

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



FINANCIAL STATEMENT AUDIT  
FOR THE YEAR ENDED JUNE 30, 2018  
ISSUED DECEMBER 12, 2018

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## Exhibit

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	A
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LOUISIANA LEGISLATIVE AUDITOR  
DARYL G. PURPERA, CPA, CFE

November 29, 2018

## 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, 2018, 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 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, 2018, 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 19 to the financial statements, the fiscal year 2017 financial statements have been restated to correct a misstatement. 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 29, 2018, 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 solely 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 effectiveness of the District's 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

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LSED 2018



## MANAGEMENT’S DISCUSSION AND ANALYSIS

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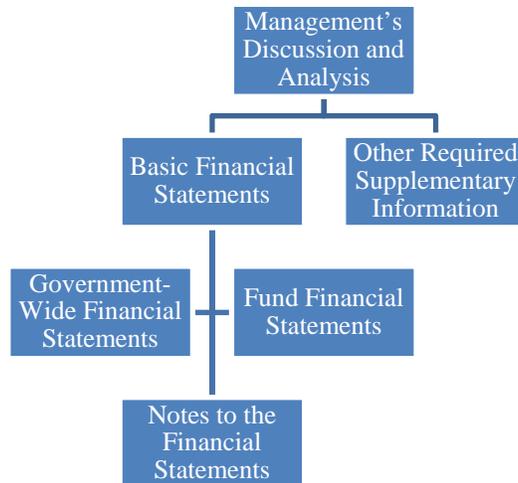
Management’s Discussion and Analysis of the Louisiana Stadium and Exposition District’s (the District) financial performance presents a narrative overview and analysis of the District’s financial activities for the year ended June 30, 2018. This document focuses on the current year’s activities, resulting 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 2018 by \$301,965,144. The net position of business-type activities decreased by \$35,922,982 during fiscal year 2018. The liabilities of governmental activities exceeded assets and deferred outflows of resources at the close of fiscal year 2018 by \$225,418,139. The net position of governmental activities increased by \$15,284,232 during fiscal year 2018.
- The District has received \$2,298,513 in capital contributions to its business-type activities for the year ended June 30, 2018. This represents a decrease of \$4,668,482 over the prior fiscal year. The contributions fund various capital projects for improvements to the Mercedes-Benz Superdome and Smoothie King Center.
- The District received \$53,057,987 of hotel occupancy taxes in its governmental activities for the year ended June 30, 2018. This represents an increase of \$2,635,222 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 of the District.
- The Louisiana Superdome Marketing and Promotional Fund, a component unit of the District, ceased operations during fiscal year 2018.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The following graphic illustrates the minimum requirements for the District established by Governmental Accounting Standards Board (GASB) 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, which, as noted above, ceased operations during fiscal year 2018.

## 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, 2018, and 2017**  
**(in thousands)**

	2018	2017 Restated
Current and other assets	\$121,235	\$119,474
Capital assets	343,096	359,863
Total assets	<u>464,331</u>	<u>479,337</u>
 Total deferred outflows of resources	 <u>28,570</u>	 <u>30,157</u>
 Current and other liabilities	 63,206	 46,138
Long-term debt outstanding	353,148	366,171
Total liabilities	<u>416,354</u>	<u>412,309</u>
 Net Position:		
Net investment in capital assets	95,643	102,464
Restricted	57,174	60,782
Unrestricted	<u>(76,270)</u>	<u>(66,061)</u>
Total net position	<u><u>\$76,547</u></u>	<u><u>\$97,185</u></u>

The District's total revenues of its governmental and business-type activities increased by \$2,133,000 from 2017 to 2018. The total cost of all governmental and business-type activities programs and services increased by \$5,284,000. The increase in total revenues is due primarily to an increase in the hotel occupancy tax collections. The increase in total cost is due primarily to an increase in team inducement payments, depreciation, and other operating costs.

**Changes in Net Position**  
**For the Years Ended June 30, 2018, and 2017**  
(in thousands)

	2018	2017 Restated
<b>Revenues</b>		
Program revenues:		
Charges for services	\$59,607	\$53,236
Grants and contributions	4,125	10,679
General revenues:		
Hotel occupancy taxes	53,058	50,423
New Orleans Sports Franchise Fund	9,437	9,333
Pari-mutuel live racing facility slots	2,567	2,752
Players' tax	3,914	4,129
Interest and other income	1,236	1,259
Total revenues	<u>133,944</u>	<u>131,811</u>
<b>Program Expenses</b>		
Interest on long-term debt	14,170	15,512
Facility operation and contract administration	129,827	123,201
Total expenses	<u>143,997</u>	<u>138,713</u>
Other revenues (expenses)	<u>(10,585)</u>	<u>(1,501)</u>
<b>(Decrease) in Net Position</b>	<u><u>(\$20,638)</u></u>	<u><u>(\$8,403)</u></u>

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2018, and June 30, 2017, the District had \$343,095,628 and \$359,863,290, respectively, invested in capital assets, net of accumulated depreciation of \$377,211,081 and \$333,704,427, respectively, including land, buildings and improvements, furniture, fixtures, equipment, and construction-in-progress.

Capital assets as of June 30 (in thousands):

	<u>2018</u>	<u>2017</u>
Land	\$17,069	\$17,069
Building and improvements	302,445	326,336
Furniture, fixtures, and equipment	4,902	6,255
Construction-in-progress	<u>18,680</u>	<u>10,203</u>
Total	<u>\$343,096</u>	<u>\$359,863</u>

## Debt

The District had \$320,370,000 and \$329,790,000 in revenue bonds outstanding at June 30, 2018, and June 30, 2017, 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. The District's required principal payment on the Series 2013 bonds of \$9,420,000 was due and paid on July 1, 2017.

