



METROPOLITAN ENTERTAINMENT & CONVENTION AUTHORITY



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President/CEO
Roger A. Dixon

CITY CLERK
OMAHA, NEBRASKA

December 16, 2011

Chairman
Jim Vokal

Board Members
Dana Bradford
David Kramer
John Lund
Jennifer Rasmussen

Mr. Buster Brown
City of Omaha
1819 Farnam Street
Omaha, NE 68183

Dear Buster:

Enclosed are the June 30, 2011 Audited Financial Statements for Metropolitan Entertainment & Convention Authority. At your request, I have enclosed 12 copies for distribution to the City Council Members and the Mayor.

My understanding is that this item will be on the City Council Agenda for January 10, 2012. Please feel free to contact me if you have any questions.

Sincerely,

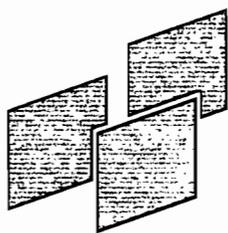
Roger A. Dixon
President/CEO

RAD/rs

enclosures

455 N. 10th Street Omaha, NE 68102 402.341.1500 402.991.1501 fax





Lutz &
Company, PC

Accountants & Consultants

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CITY CLERK
OMAHA, NEBRASKA

Metropolitan Entertainment & Convention Authority
(A Component Unit of the City of Omaha, Nebraska)

Financial Statements and
Independent Auditors' Report

June 30, 2011 and 2010

Metropolitan Entertainment & Convention Authority

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Metropolitan Entertainment & Convention Authority
Omaha, Nebraska

We have audited the accompanying statement of net assets of Metropolitan Entertainment & Convention Authority, a component unit of the City of Omaha, Nebraska, as of June 30, 2011, and the related statements of revenues, expenses, and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of Metropolitan Entertainment & Convention Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Metropolitan Entertainment & Convention Authority for the year ended June 30, 2010, were audited by other auditors whose report, dated October 29, 2010, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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 respective financial position of Metropolitan Entertainment & Convention Authority as of June 30, 2011, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2011 on our consideration of Metropolitan Entertainment & Convention Authority'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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 7 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Management has omitted budgetary comparison information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Lutz & Company, P.C.

November 22, 2011

Metropolitan Entertainment & Convention Authority

Management's Discussion and Analysis (Unaudited)

June 30, 2011 and 2010

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual financial report consists of two parts: Management's Discussion and Analysis and the basic financial statements. The Metropolitan Entertainment & Convention Authority (the "Authority" or "MECA") is a component unit of the City of Omaha, Nebraska for financial reporting purposes. The Authority is a legally separate, not-for-profit corporation. The Authority follows enterprise fund reporting; accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Enterprise fund statements offer short and long-term financial information about the activities and operations of the Authority. These statements are presented in a manner similar to a private business.

The following management discussion and analysis is an overview of the financial position and activities of the Authority for the years ended June 30, 2011 and 2010. Management of the Authority has prepared the following discussion and it should be read in conjunction with the Authority's financial statements and accompanying notes.

FINANCIAL HIGHLIGHTS

During the year, MECA completed the construction of TD Ameritrade Park Omaha ("TDAPO") which opened in April 2011. This 24,000 seat baseball stadium is located across the street from CenturyLink Center Omaha "CLCO" (formerly known as Qwest Center Omaha). The stadium will be the home of the Men's College World Series for the next 25 years. Construction and management of the stadium was taken on through an amendment to MECA's existing lease with the City of Omaha. MECA's compensation for management of the facility consists of an annual management fee that is indexed for inflation. MECA also has the opportunity to receive or pay up to \$100,000 per year based on if the facility operates at a profit or a loss. MECA does not retain any other profits from the facility, nor is it responsible for any other losses. The operating results for all three facilities under MECA management are consolidated in the MECA financial statements. Net profit by facility was as follows:

FACILITY	NET PROFIT/(LOSS)
CenturyLink Center Omaha	\$1,293,751
TD Ameritrade Park Omaha	(803,757)
Omaha Civic Auditorium	(35,508)
CONSOLIDATED	\$454,486

CenturyLink Center Omaha

Operations for CenturyLink Center Omaha were profitable, however it was the lowest net profit realized since the first year of facility operations in 2003. The 2010-2011 fiscal year was the first year out of the last six that no NCAA events were held in the facility. In addition, after coming off a record year for Citywide event days in 2009-2010, Citywide activity was down significantly for 2010-2011 due to the economy. These types of events generate significant revenue for the facility and without them, net profit declined.

Looking forward, a number of major events will take place in the upcoming 2011-2012 fiscal year starting off with the Red Sky Music Festival in July, then the NCAA Division I Men's Basketball Championship First and Second Rounds in March and finally the USA Olympic Team Trials for Swimming Trials returning next summer. Although these major events will result in added revenue, as CenturyLink Center Omaha ages, capital and repair projects will consume more of the bottom line.

