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CENTURYTEL CENTER ARENA FUND,
A Special Revenue Fund of the City of Bossier City, Louisiana
Financial Statements
December 31, 2001
(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 5/15/02

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

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

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, 2001 as listed in the accompanying table of contents. These financial statements are the responsibility of the 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 the audit to obtain reasonable assurance about whether the 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 are not intended to present fairly the financial position of the City of Bossier City, Louisiana, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds 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, 2001, and the results of its operations 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 8, 2002, on our consideration of the CenturyTel Center Arena Fund of the City of Bossier City's internal control over financial reporting and our tests of its compliance with 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.

KPMG LLP

March 8, 2002



KPMG LLP, KPMG LLP, a U.S. limited liability partnership, is
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CENTURYTEL CENTER ARENA FUND,
A Special Revenue Fund of the City of Bossier City, Louisiana

Balance Sheet

December 31, 2001

Assets

Cash	\$	1,388,881
Accounts receivable		735,232
Prepaid items and other assets		<u>197,732</u>
Total assets	\$	<u><u>2,321,845</u></u>

Liabilities and Fund Balance

Liabilities:		
Accounts payable	\$	357,046
Deferred revenue		904,899
Deposits		<u>1,005,094</u>
Total liabilities		2,267,039
Fund balance:		
Unreserved – undesignated		<u>54,806</u>
Total liabilities and fund balance	\$	<u><u>2,321,845</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 (Deficit) – Budget and Actual

Year ended December 31, 2001

	Actual	Budget	Variance favorable (unfavorable)
Revenues:			
Direct event income	\$ 81,318	474,512	(393,194)
Ancillary income	715,517	1,142,281	(426,764)
Advertising, luxury box, memberships, and other income	1,673,209	1,754,065	(80,856)
Total revenues	2,470,044	3,370,858	(900,814)
Expenditures – current – culture and recreation:			
Executive	234,189	343,525	109,336
Finance	138,848	166,908	28,060
Operations	1,021,845	1,219,631	197,786
Marketing	138,493	191,140	52,647
Box office	107,074	165,343	58,269
Facility overhead	1,014,163	1,212,794	198,631
Total expenditures	2,654,612	3,299,341	644,729
Excess (deficiency) of revenues over (under) expenditures	(184,568)	71,517	(256,085)
Operating transfer from City of Bossier City	417,707	—	417,707
Fund deficit, beginning of year	(178,333)	(178,333)	—
Fund balance (deficit), end of year	\$ 54,806	(106,816)	161,622

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, 2001

(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 in 2000 to account for the operations of the 14,000-seat multipurpose arena constructed by the City. The construction of the arena was completed in October 2000 and began operations in November 2000. 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 Fund are reported as a Special Revenue Fund within the City's general purpose 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 Accounting

In 2001, the Arena adopted the provisions of Governmental Accounting Standards Board Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. This Statement establishes accounting and financial reporting standards for nonexchange transactions involving financial or capital resources and the timing of recognition of these transactions. There was no impact on the Arena's financial statements as a result of implementation.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The Special Revenue Fund, as a governmental fund, is maintained 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. Measurable means the amount of the transaction can be determined. Available means collectible within the current period or soon enough thereafter to be used 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.

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CENTURYTEL CENTER ARENA FUND,
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Notes to Financial Statements

December 31, 2001

(b) *Basis of Presentation – Fund Accounting*

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 property, plant, and equipment used by the Arena are recorded in the general fixed assets account group of the City. Bonds issued to fund the construction of the Arena are accounted for in the general long-term obligations account group of the City.

(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.

(d) *Income Taxes*

As a fund of the City, the financial activity of the Arena is not subject to federal or state income taxes.

(e) *Budget*

The City utilizes formal budgetary integration as a management control device for the Arena Fund. The City adopted a budget for the Arena Fund 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 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 2001.

CENTURYTEL CENTER ARENA FUND,
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Notes to Financial Statements

December 31, 2001

- (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.

(2) Cash

All cash deposits of the Arena are held by area financial institutions. At December 31, 2001, the carrying amount of the Arena's deposits was \$1,388,881 and the bank balance was \$1,336,775. The difference is due to outstanding checks and deposits in transit at December 31, 2001. The entire bank balance was either insured by the Federal Deposit Insurance Corporation or collateralized with securities held in the Arena's name at December 31, 2001.