## 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, 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

During fiscal year 2018, the District's net position decreased \$20,639,000. During fiscal year 2017, the District's net position decreased \$8,169,000, as restated. The operating loss, during fiscal year 2018, was funded by statutorily-dedicated revenues, grants, and hotel occupancy taxes, which were transferred from the General Fund, and capital contributions from the state. Current projections by management of the District indicate that operating losses incurred in the business-type activities will continue and will be funded with statutorily-dedicated revenues, grants, and hotel occupancy taxes, along with capital contributions from the state.

**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, 2018**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL
<b>ASSETS</b>			
Cash and cash equivalents (note 2)	\$57,868,048	\$37,132,709	\$95,000,757
Accounts receivable, net		1,292,479	1,292,479
Due from state of Louisiana (note 3)	11,069,662	127,277	11,196,939
Inventory of materials and supplies		36,472	36,472
Prepaid expenses		120,527	120,527
Restricted assets: (notes 2, 5, and 9)			
Renewal and Replacement Reserve Account - cash and cash equivalents	8,873,531	3,108,023	11,981,554
Energy savings performance trust - cash and cash equivalents	130,639		130,639
Concessionaire Fund - receivable		1,440,196	1,440,196
Deposits		35,869	35,869
Capital assets, net of accumulated depreciation (note 4)	45,020,220	298,075,408	343,095,628
Total assets	<u>122,962,100</u>	<u>341,368,960</u>	<u>464,331,060</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on refunding	28,569,769		28,569,769
Total deferred charge on refunding	<u>28,569,769</u>	<u>NONE</u>	<u>28,569,769</u>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	976,768	4,492,410	5,469,178
Sports franchise obligations payable (notes 15 and 16)	2,674,106	337,847	3,011,953
Unearned revenue and security deposits		140,470	140,470
Compensated absences (note 1-J)	11,394	480,786	492,180
Advance deposits on future events		32,852,303	32,852,303
Accrued bond interest payable current portion	6,968,345		6,968,345
Bonds payable current portion, net (note 6)	12,340,279		12,340,279
Capital lease obligations current portion (note 5)	1,067,365		1,067,365
Judgment payable, current portion (note 7)	263,383		263,383
Other Long-Term Liabilities, current portion		600,000	600,000
Noncurrent liabilities:			
Accrued bond interest payable	6,445,729		6,445,729
Bonds payable, net (note 6)	336,029,462		336,029,462
Capital lease obligations (note 5)	9,399,297		9,399,297
Judgment payable (note 7)	773,880		773,880
Other Long-Term Liabilities		500,000	500,000
Total liabilities	<u>376,950,008</u>	<u>39,403,816</u>	<u>416,353,824</u>

(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, 2018**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL
<b>NET POSITION</b>			
Net investment in capital assets	(\$202,432,212)	\$298,075,408	\$95,643,196
Restricted for:			
Debt service	43,621,156		43,621,156
Renewal and replacement	8,873,531	3,108,023	11,981,554
Concessionaire reserve		1,440,196	1,440,196
Energy savings performance	130,639		130,639
Unrestricted	(75,611,253)	(658,483)	(76,269,736)
<b>TOTAL NET POSITION</b>	<b>(\$225,418,139)</b>	<b>\$301,965,144</b>	<b>\$76,547,005</b>

(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, 2018**

<u>FUNCTIONS/PROGRAMS</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u>		
		<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>CAPITAL GRANTS AND CONTRIBUTIONS</u>
<b>PRIMARY GOVERNMENT:</b>				
Governmental activities:				
Facility operation	\$11,576,422			\$1,076,075
Interest on bonds	14,170,491			
Contract administration	308,162		\$750,582	
Total governmental activities	26,055,075	NONE	750,582	1,076,075
Business-type activities:				
Facility operation	117,942,777	\$59,607,246	NONE	2,298,513
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$143,997,852</b>	<b>\$59,607,246</b>	<b>\$750,582</b>	<b>\$3,374,588</b>
<b>COMPONENT UNIT:</b>				
Louisiana Superdome Marketing and Promotional Fund				
	\$3,237,874	\$1,589,381	NONE	NONE
<b>TOTAL COMPONENT UNIT</b>	<b>\$3,237,874</b>	<b>\$1,589,381</b>	<b>NONE</b>	<b>NONE</b>
General revenues:				
Taxes: (note 9)				
Hotel occupancy taxes				
New Orleans Sports Franchise Fund				
Pari-mutuel live racing facility slots				
Players' tax				
Vehicle license plate royalties				
Miscellaneous				
Investment earnings				
Transfers in (out)				
Special item - New Market Tax Credit (note 8)				
Total general revenues and transfers				
Change in net position				
<b>NET POSITION, BEGINNING OF YEAR, AS RESTATED (note 19)</b>				
<b>TOTAL NET POSITION, END OF YEAR</b>				

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
(\$10,500,347)		(\$10,500,347)	
(14,170,491)		(14,170,491)	
442,420		442,420	
(24,228,418)	NONE	(24,228,418)	
NONE	(\$56,037,018)	(56,037,018)	
(\$24,228,418)	(\$56,037,018)	(\$80,265,436)	
			(\$1,648,493)
			(\$1,648,493)
\$53,057,987		\$53,057,987	
9,437,025		9,437,025	
2,567,124		2,567,124	
3,913,690		3,913,690	
363,550		363,550	
286,657		286,657	
379,624	\$205,694	585,318	\$1,089
(30,493,007)	30,493,007		
	(10,584,665)	(10,584,665)	13,986,091
39,512,650	20,114,036	59,626,686	13,987,180
15,284,232	(35,922,982)	(20,638,750)	12,338,687
(\$240,702,371)	\$337,888,126	\$97,185,755	(\$12,338,687)
(\$225,418,139)	\$301,965,144	\$76,547,005	NONE



