



FINANCIAL AUDIT DIVISION REPORT

**Metropolitan Sports
Facilities Commission**

Financial Statement Audit

Year Ended December 31, 2009

June 15, 2010

Report 10-22

FINANCIAL AUDIT DIVISION

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OFFICE OF THE LEGISLATIVE AUDITOR

State of Minnesota • James Nobles, Legislative Auditor

June 15, 2010

Senator Ann H. Rest, Chair
Legislative Audit Commission

Members of the Legislative Audit Commission

Mr. Roy Terwilliger, Chair
Metropolitan Sports Facilities Commission

Members of the Metropolitan Sports Facilities Commission

Mr. William Lester, Executive Director
Metropolitan Sports Facilities Commission

This report represents the results of our audit of the Metropolitan Sports Facilities Commission's basic financial statements for the year ended December 31, 2009. This report meets the audit standard requirements of the American Institute of Certified Public Accountants and the Government Accountability Office to communicate internal control matters identified in a financial statement audit. The audit was conducted by Michael Hassing, CPA, CISA (Audit Manager) and Lat Anantaphong, CPA (Auditor-in-Charge), assisted by auditor Paul Thompson.

We issued an unqualified audit opinion on the commission's financial statements.

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 June 15, 2010.

Handwritten signature of James R. Nobles in black ink.

James R. Nobles
Legislative Auditor

Handwritten signature of Cecile M. Ferkul in black ink.

Cecile M. Ferkul, CPA, CISA
Deputy Legislative Auditor

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Report Summary

Conclusion

- The Metropolitan Sports Facilities Commission's financial statements for the year ended December 31, 2009, were presented fairly 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 the finance-related legal requirements we tested.
- The commission resolved its prior audit recommendations.

Audit Objectives and Scope

Audit Objectives:

- Provide an opinion on the commission's financial statements.
- Review internal controls over selected financial operations.
- Determine compliance with finance-related legal requirements.
- Follow up on prior audit findings.

Audit Period: Fiscal year ended December 31, 2009.

Areas Audited:

- | | |
|-----------------------------|--------------------|
| • Cash and Cash Equivalents | • Capital Assets |
| • Concessions | • Revenues |
| • Operating Expenses | • Payroll Expenses |

Metropolitan Sports Facilities Commission

Agency Overview

The Metropolitan Sports Facilities Commission was established by the Minnesota Legislature in 1977 to construct and manage the Hubert H. Humphrey 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 2009*, 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 commission appoints the executive director who directs the commission's operations and carries out the policies established by the commission. Mr. Roy Terwilliger is the chair of the commission. Mr. William Lester has served as the executive director of the Metropolitan Sports Facilities Commission since 1987.

The commission faces significant changes and challenges in the years ahead. As discussed in the commission's Comprehensive Annual Financial Report, the commission lost two of the three primary tenants that used the Metrodome. The Minnesota Vikings are the remaining tenant, and their use agreement is set to expire at the end of the 2011 football season. The commission asserts that they cannot operate effectively without a primary tenant. The commission has been working with the Minnesota Vikings organization and the Legislature to find a viable solution for funding a new stadium. In the meantime, the commission continues to improve and enhance the existing facility.

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 over \$6.5 million in 2009. It had \$51 million in operating revenues, earned chiefly through concession sales at various Metrodome events. Significant expenses included about \$14.6 million for

concession costs, a facilities cost credit¹ of over \$9.4 million, over \$9.8 million for the tenants' share of concession receipts, and depreciation of about \$5.6 million.

The commission had net assets of approximately \$28 million at December 31, 2009. Capital assets, net of depreciation, totaled about \$12 million. Accounts payable and other accrued liabilities of over \$7.5 million represented the commission's largest liability.

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, 2009, 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, administrative expenses, cash and investments, and fixed 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?
- For the items tested, did the commission comply with significant finance-related legal requirements, including any applicable state and federal laws, regulations, contracts, and commission policies and procedures?
- Did the commission resolve the prior audit recommendations?²

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

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. In 2009, the commission issued a payment to the Minnesota Twins that was equal to the admission tax paid by the team for events in the Metrodome. As in past years, the commission waived the required rent payment from the Minnesota Vikings in lieu of the facilities cost credit.

² Minnesota Office of the Legislative Auditor, Financial Audit Division Report 09-25, *Metropolitan Sports Facilities Commission*, issued July 30, 2009.

to administer its financial activities and to prepare the financial statements. We obtained and analyzed electronic 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, 2009, were fairly presented in accordance with generally accepted accounting principles, in all material respects.

We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies or 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 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,

³ The Treadway Commission and its Committee of Sponsoring Organizations were established in the 1980s 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.

administrative expenses, cash and investments, and fixed assets and complied with the finance-related legal requirements we tested.

The commission resolved the prior audit recommendations related to procurement and contracting processes and ensuring the accuracy of its capital asset records.
