OLA
OFFICE OF THE LEGISLATIVE AUDITOR
STATE OF MINNESOTA

FINANCIAL AUDIT DIVISION REPORT

Metropolitan Sports Facilities Commission

Financial Statements Audit

Year Ended December 31, 2010

July 26, 2011 **Report 11-20**

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July 26, 2011

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Legislative Audit Commission

Members of the Legislative Audit Commission

Mr. Ted Mondale, Chair
Metropolitan Sports Facilities Commission

Members of the Metropolitan Sports Facilities Commission

Mr. William Lester, Executive Director
Metropolitan Sports Facilities Commission

This report communicates our conclusions on internal control, compliance and other matters related to our audit of the Metropolitan Sports Facilities Commission's basic financial statements for the year ended December 31, 2010.[1] The audit was conducted by Michael Hassing, CPA, CISA (Audit Manager) and Sonya Johnson, CPA, CFE (Auditor-in-Charge), assisted by auditor Carol Schwinghammer.

This report is intended solely for the information and use of the Metropolitan Sports Facilities Commission's management and the Legislative Audit Commission and is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit the distribution of this report, which was released as a public document on July 26, 2011.

James R. Nobles
Legislative Auditor

Cecile M. Ferkul, CPA, CISA
Deputy Legislative Auditor

[1] This report satisfies the requirements of the American Institute of Certified Public Accountants and the Government Accountability Office to report on internal controls, compliance, and other matters as part of an audit of an entity's financial statements.

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Report Summary

Conclusion

- The Metropolitan Sports Facilities Commission's financial statements for the year ended December 31, 2010, were fairly presented in accordance with generally accepted accounting principles, in all material respects.
- The commission's internal controls for selected financial operations were adequate to safeguard receipts and assets, accurately pay employees and vendors in accordance with management's authorization, produce reliable financial information, and comply with finance-related legal requirements.
- The commission complied with applicable finance-related legal requirements for the items we tested.

Audit Objectives and Scope

Audit Objectives:
- To provide an opinion on the commission's financial statements.
- To review internal controls over selected financial operations.
- To determine compliance with applicable finance-related legal requirements.

Audit Period: The fiscal year ended December 31, 2010.

Areas Audited:
- Cash and Investments
- Concessions
- Operating Expenses
- Capital Assets
- Revenues
- Payroll Expenses

Background

The Metropolitan Sports Facilities Commission is comprised of six commissioners appointed by the Minneapolis City Council and a chair appointed by the Governor. The commission operates the Metrodome sports stadium. The commission earned approximately $20 million in revenue and spent $24 million on operations during fiscal year 2010.

In December 2010, heavy snow and ice, combined with high winds, caused the Metrodome's roof to collapse. The replacement of the roof should be completed by August 2011. The commission had insurance to cover all but $25,000 of the cost of replacement.

There is substantial doubt about the commission's ability to continue its operation of the Metrodome. The loss of major tenants significantly reduced the commission's operating revenue and the use agreement with its remaining major tenant, the Minnesota Vikings, ends at the conclusion of the 2011 football season.

Metropolitan Sports Facilities Commission

Agency Overview

The Metropolitan Sports Facilities Commission was established by the Minnesota Legislature in 1977 to construct and manage the Metrodome sports stadium in Minneapolis, Minnesota. The commission owns and operates the Metrodome, which hosts a variety of events, including professional, college, and amateur sports events, concerts, and community activities.

Under the authority of *Minnesota Statutes* 2010, Chapter 473, the commission is exempt from many of the finance-related legal requirements applicable to state agencies. The commission consists of seven members; the chair is appointed by the Governor of Minnesota, and the six members are appointed by the Minneapolis City Council. The Governor appointed Mr. Ted Mondale the new chair of the commission in January 2011, succeeding Mr. Roy Terwilliger. The commission appoints the executive director who directs the commission's operations and carries out the policies established by the commission. Mr. William (Bill) Lester has served as the executive director of the Metropolitan Sports Facilities Commission since 1987.

The commission publishes a Comprehensive Annual Financial Report that includes its financial statements and the Office of the Legislative Auditor's audit opinion on the financial statements. The commission is a component unit of the Metropolitan Council of the Twin Cities area.