**LOUISIANA STADIUM AND EXPOSITION DISTRICT  
STATE OF LOUISIANA  
GOVERNMENTAL FUNDS**

**Balance Sheet  
June 30, 2018**

	GENERAL FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS</b>				
Cash and cash equivalents (note 2)	\$18,189,196	\$39,678,844	\$8	\$57,868,048
Due from state of Louisiana (note 3)	7,127,350	3,942,312		11,069,662
Restricted assets: (notes 2, 5, and 9)				
Renewal and Replacement Reserve Account - cash and cash equivalents	8,873,531			8,873,531
Energy savings performance trust - cash and cash equivalents	130,639			130,639
<b>TOTAL ASSETS</b>	<b>\$34,320,716</b>	<b>\$43,621,156</b>	<b>\$8</b>	<b>\$77,941,880</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable and accrued expenses	\$976,768			\$976,768
Sports franchise obligations payable (note 16)	2,674,106			2,674,106
Compensated absences (note 1-J)	11,394			11,394
Total liabilities	3,662,268	NONE	NONE	3,662,268
Fund Balances:				
Restricted for - debt service		\$43,621,156		43,621,156
Restricted for - renewal and replacement	8,873,531			8,873,531
Restricted for - energy savings performance	130,639			130,639
Assigned for - capital projects			\$8	8
Unassigned	21,654,278			21,654,278
Total fund balances	30,658,448	43,621,156	8	74,279,612
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$34,320,716</b>	<b>\$43,621,156</b>	<b>\$8</b>	<b>\$77,941,880</b>

(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, 2018**

	TOTAL GOVERNMENTAL FUNDS
	<hr/>
Total fund balances, as presented in this statement	\$74,279,612
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.	(13,414,074)
Deferred charges on refunding of bonds payable are not reported in the funds.	28,569,769
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.	(359,873,666)
Capital assets reported in the Statement of Net Position are not current financial resources.	<hr/> 45,020,220
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<hr/> <hr/> <b>(\$225,418,139)</b>

(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, 2018**

	GENERAL FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES</b>				
Hotel occupancy tax (note 9)	\$29,533,161	\$23,524,826		\$53,057,987
New Orleans Sports Franchise Fund	9,437,025			9,437,025
Pari-mutuel live racing facility slots	2,567,124			2,567,124
Players' tax	3,913,690			3,913,690
Vehicle license plate royalties	363,550			363,550
Interest earnings	97,964	281,660		379,624
Miscellaneous income	286,657			286,657
Total revenues	<u>46,199,171</u>	<u>23,806,486</u>	NONE	<u>70,005,657</u>
<b>EXPENDITURES</b>				
Salaries, wages, and benefits	536,660			536,660
Utilities	330,787			330,787
Management fee - SMG (note 13)	75,000			75,000
Professional fees	577,671			577,671
Insurance	281,954			281,954
Other Saints obligations (note 15)	2,056,063			2,056,063
Other Pelicans obligations (note 16)	4,514,760			4,514,760
Other facility obligations	1,492,553			1,492,553
Other expenditures	715,359			715,359
Capital outlay			\$2,851,667	2,851,667
Debt service:				
Principal	841,234	9,420,000		10,261,234
Interest	442,746	14,019,336		14,462,082
Total expenditures	<u>11,864,787</u>	<u>23,439,336</u>	<u>2,851,667</u>	<u>38,155,790</u>
Excess (deficiency) of revenues over expenditures	<u>34,334,384</u>	<u>367,150</u>	<u>(2,851,667)</u>	<u>31,849,867</u>

(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, 2018**

	GENERAL FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TOTAL GOVERNMENTAL FUNDS
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in			\$1,775,592	\$1,775,592
Transfers out	(\$32,268,599)			(32,268,599)
Contract administration contributions	750,582			750,582
Capital contributions			1,076,075	1,076,075
Total other financing sources (uses)	<u>(31,518,017)</u>	NONE	<u>2,851,667</u>	<u>(28,666,350)</u>
Net change in fund balances	2,816,367	\$367,150	NONE	3,183,517
Fund balances at beginning of year	<u>\$27,842,081</u>	<u>\$43,254,006</u>	<u>\$8</u>	<u>\$71,096,095</u>
Fund balances at end of year	<u>\$30,658,448</u>	<u>\$43,621,156</u>	<u>\$8</u>	<u>\$74,279,612</u>
Net change in fund balances, as presented in this statement				\$3,183,517
Amounts presented for governmental activities in the Statement of Activities are different because:				
Bond and capital lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position.				
Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.				
				10,261,234
Governmental funds report interest expense only when the expense is due for payment, while the Statement of Activities reports bond interest as it is incurred.				
				(1,093,990)
Governmental funds do not include amortization for bond premium and refunding costs.				
				1,385,581
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 (\$2,851,667) exceeded depreciation (\$1,303,777) in the current period.				
				<u>1,547,890</u>
Change in net position of governmental activities as reported on the Statement of Activities				<u>\$15,284,232</u>

