

Financial Audit

**Metropolitan Sports Facilities
Commission**
For the Year Ended December 31, 2000

Financial Audit Division

The Office of the Legislative Auditor (OLA) is a professional, nonpartisan office in the legislative branch of Minnesota State government. Its principal responsibility is to audit and evaluate the agencies and programs of state government (the State Auditor audits local governments).

OLA's Financial Audit Division annually audits the state's financial statements and, on a rotating schedule, audits agencies in the executive and judicial branches of state government, three metropolitan agencies, and several "semi-state" organizations. The division also investigates allegations that state resources have been used inappropriately.

The division has a staff of approximately fifty auditors, most of whom are CPAs. The division conducts audits in accordance with standards established by the American Institute of Certified Public Accountants and the Comptroller General of the United States.

Consistent with OLA's mission, the Financial Audit Division works to:

- Promote Accountability,
- Strengthen Legislative Oversight, and
- Support Good Financial Management.

Through its Program Evaluation Division, OLA conducts several evaluations each year and one best practices review.

OLA is under the direction of the Legislative Auditor, who is appointed for a six-year term by the Legislative Audit Commission (LAC). The LAC is a bipartisan commission of Representatives and Senators. It annually selects topics for the Program Evaluation Division, but is generally not involved in scheduling financial audits.

All findings, conclusions, and recommendations in reports issued by the Office of the Legislative Auditor are solely the responsibility of the office and may not reflect the views of the LAC, its individual members, or other members of the Minnesota Legislature.

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If you have comments about our work, or you want to suggest an audit, investigation, evaluation, or best practices review, please contact us at 651-296-4708 or by e-mail at auditor@state.mn.us

Metropolitan Sports Facilities Commission

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Audit Participation

The following members of the Office of the Legislative Auditor prepared this report:

Claudia Gudvangen, CPA	Deputy Legislative Auditor
Jeanine Leifeld, CPA, CISA	Audit Manager
Mike Willis, CPA, CIA	Auditor-in-Charge
Patrick Phillips, CPA	Auditor
Teresa Anderson	Auditor

Exit Conference

We discussed this report with the following representatives of the Metropolitan Sports Facilities Commission at an exit conference held on April 24, 2001:

Bill Lester	Executive Director
Roger Simonson	Finance Director
Teri Portinen	Assistant Finance Director
Linda Brennan	Accountant
Richard Jefferson	Commission Member

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Financial Section

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OFFICE OF THE LEGISLATIVE AUDITOR
State of Minnesota • James Nobles, Legislative Auditor

Independent Auditor's Report

Ms. Kathryn Roberts, Chair
Metropolitan Sports Facilities Commission

Members of the Metropolitan Sports Facilities Commission

Mr. William Lester, Executive Director
Metropolitan Sports Facilities Commission

We have audited the accompanying balance sheets of the Metropolitan Sports Facilities Commission as of and for the years ended December 31, 2000 and 1999, and the related statements of income, retained earnings, and cash flows for the years then ended as presented on pages 3 to 15. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Metropolitan Sports Facilities Commission as of December 31, 2000 and 1999, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2001, on our consideration of the Metropolitan Sports Facilities Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

/s/ James R. Nobles

/s/ Claudia J. Gudvangen

James R. Nobles
Legislative Auditor

Claudia J. Gudvangen, CPA
Deputy Legislative Auditor

March 15, 2001

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Metropolitan Sports Facilities Commission

