expenditures Over Budget

Actual expenditures exceeded budgeted expenditures on a line item basis as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Negative variance</u>
Culture and recreation:			
Executive	\$ 210,406	233,432	(23,026)
Finance	186,349	194,607	(8,258)
Box office	109,760	111,258	(1,498)
Facility overhead	846,830	949,183	(102,353)



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**Independent Auditors' Report on Compliance and on Internal Control
Over Financial Reporting Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

The Honorable George Dement, Mayor
and Members of the City Council
City of Bossier City, Louisiana:

We have audited the financial statements of the CenturyTel Center Arena Fund (the Arena), a special revenue fund of the City of Bossier City, Louisiana (the City) as of and for the year ended December 31, 2003, and have issued our report thereon dated March 26, 2004. 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.

Compliance

As part of obtaining reasonable assurance about whether the Arena's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 03-01.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Arena's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of internal control over financial reporting would not necessarily disclose all matters in internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over financial reporting and its operation that we consider to be material weaknesses.



This report is intended solely for the information and use of the Mayor, City Council, management, the State of Louisiana Legislative Auditor, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

March 26, 2004

CENTURYTEL CENTER ARENA FUND,
A Special Revenue Fund of the City of Bossier City, Louisiana
Schedule of Findings and Questioned Costs
Year ended December 31, 2003

Item: 03-1

Criteria or specific requirement: State law requires that the actual revenues shall not fall below 5% of budgeted revenues for any one source. The Arena Fund's revenues fell 9% below budgeted revenues.

Condition: The 2003 actual revenues fell below budgeted revenues by more than 5%.

Questioned Costs: None.

Context: The City was not in compliance with state law.

Effect: The City was not in compliance with state law.

Cause: Unknown.

Recommendation: The City should take steps to monitor the budget and actual results for the Arena and propose amendments as needed.

**CENTURYTEL CENTER ARENA FUND
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
DECEMBER 31, 2003**

Bid Laws –

Finding: While we did not identify any noncompliance issues with respect to the Arena's compliance with state bid laws, we did note instances in which the Arena purchased items that fell within the range of \$300 to \$15,000 for which three written or oral quotes were not obtained. These instances were explained and resolved to our satisfaction, however, we recommend the Arena maintain documentation of their reasons for not obtaining bids or quotes in all instances. Also, purchases by vendor should be monitored and in instances where repeat purchases of items from a vendor meet certain dollar thresholds, consideration should be given to whether bids should be requested for such items.

Follow-up: Documentation is now maintained for deviations from policies for obtaining quotes.

CENTURYTEL CENTER ARENA FUND

CORRECTIVE ACTION PLAN

YEAR ENDED DECEMBER 31, 2003

Finding 03-1

State law requires that the actual revenues shall not fall below 5% of budgeted revenues for any one source. The Arena Fund's revenues fell 9% below budgeted revenues.

Name of Contact Responsible: Charles E. Glover

Corrective Action Planned: The City will implement procedures to improve monitoring of budgeted revenues and will make budget amendments as necessary to ensure that actual revenues shall not fall below 5% of budgeted revenues.

Completion Date: **June 30, 2004**