(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, 2018**

	ENTERPRISE FUNDS			TOTAL
	MERCEDES-BENZ SUPERDOME	SMOOTHIE KING CENTER	CHAMPIONS SQUARE	
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents (note 2)	\$19,752,746	\$14,623,315	\$2,756,648	\$37,132,709
Accounts receivable, net	720,944	445,225	126,310	1,292,479
Due from state of Louisiana (note 3)	127,277			127,277
Due from other funds	3,619,605		92	3,619,697
Inventory	983	34,879	610	36,472
Prepaid expenses	98,700	19,022	2,805	120,527
Total current assets	<u>24,320,255</u>	<u>15,122,441</u>	<u>2,886,465</u>	<u>42,329,161</u>
Restricted assets: (notes 2 and 9)				
Renewal and Replacement Reserve Account - cash and cash equivalents		3,108,023		3,108,023
Concessionaire Fund - receivable	780,150	660,046		1,440,196
Total restricted assets	<u>780,150</u>	<u>3,768,069</u>	<u>NONE</u>	<u>4,548,219</u>
Other assets:				
Capital assets, net of accumulated depreciation (note 4)	204,757,792	83,397,460	9,920,156	298,075,408
Deposits			35,869	35,869
Total other assets	<u>204,757,792</u>	<u>83,397,460</u>	<u>9,956,025</u>	<u>298,111,277</u>
<b>TOTAL ASSETS</b>	<u>\$229,858,197</u>	<u>\$102,287,970</u>	<u>\$12,842,490</u>	<u>\$344,988,657</u>

(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, 2018**

	ENTERPRISE FUNDS			TOTAL
	MERCEDES-BENZ SUPERDOME	SMOOTHIE KING CENTER	CHAMPIONS SQUARE	
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable and accrued expenses	\$2,892,405	\$1,213,517	\$386,488	\$4,492,410
Sports franchise obligations payable (note 16)		337,847		337,847
Unearned revenue and security deposits	16,180	106,050	18,240	140,470
Compensated absences (note I-J)	419,478	52,096	9,212	480,786
Funds held in escrow for future events	19,707,879	12,315,470	828,954	32,852,303
Due to other funds		3,600,092	19,605	3,619,697
Other Long-term liabilities, current portion	600,000			600,000
Total current liabilities	23,635,942	17,625,072	1,262,499	42,523,513
Noncurrent Liabilities				
Other Long-term liabilities	500,000			500,000
Total liabilities	24,135,942	17,625,072	1,262,499	43,023,513
<b>NET POSITION</b>				
Net investment in capital assets	204,757,792	83,397,460	9,920,156	298,075,408
Restricted	780,150	3,768,069		4,548,219
Unrestricted	184,313	(2,502,631)	1,659,835	(658,483)
Total net position	205,722,255	84,662,898	11,579,991	301,965,144
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$229,858,197</b>	<b>\$102,287,970</b>	<b>\$12,842,490</b>	<b>\$344,988,657</b>

(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, 2018**

	ENTERPRISE FUNDS			
	MERCEDES-BENZ SUPERDOME	SMOOTHIE KING CENTER	CHAMPIONS SQUARE	TOTAL
<b>OPERATING REVENUES</b>				
Event rental:				
Musical events and entertainment	\$871,978	\$1,398,866	\$359,025	\$2,629,869
High school and college sports	261,900	75,000		336,900
Conventions and trade shows	225,023			225,023
Other events	660,458			660,458
Reimbursement event costs	9,274,500	3,412,202	363,821	13,050,523
Total event rental	11,293,859	4,886,068	722,846	16,902,773
Concessions and souvenirs	13,451,756	6,589,099	688,553	20,729,408
Box suite rental	7,852,402	805,470		8,657,872
Parking	3,192,275	1,180,627	1,136,029	5,508,931
Ticket incentives	2,266,417	2,622,982	119,516	5,008,915
Lease income (note 10)	613,725	8,820	795,151	1,417,696
Advertising and broadcasting			263,446	263,446
Other	658,741	432,904	26,560	1,118,205
Total operating revenues	39,329,175	16,525,970	3,752,101	59,607,246
<b>OPERATING EXPENSES</b>				
Salaries, wages, and benefits	12,004,230	2,886,196	209,446	15,099,872
Utilities	4,791,197	1,337,656	348,769	6,477,622
Repairs and maintenance	2,439,887	614,473	134,076	3,188,436
Management fee - SMG (note 13)	915,950	392,550		1,308,500
Saints lease obligation payments (note 15)	15,275,215			15,275,215
Pelicans obligation payments (note 16)		4,437,829		4,437,829
Professional fees	388,649	112,349	22,515	523,513
Professional sports staffing	3,122,169	2,565,768		5,687,937
Insurance	2,739,652	644,956		3,384,608
Direct event expense	9,090,066	5,089,954	701,858	14,881,878
Advertising and public relations	93,461	77,689	17,950	189,100
Rent (note 12)			2,399,102	2,399,102
Other operating expenses	5,440,402	2,149,155	301,965	7,891,522
Total operating expenses	56,300,878	20,308,575	4,135,681	80,745,134
Operating loss before depreciation	(16,971,703)	(3,782,605)	(383,580)	(21,137,888)
Depreciation	27,864,278	8,067,171	1,266,194	37,197,643
Operating loss	(44,835,981)	(11,849,776)	(1,649,774)	(58,335,531)

(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, 2018**

	ENTERPRISE FUNDS			
	MERCEDES-BENZ SUPERDOME	SMOOTHIE KING CENTER	CHAMPIONS SQUARE	TOTAL
<b>NONOPERATING REVENUE (EXPENSES)</b>				
Interest revenue	\$104,116	\$64,382	\$37,196	\$205,694
New Market Tax Credit Termination (note 8)			(10,584,665)	(10,584,665)
Total nonoperating revenue	104,116	64,382	(10,547,469)	(10,378,971)
Loss before transfers and capital contributions	(44,731,865)	(11,785,394)	(12,197,243)	(68,714,502)
Transfers in	24,001,070	5,845,842	646,095	30,493,007
Capital contributions	2,104,912	193,601		2,298,513
Change in net position	(18,625,883)	(5,745,951)	(11,551,148)	(35,922,982)
Net position, beginning of year, as restated (note 19)	\$224,348,138	\$90,408,849	\$23,131,139	\$337,888,126
<b>NET POSITION, END OF YEAR</b>	<b>\$205,722,255</b>	<b>\$84,662,898</b>	<b>\$11,579,991</b>	<b>\$301,965,144</b>