Balance Sheet December 31, 2000 and 1999

ASSETS	<u>2000</u>	<u>1999</u>
Current assets: (note 4)		
Cash and cash equivalents	\$14,557,207	\$14,498,186
Investments	6,206,435	5,270,975
Accounts receivable	3,354,953	2,847,743
Accounts receivable – facilities cost credit (note 3)	5,150,594	2,093,680
Accrued interest receivable	59,678	54,685
Prepaid expense	<u>67,384</u>	<u>61,778</u>
Total current assets	\$29,396,251	\$24,827,047
Fixed assets: (note 2)		
Metrodome stadium site	\$8,700,000	\$8,700,000
Metrodome stadium building and equipment	109,326,742	108,886,840
Less accumulated depreciation	<u>(70,709,680)</u>	<u>(65,567,414)</u>
Total fixed assets, net	\$47,317,062	\$52,019,426
TOTAL ASSETS	<u>\$76,713,313</u>	<u>\$76,846,473</u>
LIABILITIES and EQUITY		
Current liabilities:		
Accounts payable	\$2,207,108	\$2,658,008
Accounts payable – facilities cost credit (note 3)	5,150,594	2,093,680
Accrued expenses	176,641	152,509
New stadium advances (note 9)	<u>0</u>	<u>85,497</u>
Total current liabilities	\$7,534,343	\$4,989,694
Equity:		
Contributed capital (note 2)	\$17,069,238	\$17,069,238
Retained earnings: (note 2)	<u>52,109,732</u>	<u>54,787,541</u>
Total equity	\$69,178,970	\$71,856,779
TOTAL LIABILITIES and EQUITY	<u>\$76,713,313</u>	<u>\$76,846,473</u>

The accompanying notes are an integral part of the financial statements.

Metropolitan Sports Facilities Commission

Statements of Revenue, Expenses, and Changes in Retained Earnings Years Ended December 31, 2000 and 1999

	<u>2000</u>	<u>1999</u>
Revenue:		
Concession revenue (note 3)	\$14,124,117	\$12,128,110
Admission tax	5,426,903	4,636,332
Stadium rents	4,707,790	4,383,490
Advertising fees	1,019,036	1,792,685
Plaza concession receipts	191,504	159,320
Parking fees	149,611	142,809
Share of novelty sales	119,807	92,728
Other	763,930	723,751
Less – facilities cost credit	<u>(4,592,522)</u>	<u>(3,498,199)</u>
 Total revenue	 \$21,910,176	 \$20,561,026
Expenses:		
Concession operating costs (note 3)	\$7,831,850	\$6,829,635
Personal services	3,219,937	3,116,778
Contractual services	3,200,546	2,693,136
Tenants share of concession receipts (note 3)	2,694,085	2,446,205
Utilities	1,836,879	1,928,348
NCAA tournament expense	904,892	78,813
Supplies, repairs, and maintenance	571,274	443,065
Audio-visual maintenance costs	471,975	532,982
Facilities planning (research/public information)	320,388	421,448
Professional services	246,764	172,240
Insurance	243,706	243,708
Plaza concession operating cost	184,225	116,225
Technical consultants	115,658	126,589
Communication	79,041	70,972
Travel and meeting	51,400	53,716
Tenants share of plaza concession receipts	26,748	54,008
Miscellaneous	769,120	735,736
Less – expenses reimbursed by tenants	<u>(2,642,315)</u>	<u>(2,428,998)</u>
 Total expenses before depreciation and amortization	 \$20,126,173	 \$17,634,606
 Operating income before depreciation and amortization	 \$1,784,003	 \$2,926,420
 Depreciation and amortization	 <u>(5,692,491)</u>	 <u>(5,607,362)</u>
 Operating (loss) income	 (\$3,908,488)	 (\$2,680,942)

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Statements of Revenue, Expenses, and Changes in Retained Earnings Years Ended December 31, 2000 and 1999

	<u>2000</u>	<u>1999</u>
Non-operating income (expense):		
Investment income	\$1,352,141	\$852,857
Disposal of fixed assets	<u>(121,462)</u>	<u>(9,010)</u>
Total non-operating income (expense)	\$1,230,679	\$843,847
Net income (loss)	(\$2,677,809)	(\$1,837,095)
Retained earnings, January 1	<u>54,787,541</u>	<u>56,624,636</u>
Retained earnings, December 31	<u>\$52,109,732</u>	<u>\$54,787,541</u>

The accompanying notes are an integral part of the financial statements.