(3) Operating Transfers From the City

The City periodically transfers amounts to the Arena to fund the operations. In addition, all fixed assets are purchased by the City through its purchasing system. The City retains title to those assets and they are therefore reflected in the City's general purpose financial statements in the general fixed assets account group. The City also paid for most operating expenses of the Arena other than payroll. These expenses are reflected in the accompanying financial statements.

(4) 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. Preopening management fees were \$120,000 annually. Postopening fees are \$150,000 annually, payable in 12 equal installments. For the year ended December 31, 2001, the base fee totaled \$150,000, 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, 2001, no such fees were earned. At December 31, 2001, the Arena had a payable to LMI of \$16,480.



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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, 2001, and have issued our report thereon dated March 8, 2002. 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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. However, we noted other matters involving internal control over financial reporting, which we have reported to management of the City in a separate letter dated March 8, 2002.



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

KPMG LLP

March 8, 2002



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March 8, 2002

CONFIDENTIAL

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) for the year ended December 31, 2001, and have issued our report thereon dated March 8, 2002. In planning and performing our audit of the financial statements of the Arena, we considered internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. An audit does not include examining the effectiveness of internal control and does not provide assurance on internal control. We have not considered internal control since the date of our report.

During our audit, we noted certain matters involving internal control and other operational matters that are presented for your consideration. These comments and recommendations, all of which have been discussed with the appropriate members of management, are intended to improve internal control or result in other operating efficiencies and are summarized as follows:

PROCUREMENT

During our audit, we tested the Arena's controls over procurement and noted that of the thirty items selected for testing there were two instances in which a purchase order or requisition was not obtained. We recommend the Arena review its controls over procurement to ensure that all purchases are supported by authorized documentation. In addition, we also noted that during the year the Arena implemented a procedure to attach a form to each invoice which served to document the accounting for each invoice. This form is a good control to help ensure that expenses are coded to the correct department or coded to the correct cost center for an event. We encourage the Arena to continue to utilize this form.

Management's response ~ Revised procurement procedures will require a purchase order for all expenses not under contract, which includes recurring expenses. Vendors who provide these services will be issued a "blanket purchase order" that will be reissued annually.

A revised document for coding invoices will be implemented by April 30, 2002. This revised document will serve a more practical purpose that will be more useful for data entry and less ambiguous to those approving and coding invoices.



The Honorable George Dement, Mayor
and Members of the City Council
City of Bossier City
March 8, 2002
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BID LAWS

Beginning in October 2001, the Arena became responsible for all purchasing. Prior to this, the majority of the Arena's purchases were made through the City's purchasing department on behalf of the Arena. Since this process has changed the Arena is now responsible for adhering to state bid laws. To ensure compliance, we recommend that the Arena consider documenting its consideration of the bid laws for all purchases on each requisition form.

Management's response – A revised requisition form will be implemented by April 30, 2002, which outlines the bid law requirements. Additionally, communication with the City's purchasing department will help ensure bid laws are interpreted correctly.

ACCOUNTS RECEIVABLE

At December 31, 2001, the Arena had two receivable balances from promoters totaling approximately \$40,000. Generally, promoter advances are to be paid at the time of settlement of an event or shortly thereafter. These receivables were from events in March 2001 and September 2001 and no allowance for collectibility has been recorded at year end. While management believes these receivables are collectible from future events with the promoters, the Arena has not established a formal methodology for evaluating the need for an allowance. We recommend that the Arena analyze receivables on a monthly basis, obtain and maintain documentation for those receivables that become aged, and establish a methodology for calculating the need for an allowance. The Arena should obtain written agreements with promoters for a repayment plan when indications are that the amounts will not be repaid timely.

Management's response – A formal methodology will be implemented immediately for receivables over 90 days due and directed consistently for all accounts. Additionally, future communication with customers of overdue accounts will be documented to serve as record of collection efforts.

* * * * *

These conditions were considered in determining the nature, timing, and extent of the audit tests applied in our audit of the 2001 financial statements, and this report does not affect our report on these financial statements dated March 8, 2002. We have not considered internal control since the date of our report.

This report is intended solely for the information and use of the Mayor, City Council, management and 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.

We appreciate the assistance and cooperation of all of the personnel of the Arena. We will be pleased to discuss these comments and recommendations with you at any time.

Very truly yours,

KPMG LLP