(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, 2018**

	ENTERPRISE FUNDS			TOTAL
	MERCEDES-BENZ SUPERDOME	SMOOTHIE KING CENTER	CHAMPIONS SQUARE	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$47,793,254	\$23,481,619	\$4,134,652	\$75,409,525
Payments to suppliers	(44,582,324)	(17,098,870)	(4,041,132)	(65,722,326)
Payments for salaries and related expenses	(12,573,545)	(2,776,146)	(158,565)	(15,508,256)
Net cash provided (used) by operating activities	(9,362,615)	3,606,603	(65,045)	(5,821,057)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Operating grants/transfers	24,001,070	5,845,842	646,095	30,493,007
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Capital appropriations and contributions	3,147,990	193,601		3,341,591
Purchases of capital assets	(10,191,661)	(441,266)	(59,021)	(10,691,948)
Net cash (used) by capital and related financing activities	(7,043,671)	(247,665)	(59,021)	(7,350,357)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest and dividends	104,116	64,382	37,196	205,694
Net Increase in cash and cash equivalents	7,698,900	9,269,162	559,225	17,527,287
Cash and cash equivalents, beginning of year	\$12,053,846	\$8,462,176	\$2,197,423	\$22,713,445
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$19,752,746</b>	<b>\$17,731,338</b>	<b>\$2,756,648</b>	<b>\$40,240,732</b>

(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, 2018**

	ENTERPRISE FUNDS			
	MERCEDES-BENZ SUPERDOME	SMOOTHIE KING CENTER	CHAMPIONS SQUARE	TOTAL
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH (USED) BY OPERATING ACTIVITIES</b>				
Operating loss	(\$44,835,981)	(\$11,849,776)	(\$1,649,774)	(\$58,335,531)
Adjustments to reconcile operating loss to net cash (used) by operating activities:				
Depreciation expense	27,864,278	8,067,171	1,266,194	37,197,643
Changes in assets and liabilities:				
(Increase) decrease in:				
Receivables	381,893	(350,023)	(116,826)	(84,956)
Restricted assets	(227,362)	(212,448)		(439,810)
Inventory	70,041	(3,226)	(610)	66,205
Prepaid expenses	174,458	(16,965)	(2,805)	154,688
(Decrease) increase in:				
Accounts payable and accrued expenses	(950,405)	665,860	27,319	(257,226)
Compensated absences	23,917	2,372	9,212	35,501
Unearned revenue	(70,866)	103,328	18,240	50,702
Funds held in escrow	8,148,091	7,200,218	493,457	15,841,766
Due to/from other funds	59,321	92	(109,452)	(50,039)
Net cash provided (used) by operating activities	<u>(\$9,362,615)</u>	<u>\$3,606,603</u>	<u>(\$65,045)</u>	<u>(\$5,821,057)</u>

(Concluded)

The accompanying notes are an integral part of this statement.

## NOTES TO THE FINANCIAL STATEMENTS

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### 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 Louisiana 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).

In September 2009, the District negotiated an agreement to lease the former New Orleans Centre Shopping Mall and parking garage along with a co-development agreement with the property owners to redevelop the premises as a venue for entertainment (Champions Square).

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*, GASB Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*, and GASB Statement No. 80, *Blending Requirements for Certain Component Units, an amendment of GASB Statement No. 14*. 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 that reports under Financial Accounting Standards Board (FASB) standards, 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. During 2018, the Marketing Fund ceased operations. See note 8 for additional details.

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

annual payments, 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. There are no non-spendable amounts as of June 30, 2018.
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 losses resulting from the 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 requirements, operations, repairs and maintenance, and capital additions.

#### **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, 2018, was \$492,180.

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, 2018, the General Fund transferred \$30,493,007 to the proprietary funds and \$1,775,592 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.

## 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, 2018:

	Bank Balance	Book Balance
	<u>                    </u>	<u>                    </u>
Primary government:		
Cash on hand		\$129,544
Demand deposits	\$68,201,135	67,304,562
Money market funds	39,678,844	39,678,844
Total	<u>\$107,879,979</u>	<u>\$107,112,950</u>

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

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Total
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Cash and cash equivalents	\$57,868,048	\$37,132,709	\$95,000,757
Restricted assets	9,004,170	3,108,023	12,112,193
Total	<u>\$66,872,218</u>	<u>\$40,240,732</u>	<u>\$107,112,950</u>

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, 2018, 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 2018 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, 2018, 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 and appropriations totaled \$11,196,939 at June 30, 2018.

### **4. CAPITAL ASSETS**

A summary of changes in capital assets is as follows:

**Governmental Activities**

	Balance June 30, 2017	Additions	Deletions/ Transfers	Balance June 30, 2018
Capital assets not being depreciated:				
Land	\$3,125,336			\$3,125,336
Construction-in-progress	3,736,866	\$2,851,667	(\$625,594)	5,962,939
Total capital assets not being depreciated	<u>\$6,862,202</u>	<u>\$2,851,667</u>	<u>(\$625,594)</u>	<u>\$9,088,275</u>
Other capital assets:				
Building and improvements:				
Baseball stadium	\$30,150,757		\$625,594	\$30,776,351
Outdoor practice facility complex	6,565,115			6,565,115
Indoor practice facility	7,659,360			7,659,360
TPC golf facility	149,346			149,346
Pelicans training facility	10,000,919			10,000,919
Less accumulated depreciation	<u>(17,915,369)</u>	<u>(\$1,303,777)</u>		<u>(19,219,146)</u>
Total other capital assets	<u>\$36,610,128</u>	<u>(\$1,303,777)</u>	<u>\$625,594</u>	<u>\$35,931,945</u>
Capital asset summary:				
Capital assets not depreciated	\$6,862,202	\$2,851,667	(\$625,594)	\$9,088,275
Other capital assets, at cost	<u>54,525,497</u>		625,594	<u>55,151,091</u>
Total cost of capital assets	61,387,699	2,851,667	NONE	64,239,366
Less accumulated depreciation	<u>(17,915,369)</u>	<u>(1,303,777)</u>		<u>(19,219,146)</u>
Capital assets, net	<u>\$43,472,330</u>	<u>\$1,547,890</u>	<u>NONE</u>	<u>\$45,020,220</u>