Metropolitan Sports Facilities Commission

Statements of Cash Flows Years Ended December 31, 2000 and 1999

	<u>2000</u>	<u>1999</u>
Cash flows from operating activities:		
Operating (loss) income	(\$3,908,488)	(\$2,680,942)
Adjustments to reconcile operating income to net cash flows provided by operating activities:		
Depreciation and amortization	5,692,491	5,607,362
Changes in assets and liabilities:		
Decrease (increase) in accounts receivable	(3,564,124)	(2,494,440)
Decrease (increase) in prepaid expenses	(5,606)	3,345
(Decrease) increase in accounts payable	2,606,014	4,211,669
(Decrease) increase in other accrued expenses	<u>24,132</u>	<u>(2,802)</u>
Net cash provided by operating activities	\$844,419	\$4,644,193
Cash flows from investing activities:		
Gross purchases	(\$7,671,220)	(\$7,213,187)
Gross sales	6,727,470	6,766,079
Interest received	<u>1,355,392</u>	<u>985,960</u>
Net cash provided by investing activities	\$ 411,642	\$ 538,852
Cash flows from capital and related financing activities:		
Acquisition of capital assets	<u>(\$1,197,040)</u>	<u>(\$1,484,910)</u>
Net cash used for capital and related financing activities	(\$1,197,040)	(\$1,484,910)
Net (decrease) increase in cash and cash equivalents	\$59,021	\$3,698,135
Cash and cash equivalents at beginning of year	<u>14,498,186</u>	<u>10,800,051</u>
Cash and cash equivalents at end of year	<u>\$14,557,207</u>	<u>\$14,498,186</u>

The accompanying notes are an integral part of the financial statements.

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Notes to Financial Statements **December 31, 2000 and 1999**

(1) Organization and Relationship with the Metropolitan Council

Authorizing Legislation

The Metropolitan Sports Facilities Commission (the Commission) was established under Chapter 89 (the Stadium Act) of Minnesota Laws of 1977 and operates under Minnesota Statutes Chapter 473, as amended. The primary responsibility of the Commission is the operation of the Hubert H. Humphrey Metrodome sports facility (Metrodome). The Commission, prior to January 1998, also owned the site of the former Metropolitan Sports Center (Met Center).

The Stadium Act gives the Metropolitan Council (Council) the following powers and duties relating to the Commission:

Debt Issuance

- To provide funds for the acquisition or betterment of sports facilities by the Commission.
- To refund bonds authorized or assumed under the Stadium Act.
- To fund judgments entered by any court against the Commission, or against the Council in matters relating to the Commission's functions.

Budget Approval

Budgets prepared by the Commission are subject to Council review and approval.

The Council, on behalf of the Commission, issued Sports Facilities Revenue Refunding Bonds (Metrodome Refunding Bonds) pursuant to an Indenture of Trust (Indenture) dated as of August 1, 1992, between the Council, the Commission, and Norwest Bank Minnesota, National Association, as Trustee (Trustee). The Metrodome Refunding Bonds were defeased in March 1998, and the Indenture (and the lien thereof with respect to the special funds and accounts established therein) was discharged by such defeasance (note 8).

Component Unit

The Commission is a component unit of the Council.

Foundation

The Metropolitan Sports Facilities Commission Foundation (Foundation) was incorporated as a Minnesota nonprofit corporation in May 1995 and dissolved as of November 2, 2000. The Foundation's purpose and activities were exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The purpose of the

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Foundation was to promote educational and charitable activities by providing financial and other support for athletic and other activities for underserved youth, and in so doing, promoting and enhancing student education.

The Foundation had no members. The Board of Directors of the Foundation was comprised of the sitting members and chair of the Commission.

(2) *Significant Accounting Policies*

Basis of Accounting

The financial activities of the Commission are accounted for as an enterprise fund, and accordingly, the accompanying financial statements are presented on the accrual basis. Enterprise funds account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body had decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Commission's accounting policies conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board. In accordance with Governmental Accounting Standard No. 20, the Commission does not apply any pronouncements of the Financial Accounting Standards Board issued after November 30, 1989.

Cash and Cash Equivalents

The Commission considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents. The Commission's cash and cash equivalents consist of bank deposits, commercial paper, and short term U.S. Government Securities.