The commission realized a net loss of $4.1 million in 2010. It had $20 million in operating revenues earned primarily through concession sales at various Metrodome events. Significant expenses included about $4.5 million for concession costs, $4.3 million for a facilities cost credit,[1] $1.2 million for the tenants' share of concession receipts, and $2.6 million for depreciation.

The commission had net assets of approximately $26 million at December 31, 2010. Capital assets, net of depreciation, totaled $10.9 million; accounts payable and other accrued liabilities of $2.3 million represented the commission's largest liability.

[1] The facilities cost credit was created to help the major users enhance team revenues and/or reduce event day cost of operations in the Metrodome. The commission forgoes the required rent payment from the Minnesota Vikings in lieu of the facilities cost credit.

The commission has been dealing with an extraordinary event related to the collapse of the Metrodome's roof on December 12, 2010. The commission's property damage and business interruption insurance covered all but $25,000 of the costs related to the roof collapse. In March 2011, the commission contracted with a firm to replace the roof. That work is scheduled to be substantially completed by August 1, 2011. The commission's financial statements for both 2010 and 2011 are impacted by this event, and the commission disclosed the events in its 2010 annual report.

In addition, the future of the commission and the Metrodome stadium are uncertain. The commission has been working with the Minnesota Vikings and the Legislature to develop a plan for a new stadium. As of July 26, 2011, the Legislature had not passed a new stadium bill. The use agreement between the commission and the Minnesota Vikings expires at the end of the 2011 football season. Due to the uncertainty of the continued operations of the commission beyond fiscal year 2012, as part of our audit opinion on the financial statements of the commission for the year ended December 2010, we identified and reported a going concern issue, as required by professional auditing standards.[2]

Objectives, Scope, and Methodology

Our audit of the commission's financial statements focused on the following objective, which included the consideration of internal controls and compliance with significant legal requirements over financial reporting:

- Were the commission's basic financial statements for the year ended December 31, 2010, fairly presented in accordance with generally accepted accounting principles in all material respects?

In addition to the financial statements objective, we considered these objectives:

- Were the commission's internal controls over revenues, payroll expenses, operating expenses, cash and investments, and capital assets adequate to ensure that it safeguarded receipts and other assets, accurately paid employees and vendors in accordance with management's authorization, produced reliable financial information, and complied with significant finance-related legal requirements?

[2] Governmental Accounting Standards Board Statement No. 56, *"Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards,"* Sections 16-19; and American Institute of Certified Public Accountants Statement on Auditing Standards No. 59, *"The Auditor's Consideration of an Entity's Ability to Continue as a Going Concern."*

- For the items tested, did the commission comply with significant finance-related legal requirements, including any applicable state laws, regulations, contracts, and commission policies and procedures?

To answer these questions, we reviewed the accounting principles applicable to the commission's financial statements. We gained an understanding of the commission's accounting policies and procedures and the business systems used to administer its financial activities and to prepare the financial statements. We obtained and analyzed accounting data and other audit evidence and reconciled the supporting data to the commission's accounting system. We interviewed key personnel to gain an understanding of the control process for each audited area.

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. We used the guidance contained in the *Internal Control-Integrated Framework*, published by the Committee of Sponsoring Organizations of the Treadway Commission, as our criteria to evaluate agency controls.[3] We also used the commission's internal policies and procedures as evaluation criteria over compliance.

Conclusion

The commission's financial statements for the year ended December 31, 2010, were fairly presented in accordance with generally accepted accounting principles, in all material respects.

We did not identify any deficiencies in internal controls over financial reporting that we considered to be material weaknesses.[4] In addition, the results of our tests of legal requirements disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Given the limited nature of our audit work on the financial statements, we do not express an overall opinion on the effectiveness of the commission's internal controls or compliance over financial reporting. In addition, our work may not

[3]The Treadway Commission and its Committee of Sponsoring Organizations were established in 1985 by the major national associations of accountants. One of their primary tasks was to identify the components of internal control that organizations should have in place to prevent inappropriate financial activity.

[4] According to auditing standards, 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 an entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or 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.

have identified all significant control deficiencies or instances of noncompliance with legal requirements.

In relation to our additional control and compliance objectives, the commission had adequate controls over revenues, concessions, payroll expenses, operating expenses, cash and investments, and capital assets and complied with the finance-related legal requirements for the items we tested.