**Business-Type Activities**

	Balance June 30, 2017	Additions	Deletions/ Transfers	Balance June 30, 2018
Capital assets not being depreciated:				
Land	\$13,944,160			\$13,944,160
Construction-in-progress	6,465,880	\$6,251,673		12,717,553
	<u>20,410,040</u>	<u>\$6,251,673</u>	<u>NONE</u>	<u>\$26,661,713</u>
Total capital assets not being depreciated	<u>\$20,410,040</u>	<u>\$6,251,673</u>	<u>NONE</u>	<u>\$26,661,713</u>
Other capital assets:				
Building and improvements	\$579,886,936	\$3,281,390		\$583,168,326
Leasehold improvements	3,479,850	20,262	\$13,494,751	16,994,863
Furniture, fixtures, and equipment	28,403,192	982,178	(142,929)	29,242,441
Less accumulated depreciation	<u>(315,789,058)</u>	<u>(36,897,599)</u>	<u>(5,305,278)</u>	<u>(357,991,935)</u>
	<u>\$295,980,920</u>	<u>(\$32,613,769)</u>	<u>\$8,046,544</u>	<u>\$271,413,695</u>
Total other capital assets	<u>\$295,980,920</u>	<u>(\$32,613,769)</u>	<u>\$8,046,544</u>	<u>\$271,413,695</u>
Capital asset summary:				
Capital assets not depreciated	\$20,410,040	\$6,251,673		\$26,661,713
Other capital assets, at cost	611,769,978	4,283,830	\$13,351,822	629,405,630
Total cost of capital assets	632,180,018	10,535,503	13,351,822	656,067,343
Less accumulated depreciation	<u>(315,789,058)</u>	<u>(36,897,599)</u>	<u>(5,305,278)</u>	<u>(357,991,935)</u>
	<u>\$316,390,960</u>	<u>(\$26,362,096)</u>	<u>\$8,046,544</u>	<u>\$298,075,408</u>
Capital assets, net	<u>\$316,390,960</u>	<u>(\$26,362,096)</u>	<u>\$8,046,544</u>	<u>\$298,075,408</u>

**Component Unit**

	Balance June 30, 2017	Additions	Deletions/ Transfers	Balance June 30, 2018
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	(5,147,161)	(\$301,046)	5,448,207	
Total other capital assets	\$8,347,590	(\$301,046)	\$8,046,544	NONE
Capital asset summary:				
Capital assets not depreciated	NONE			
Other capital assets, at cost	\$13,494,751		(\$13,494,751)	
Total cost of capital assets	13,494,751	NONE	(13,494,751)	NONE
Less accumulated depreciation	(5,147,161)	(\$301,046)	5,448,207	NONE
Capital assets, net	\$8,347,590	(\$301,046)	(\$8,046,544)	NONE

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 New Orleans Baby Cakes; the 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.

**5. CAPITAL LEASE - ENERGY SAVINGS PERFORMANCE CONTRACTS**

The District has entered into an energy savings performance contract, whereby the District will lease from the vendor the necessary equipment for energy conservation measures applied to existing buildings that improve energy efficiency and are life cycle cost effective. The terms of the lease agreement expire in April 2026. A second lease agreement entered into during the year ended June 30, 2017, has a term which expires in January 2027. Each capital lease obligation at June 30, 2018, is payable in quarterly installments and has a 4.0% implicit rate of interest.

At June 30, 2018, future minimum lease payments under the capital lease obligation and the net present value of the future minimum lease payments are as follows:

<u>Fiscal Year</u>	
2019	\$1,453,405
2020	1,462,132
2021	1,471,008
2022	1,480,031
2023	1,489,206
Thereafter	<u>4,924,488</u>
Total future minimum lease payments	12,280,270
Less amount representing interest	<u>(1,813,608)</u>
Present value of future minimum lease payments	10,466,662
Less current principal obligation	<u>(1,067,365)</u>
Total long-term principal obligation	<u><u>\$9,399,297</u></u>

Under the terms of the contract, the vendor has guaranteed the amount of energy and cost savings to be realized by the District. In the event the annual energy cost savings plus annual maintenance cost savings, less the annual new maintenance costs achieved during a guarantee year, is less than the energy and cost savings guarantee for the year, the vendor shall pay to the District an amount equal to the difference.

## 6. BONDS PAYABLE

The bond issues outstanding at June 30, 2018, and changes in long-term debt for the year then ended are as follows:

### Governmental Activities

	<u>Balance June 30, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2018</u>	<u>Amounts Due Within One Year</u>
Series 2013A (various interest rates; maturing fiscal year 2037)	\$270,870,000		(\$500,000)	\$270,370,000	\$9,700,000
Series 2013B (various interest rates; maturing fiscal year 2018)	8,920,000		(8,920,000)		
Series 2013C (2.25% interest rates; maturing fiscal year 2040)	<u>50,000,000</u>			<u>50,000,000</u>	
Total outstanding principal	329,790,000	NONE	(9,420,000)	320,370,000	9,700,000
Add bond premium	<u>30,972,532</u>		<u>(2,972,791)</u>	<u>27,999,741</u>	<u>2,640,279</u>
Total bonds payable, net	<u><u>\$360,762,532</u></u>	<u><u>NONE</u></u>	<u><u>(\$12,392,791)</u></u>	<u><u>\$348,369,741</u></u>	<u><u>\$12,340,279</u></u>

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 2018 Statement of Net Position, net of unamortized premiums of \$27,999,741.