Investments

Commission investments consist principally of debt securities of the U.S. Government. Under Statement No. 31 of the Governmental Accounting Standards Board (GASB), the Commission's investments are reported at fair value (note 4).

In accordance with generally accepted accounting principles, investments are categorized as to credit risk. Credit risk category 1 includes investments that are insured or registered, or for which the securities are held in custody by its agent in the Commission's name (i.e., the Commission's short duration investment custodian, Norwest Bank Minnesota, and cash equivalent investment advisor, SIT Investment Fixed Income Advisors, Inc.). Credit risk category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in

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the Commission's name. Credit risk category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer or by its trust department or agent but not in the Commission's name. All Commission investments are included in credit risk category 1.

Fixed Assets

Property, building improvements, and equipment are recorded at cost and depreciated using the straight-line method over the estimated useful lives of the related assets. Estimated useful lives are as follows:

Buildings	11 to 30 years or the year 2009
Building Improvements	11 to 30 years or the year 2009
Equipment	3 to 10 years

Depreciation expense is reflected in the statement of revenue and expenses.

Admission Tax

Pursuant to Minn. Stat. Section 473.595, the Commission imposes a ten percent admission tax on all admissions to events conducted at the Metrodome. The admission tax is intended for use by the Commission as a source of revenue to pay current operating expenses and, to the extent required and available, debt service.

Liquor Tax and Hotel-Motel Tax

As provided for in the Stadium Act, the Commission entered into a hotel-motel and liquor tax agreement (Minneapolis Tax Agreement) with the city of Minneapolis, under which the city would provide its hotel-motel tax and liquor tax as a back-up for debt service on bonds and expenses of operation, administration, and maintenance of the Metrodome. The Minneapolis Tax Agreement expired upon the defeasance of the Metrodome Refunding Bonds (note 8).

Contributed Capital

Upon establishment of the Commission through authorizing legislation in 1977, certain contributions were provided to the Commission to commence its operations. This contributed capital amount of \$17,069,238, classified as a component of the Commission's equity in the balance sheet, arose from the contributions of (i) various assets by the Commission's predecessor organization (the Metropolitan Sports Area Commission), (ii) the Metrodome stadium site, and (iii) proceeds from the Council related to a metropolitan on-sale liquor tax that was repealed in 1979.

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Retained Earnings

At the time of the defeasance of the Metrodome Refunding Bonds in March 1998 (note 8), the Commission, by resolution, established a system of funds and accounts similar to that previously existing in the Revenue Fund under the Indenture for the appropriate deposit, budgeting, accounting, and expenditure functions of the Commission. The components of retained earnings, which include the accounts maintained pursuant to Commission resolution, were as follows as of December 31, 2000 and 1999:

	<u>2000</u>	<u>1999</u>
<u>Retained Earnings</u>		
Operating account	\$ 2,675,431	\$2,188,460
Operating reserve account	2,100,000	2,100,000
Capital improvement account	12,250,156	11,924,488
Repair and replacement account	4,716,913	3,525,772
Concessions reserve account	119,408	98,633
Fixed assets	<u>30,247,824</u>	<u>34,950,188</u>
Total retained earnings	<u>\$52,109,732</u>	<u>\$54,787,541</u>

(3) *Operation of the Metrodome*

The Commission has entered into use agreements with the Minnesota Twins, Inc., the Minnesota Vikings Football Club, and the University of Minnesota. These agreements contain provisions for, among other things, rental rates, exclusive use space, payment of event-related costs and expenses, private boxes, and sharing of concession revenue. Special events are also held in the Metrodome.

Facilities Cost Credit

In its meeting of July 15, 1998, the Commission authorized the payment to each of the Twins, the Vikings, and the University for 1999 and subsequent seasons to alleviate their costs of operation in the Metrodome, not to exceed the amount of admission tax paid by each to the Commission for the respective events of each at the Metrodome. (This has come to be referred to as the "facilities cost credit.") The Commission's authorization was conditioned upon the negotiation and execution of changes to the Use Agreement of each of the teams in exchange for consideration appropriate to each. While the facilities cost credit may not exceed admission tax amounts attributable respectively to each team's events, the tax is not waived or pledged to the teams. It is payable by the Commission solely from the general assets of the Commission.

The new Use Agreement with the Twins entered into as of July 31, 1998, (note 6) allocates to the Twins certain concessions and advertising revenues attributable to the Twins beginning in the 1999 season, as well as the annual facilities cost credit. For 1999

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and 2000, the amount of the facilities cost credit paid to the Twins was \$976,887 and \$1,128,547, respectively.

As of August 15, 1999, the Commission's Use Agreement with the University of Minnesota was amended to provide for payment of a facilities cost credit to the University with respect to the 1999 and 2000 football seasons. The facilities cost credit will be reduced to the extent necessary to pay any shortfall in Commission's revenues which would not permit the Commission (a) to pay Metrodome administration, maintenance, and operation expenses in the succeeding year and (b) to maintain reserves adequate in the Commission's opinion to perform required repairs, maintenance, and improvements on the Metrodome. For 1999 and 2000, the facilities cost credit paid to the University was \$427,632 and \$407,062.

At this date, the Vikings have declined to execute a draft of the requisite amendment to the Vikings Use Agreement prepared and tendered by the Commission. Nonetheless, the Vikings have withheld rents due the Commission under the present Use Agreement in an amount that they advise approximates the proposed facilities costs credit (admission taxes have been paid by the Vikings when and as due). It is the Commission's position that the Vikings' rent remains due and that the Vikings' obligation to pay rent has not been waived or forgiven by the Commission. No facilities cost credit will be paid (and no rent will be setoff, waived, or forgiven) unless and until a definitive, written amendment to the Vikings Use Agreement is signed by the Vikings. The rent withheld by the Vikings for the 1999 football season was \$2,093,680 and \$3,056,914 in 2000. This amount of rent is reflected as a receivable in the Commission's balance sheet. (See accounts receivable – facilities cost credit.) While a like amount has been expensed and reflected as an account payable, the Commission is unable to predict the likelihood that the Vikings will execute the proffered definitive amendment or any other substantially similar amendment. Thus, the Commission intends to continue to pursue the collection of the rent due.

Concessions

The Commission owns the concessions in the Metrodome. Concessions are operated by a management company. A new Concessions Service Agreement was entered into June 1, 2000 and will terminate on January 31, 2004. The management company is responsible for handling receipts and paying operating costs, including the payment of five percent of gross receipts to the Concession Reserve account as required by the concession services agreement. The current agreement allows the management company to retain five percent of net operating profits; the remainder is remitted to the Commission, which distributes amounts to the major tenants based upon their respective use agreements. The following table reflects the actual operations of the concessions for the years ended 2000 and 1999.

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Summary of Concession Operations

	<u>2000</u>	<u>1999</u>
Gross Concession Revenue	\$14,124,117	\$12,128,110
Concession Operating Costs:		
Cost of goods and concessionaire's operating expenses	\$ 7,231,853	\$ 6,092,885
Concessionaire management fee	309,804	271,441
Repair and maintenance of concession equipment	<u>290,193</u>	<u>465,309</u>
Total concession operating costs	\$ 7,831,850	\$ 6,829,635
Net Operating Income	<u>\$ 6,292,267</u>	<u>\$ 5,298,475</u>
Distribution of Net Operating Income:		
Payments to tenants:		
Minnesota Twins	\$1,744,352	\$ 1,554,242
Minnesota Vikings	566,601	501,263
University of Minnesota	368,522	377,175
Others	<u>14,610</u>	<u>13,525</u>
Tenants share of concession net operating profits	\$ 2,694,085	\$ 2,446,205
Commission share	<u>3,598,182</u>	<u>2,852,270</u>
Total Distribution - Net Operating Profit	<u>\$ 6,292,267</u>	<u>\$ 5,298,475</u>

Metrodome Plaza Concessions

In addition to the concession operations inside the Metrodome as provided in the foregoing summary, the Commission has operated the concession operations at the Metrodome Plaza on the property west of the Metrodome. The Plaza opened in 1996. The Plaza was constructed at a total cost of \$5 million. In April 2001, under threat of condemnation, the Plaza was closed and the lease terminated to allow construction of the new light rail transit system. Under agreements with the Commission's principal tenants (two in writing), all operating profits (consisting of Plaza concession revenues less direct cost of goods and labor costs) were distributed to these principal tenants. Those agreements were terminated by their terms relating to condemnation.