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, 2018 (excluding support fees), are presented in the following schedule.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$9,700,000	\$13,715,299	\$23,415,299
2020	10,190,000	13,251,118	23,441,118
2021	10,690,000	12,750,869	23,440,869
2022	11,215,000	12,225,324	23,440,324
2023	11,775,000	11,667,556	23,442,556
2024-2028	67,965,000	49,249,526	117,214,526
2029-2033	85,980,000	31,233,632	117,213,632
2034-2038	89,007,888	34,276,014	123,283,902
2039-2040	23,847,112	19,347,718	43,194,830
	<u>\$320,370,000</u>	<u>\$197,717,056</u>	<u>\$518,087,056</u>
Total			

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 \$43,621,156 at June 30, 2018, 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.

## **7. JUDGMENT PAYABLE**

On May 3, 2017, the Louisiana Supreme Court handed down its decision ordering the refunding of hotel occupancy taxes, for the sales tax periods October 1, 1999 through June 30, 2004, plus interest to a local entity. The District will repay \$1,300,646 over a period of five years. Beginning on July 1, 2017, monthly installments of \$21,949 will be withheld from the hotel occupancy taxes collected by the Louisiana Department of Revenue on behalf of the District. During the year ended June 30, 2018, the District paid \$263,383. The District's future payments on the judgment are \$263,383 for each fiscal year ending June 30, 2019, 2020, and 2021 and \$247,114 for the fiscal year ending June 30, 2022.

## **8. NEW MARKET TAX CREDIT TERMINATION**

On October 15, 2010, the District entered into a cooperative endeavor agreement (CEA) with the Marketing Fund to evidence the obligations of the District with respect to a New Market Tax Credit (NMTC) transaction pursuant to Section 45D of the Internal Revenue Code of 1986. The agreement further defined 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 was set to expire on the earlier of 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 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 were only payable in the event the Marketing Fund has insufficient funds to cover its operating expenses or debt service payments. The District agreed to make a contribution to the capital of the Marketing Fund sufficient to meet its obligations, but only to the extent that resources were available after the District has met its own obligations. The contribution of capital could only be made from sources not dedicated or restricted for other purposes.

Effective October 24, 2017, the District, the Marketing Fund, and the CDE executed a series of termination agreements which terminated the various transactions listed below originally entered into between the entities. As a result of the termination of the cooperative endeavor agreement between the District and the Marketing Fund, the Marketing Fund ceased operations.

### **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 Community CDE-Loan Fund, LLC, 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 could not 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 Sub-CDE, LLC, 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.

Effective October 24, 2017, the USB LSED Investment Fund, LLC (the Investment Fund) assigned the notes payable to the District pursuant to an Assignment of Loan dated October 24, 2017, as fulfilment of the Investment Fund's obligation. The District and the Marketing Fund executed a Termination of Loan Document effective October 24, 2017, whereby the loans were terminated, cancelled, and satisfied in full.

The principal outstanding at June 30, 2018, and changes in notes payable for the year then ended are as follows:

	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018
<b>Component Unit:</b>				
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	
	<u>14,800,000</u>		<u>14,800,000</u>	
Total outstanding principal	14,800,000	NONE	14,800,000	
Less unamortized issuance and escrow costs	<u>(493,371)</u>	NONE	<u>(493,371)</u>	NONE
Total component unit	<u>\$14,306,629</u>	<u>NONE</u>	<u>\$14,306,629</u>	<u>NONE</u>

### **Note Receivable**

As part of the NMTC, on December 29, 2010, the District entered into an agreement to loan \$11,539,075 to the Investment Fund, at an annual interest rate of 1% maturing on June 30, 2026. The agreement called for interest only payments to begin on February 10, 2011, and continue until May 1, 2018. Collateral was 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 District was

scheduled to receive 98 regular principal and interest payments of \$120,314, beginning in May 2018.

Effective October 24 2017, the note receivable was satisfied in full with the assignment by the Investment Fund of the note payable described above.

### **Capital Assets**

Upon termination of the CEA, the leasehold improvements in the Marketing Fund were transferred to the District (as shown in note 4).

### **Capital Lease - Marketing Fund**

The Marketing Fund leased certain equipment in Champions Square from the District under a capital lease that expired 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. Prior to expiration, effective October 24, 2017, the leased assets were transferred to the District and the lease terminated.

The table below details the transaction described above upon termination of the CEA:

	<u>Business-Type Activities</u>	<u>Component Unit</u>
Forgiveness of notes payable		\$14,800,000
Forgiveness of note receivable	(\$11,539,075)	
Forgiveness of due to/from	(7,092,134)	7,092,134
Transfer of capital assets	8,046,544	(8,046,544)
Termination of miscellaneous agreements		<u>140,501</u>
Special item - new market tax credit	<u>(\$10,584,665)</u>	<u>\$13,986,091</u>

## **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, 2018, was \$129,818,597. Total principal and interest remaining on the bonds was \$320,370,000 and \$197,717,056, respectively, as of June 30, 2018. For the current year, the District paid principal and interest payments of \$9,420,000 and \$14,019,336, 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. Of the \$53,057,987 of hotel occupancy tax earned for the year ended June 30, 2018, \$23,439,336 was used for debt service requirements.

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, including depreciation, 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.

At June 30, 2018, after payment and satisfaction of all obligations of the District and after all operating expenses including depreciation, no excess monies were available for distribution.