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(4) *Investments and Deposits*

Investments

Investments of the Commission consisted of the following at December 31, 2000 and 1999:

<u>Investment Type</u>	<u>2000</u>	<u>1999</u>
	Fair Value	Fair Value
US Government Obligations	\$6,206,435	\$5,270,975

Under GASB Statement No. 31, “Accounting and Financial Reporting for Certain Investments and for External Investment Pools,” Commission investments are reported at fair value and investment income, including changes in the fair value of investments (whether or not realized), is recognized as revenue.

Deposits

At December 31, 2000, the Commission’s bank balance for cash was \$686,989 and at December 31, 1999, the bank balance was \$125,339. The bank balances were fully covered by federal depository insurance or collateral throughout 2000 and 1999. Minn. Stat. Section 118A.03 requires that deposits by municipalities, including public commissions, be secured by depository insurance or a combination of depository insurance and collateral security. The statute further requires the total collateral computed at its fair market value shall be at least ten percent more than the amount of deposit in excess of any insured portion at the close of the business day.

(5) *Pension Plan*

The following pension disclosures are made to comply with GASB Statement 27, “Accounting for Pensions by State and Local Government Employers.”

Plan Description

All employees are covered by the Minnesota State Retirement System (MSRS) multiple employer cost sharing pension plan except for those employees previously covered by the Public Employees Retirement Association (PERA) who have elected to remain covered under that plan. MSRS provides retirement benefits, as well as disability benefits, to members and benefits to survivors upon death of eligible members. Minnesota Statutes, Chapter 352, establishes MSRS. MSRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the MSRS plan administrator at the Minnesota State Retirement System, 175 West Lafayette Frontage Road, Suite 300, St. Paul, Minnesota 55107.

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Funding Policy

Minnesota Statutes, Chapter 352, sets the rate for employee and employer contributions. Contributions are made to the fund by employees and the Commission based on a percentage of gross salary. The actuarially determined required contribution rates were 6.12 percent for 2000 and 6.48 percent for 1999. During 2000 and 1999, the rates were 4.00 percent for the employees and 4.00 percent for the Commission. The Commission's contributions to MSRS for the years ending December 31, 2000, 1999, and 1998 were \$80,535, \$98,348, and \$93,468, respectively. Contributions were 100 percent of required contributions.

(6) *Minnesota Twins*

In 1997 the Minnesota Twins served notice upon the Commission that their obligation to play all home games at the Metrodome through 2011 was terminated under certain provisions of the Use Agreement, effective as of the end of the 1998 baseball season. On April 1, 1998, the Commission filed in Hennepin County District Court an action contesting the Twins' termination of the Use Agreement.

The dispute was settled by a stipulated dismissal approved by the Court on September 1, 1998. Pursuant to the settlement, the Commission and the Twins entered into a new and restated 1998 Baseball Use Agreement. That agreement obligates the Twins to play games at the Metrodome through October 31, 2001; the Twins have the right to remain in the Metrodome office space through December 31, 2001. In addition, the Twins have the right to extend the Use Agreement for three successive one-year periods, the last of which would end on October 31, 2003 (or December 31, 2003, as to office space). All claims and counterclaims for money damages and for other relief were dismissed with prejudice. The Hennepin County District Court will retain jurisdiction to decide any disputes relating to the Settlement Agreement and Mutual Release signed by the parties.

The substantial decline in Twins' attendance since the 1994 season has materially reduced the Twins contributions to net revenues of the Metrodome. It is difficult to assess, without substantial conjecture, the additional financial implications, if any, of the Twins potential departure upon expiration of the restated Use Agreement.