Various acts of the state legislature and agreements impose the establishment of the Renewal and Replacement Reserve Account, which is restricted as to the use of monies deposited therein.

### **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, 2018, no funds from operations were required to be deposited into the reserve. The total amount of deposits on reserve was \$11,981,554 as of June 30, 2018.

## **10. RENTALS FROM NONCANCELABLE OPERATING LEASES (LESSOR LEASES)**

Commitments for future revenue under noncancelable operating leases as of June 30, 2018, are as follows:

Year Ended June 30,	Business-type Activities		Total
	Cellular Tower	Office Space	
	Leases	Lease	
2019	\$606,805	\$18,900	\$625,705
2020	611,904	18,900	630,804
2021	601,468	18,900	620,368
2022	457,658	18,900	476,558
2023	101,005	18,900	119,905
Total	\$2,378,840	\$94,500	\$2,473,340

The District leases office space within the Superdome to the Sunbelt 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 fiscal year 2023. The District subleased 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 was terminated effective October 24, 2017, in conjunction with the termination of the cooperative endeavor agreement between the District and the Marketing Fund.

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, 2018, were \$1,417,696 for the District and \$300,127 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 401(k) 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:

<u>Years of Vesting Service</u>	<u>Nonforfeitable Percentage</u>
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 \$96,841 for the year ended June 30, 2018.

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 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 sublease extended through June 30, 2026, but was terminated effective October 24, 2017, with the termination of the cooperative endeavor agreement between the District and the Marketing Fund.

The total payments for operating leases during fiscal year 2018 amounted to \$2,399,102 for the District and \$795,151 for the Marketing Fund. The annual base rental payments are as follows:

<u>Fiscal Year</u>	<u>Business-Type Activities</u>
2019	\$2,412,566
2020	\$3,139,340
2021	\$3,278,927
2022	\$3,421,306
2023	\$3,566,532
2024-2026	\$11,600,289

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 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. On March 12, 2015, the seventh amendment to the Management Agreement extended the term of the agreement for an additional five years, ending June 30, 2022. Effective July 1, 2017, the Management Agreement was amended to further extend the term for an additional five-year period ending June 30, 2027.

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 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 (aggregate cap) for the year may not exceed \$1,500,000 as adjusted for the Consumer Price Index (CPI), 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 July 1, 2017, the base fees for the Superdome and Arena are reduced by \$210,000 and \$90,000, respectively, less than the amount of their respective base fees as of June 30, 2017, increased in proportion to increases in the CPI published for June 2017 over that published for June 2016, provided that no such CPI increase shall exceed 4%. In addition, the aggregate cap shall not exceed an amount that is \$300,000 less than the aggregate cap as of June 30, 2017, increased in proportion to increases in the CPI published for June 2017 over that published for June 2016, provided that no such CPI increase shall exceed 4%. The amendment provides that SMG will contribute up to \$5,000,000 (manager’s capital) to the District upon written request from the State. The manager’s capital is a non-interest bearing, non-refundable contribution provided certain terms of the agreement are met in relation to the duration of the Management Agreement. Through June 30, 2018, SMG has contributed \$4,029,491 of manager’s capital.

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 The Shrine on Airline, home of the New Orleans Baby Cakes, 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, 2018, 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. 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 annual payments 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 payments totaling \$15,275,215 to the Club for the year ended June 30, 2018.

During the year ended June 30, 2018, the Club received other payments totaling \$2,056,063 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 was \$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, 2018, thus reducing the obligation to pay additional inducements to the Club. The reduction in additional payment 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 annual payment obligations. 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 five-year extension which must be elected in writing by June 30, 2023.

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 annual payment obligations are recorded as operating expenses of the Arena and totaled \$4,099,982 during fiscal year 2018. 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 \$337,847 during fiscal year 2018.

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, 2018, the Pelicans were paid \$1,840,654 from the nonresident players' tax.

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 annual payment 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 annual payment for the revenue benchmark totaled \$2,674,106 during the year ended June 30, 2018.

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**

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.

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.

Effective April 20, 2017, the District and Jefferson Parish entered into a cooperative endeavor agreement whereby the District will provide development services to construct a recreational facility in Westwego, Louisiana, for the youth and citizens of Jefferson Parish. The project will be funded through capital outlay funds appropriated by the State of Louisiana to the District and specifically designated for the implementation of the project. Upon completion of the project, an act of transfer and conveyance will be executed, conveying ownership of the project site, land, improvements, and equipment located on or obtained for the project to Jefferson Parish. During the year ended June 30, 2017, the District acquired the land on which the facility will be located.

## **18. PROJECT DEVELOPMENT AGREEMENT**

Effective August 12, 2015, the District and the Club entered into a project development agreement whereby the District and the Club will invest capital for improvement in and around the Superdome. The parties have agreed that the District will invest \$3,500,000 for energy efficiency improvements to the Superdome along with an additional \$6,000,000, if and when available, in capital outlay appropriations from the State of Louisiana, and the Club will invest up to \$25,000,000 for improvements focused on audio and video upgrades.

**19. NET POSITION RESTATEMENT –  
GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The beginning net position as reflected on Statement B has been restated to reflect the following changes:

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
Net Position at June 30, 2017	(\$240,702,371)	\$337,571,087	\$96,868,716	(\$12,338,687)
Sponsorships Payable Reduction		317,039	317,039	
Net Position at June 30, 2017, as Restated	(\$240,702,371)	\$337,888,126	\$97,185,755	(\$12,338,687)

OTHER REPORT REQUIRED BY  
*GOVERNMENT AUDITING STANDARDS*

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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 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 29, 2018

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, 2018, 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 29, 2018. 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, CPA, CFE  
Legislative Auditor

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LSED 2018