Since 1997, the Twins and others interested parties have sought legislative assistance to construct a new Twins stadium, without success to date. However, the effort continues in the 2001 Legislative Session.

(7) *Metrodome Capital Improvement Planning*

The Metrodome opened in 1982 and was built using the then popular 1970's design and technology. After 19 years and over 57.4 million attendees, the Metrodome remains in good condition and usable in accordance with its original design for a multi-purpose stadium. The Commission will continue to fund the cost of operations and regular repair

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and maintenance items and make significant improvements as Commission resources allow.

The Commission undertook an analysis of the potential of using the Metrodome as a football-focused or a baseball-focused facility. Following discussions and deliberations, the Commission decided to concentrate on the conversion of the Metrodome as a football-only stadium. To date, the Vikings have rejected this alternative, favoring a new facility. Several officials of the University of Minnesota have taken a similar position, although the University's Board of Regents has not yet stated an official position. The Commission is taking its proposal to the public and this process is expected to continue throughout 2001. Meanwhile, the Vikings in 1999 made demands for additional revenue streams from the Metrodome. The Commission has declined the request for additional revenues in light of the proposed facilities cost credit (note 3) and the Commission's ongoing financial obligations to operate, maintain, improve, and repair the Metrodome from these revenues. Of course, the Vikings and the University are bound by their Use Agreement to play all their games at the Metrodome through the 2011 season.

(8) *Long-Term Debt*

In March 1998, the Council and the Commission entered into an Escrow Agreement with the Trustee pursuant to which all outstanding Metrodome Refunding Bonds (approximately \$34 million) were defeased to maturity (October of 2009) in accordance with the provisions of the Indenture relating to such defeasance. Accordingly, as a result of the defeasance, the Metrodome Refunding Bonds are not yet retired, but all holders of any Metrodome Refunding Bonds are entitled to payment of principal of, redemption premium, if any, and interest on the Metrodome Refunding Bonds only from the Escrow Fund, the Indenture, and the lien thereof with respect to all funds and accounts established under the Indenture has been discharged, and the Minneapolis Tax Agreement expired. The Commission has established a system of funds and accounts, similar to that previously existing in the Revenue Fund under the Indenture, for the appropriate deposit, budgeting, accounting, and expenditure functions of the Commission.

(9) *New Stadium Advances*

In 1999, the Commission created a new stadium fund to receive voluntary contributions from the public for a new major league baseball park. In 1999, contributions of \$85,497 were received. The terms governing the fund are contained in a letter agreement with the Minnesota Department of Revenue. The Commission was bound to expend the contributions or deliver them to the State for costs related to ballpark construction. If a site for the ballpark was not acquired or construction begun by July 1, 2000, the contributions were to be returned without interest. All of the interest was retained by the Commission for expenses of administering the fund. Written confirmation of these terms was provided to each contributor. The funds were returned to the contributors July 27, 2000.

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Other Auditor Reports

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OFFICE OF THE LEGISLATIVE AUDITOR

State of Minnesota • James Nobles, Legislative Auditor

Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Ms. Kathryn Roberts, Chair
Metropolitan Sports Facilities Commission

Members of the Metropolitan Sports Facilities Commission

Mr. William Lester, Executive Director
Metropolitan Sports Facilities Commission

We have audited the financial statements of the Metropolitan Sports Facilities Commission as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated March 15, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Metropolitan Sports Facilities Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Metropolitan Sports Facilities Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components

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does not reduce, to a relatively low level, the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the 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.

/s/ James R. Nobles

James R. Nobles
Legislative Auditor

/s/ Claudia J. Gudvangen

Claudia J. Gudvangen, CPA
Deputy Legislative Auditor

March 15, 2001

Metropolitan Sports Facilities Commission

Status of Prior Audit Issues As of March 15, 2001

Most Recent Audit

The Office of the Legislative Auditor performs an annual audit of the Metropolitan Sports Facilities Commission. Legislative Audit Report 00-19, dated May 11, 2000, covered the year ended December 31, 1999. The audit scope included those areas material to the commission's financial statements for the year then ended. There were no findings in the report.