Metropolitan Entertainment & Convention Authority

Management's Discussion and Analysis (Unaudited)

June 30, 2011 and 2010

FINANCIAL HIGHLIGHTS (Continued)

TD Ameritrade Park Omaha

The facility opened in April of 2011 and the first College World Series was held at the facility in June. There was a bottom line net loss for the year, however there was a net profit from operations in the amount of \$5,645,465. The net loss was caused by cash basis payouts made by MECA in accordance with the Tri-Party Agreement between MECA, the City of Omaha and CWS, Inc. The agreement requires MECA to pay out all revenues related to the College World Series on a cash basis, however certain revenue sources are recognized in the financial statements on an accrual basis. As such, the net loss was basically the result of a timing issue related to the recognition of revenue and will slowly reverse over the term of the agreements.

Omaha Civic Auditorium

This was the second year in a row that the operations at the Omaha Civic Auditorium were not profitable. Concert events and large arena events at the facility have continued to decline. The City of Omaha is responsible for any cash basis loss at the facility up to \$250,000 per year. MECA is responsible for the next \$250,000. The cash basis net loss for 2010-2011 was \$126,709. We expect profitability to continue to decline as the Omaha Lancer's hockey team and the Omaha Beef football team move to a new facility next year. A planned study will be conducted in the next year to determine the future viability of the facility.

FINANCIAL ANALYSIS OF THE AUTHORITY

Net Assets - The following table summarizes the changes in Net Assets between June 30, 2011 and June 30, 2010:

	<u>2011</u>	<u>2010</u>	<u>% Increase (Decrease)</u>
Current Assets	\$ 41,420,637	\$ 31,872,293	30.0%
Capital Assets, Net	15,497,154	15,351,755	0.9%
Other Assets	1,228,263	1,286,032	(4.5%)
Total Assets	58,146,054	48,510,080	19.9%
Current Liabilities	23,230,420	12,317,666	88.6%
Long-Term Liabilities	4,965,965	6,697,231	(25.9%)
Total Liabilities	28,196,385	19,014,897	48.3%
Net Assets Invested in Capital Assets	10,686,850	9,539,224	12.0%
Unrestricted	19,262,819	19,955,959	(3.5%)
Total Net Assets	\$ 29,949,669	\$ 29,495,183	1.5%

The change in current assets and current liabilities was due mainly to amounts held for new stadium contracts for naming rights, suites and club seats that were paid out to the NCAA, the City of Omaha and CWS, Inc. after the end of the year.

Metropolitan Entertainment & Convention Authority

Management's Discussion and Analysis (Unaudited)

June 30, 2011 and 2010

FINANCIAL ANALYSIS OF THE AUTHORITY (Continued)

Capital Assets - The following table summarizes the changes in Capital Assets between fiscal years ended June 30, 2011 and June 30, 2010:

	<u>2011</u>	<u>2010</u>	<u>% Increase</u>
Building Rights	\$ 10,079,196	\$ 10,079,196	--
Catering Equipment	4,635,652	4,584,782	1.1%
Artwork	1,745,518	1,745,518	0.0%
Leasehold Improvements	6,075,157	5,437,274	11.7%
Furniture, Fixtures and Equipment	3,943,825	3,199,586	23.3%
Construction in Progress	386,422	--	100.0%
Total	26,865,770	25,046,356	7.3%
Less: Accumulated Depreciation & Amortization	<u>(11,368,616)</u>	<u>(9,694,601)</u>	17.3%
	\$ 15,497,154	\$ 15,351,755	0.9%

The Authority had fixed asset additions totaling \$1,826,347 during the year. Since CenturyLink Center Omaha and its equipment are aging, we have reached a point where major systems and equipment need to be replaced. The amounts expended in 2010-2011 were the largest spent in a single year since opening and much more will be required in the upcoming years. MECA is responsible for maintaining a first class, state-of-the-art facility. As such, we have diligently deposited funds into capital reserves each year to fund these necessary replacement and upgrade projects. Major projects for 2010-2011 included replacing the two-way radio system, upgrading the security system, installing fencing around the parking lots and replacing the carpet in the Grand Hallway.

Metropolitan Entertainment & Convention Authority

Management's Discussion and Analysis (Unaudited)

June 30, 2011 and 2010

FINANCIAL ANALYSIS OF THE AUTHORITY (Continued)

Operating Activities - The following table summarizes the changes in revenue and expenses for the fiscal years ended June 30, 2011 and June 30, 2010:

	<u>2011</u>	<u>2010</u>	<u>% Increase (Decrease)</u>
OPERATING REVENUES			
Facility Rent	\$ 2,807,916	2,853,621	(1.6%)
Advertising, Suites and Club Seats	7,079,447	4,473,280	58.3%
Donations	5,407,464	1,681,059	221.7%
Food, Beverage and Merchandise	13,952,945	10,878,397	28.3%
Audio Visual	1,154,889	1,144,144	0.9%
Facility Fees	2,296,243	1,582,767	45.1%
Parking	2,665,158	1,794,313	48.5%
Other Event Revenue	3,832,204	3,777,630	1.4%
Other Revenue	578,022	340,451	69.8%
Total Operating Revenues	<u>39,774,288</u>	<u>28,525,662</u>	<u>39.4%</u>
OPERATING EXPENSES			
Event/Building Engineering Labor	6,458,584	5,053,761	27.8%
Utilities	2,900,612	2,519,160	15.1%
Facility Fees	598,744	536,264	11.7%
Club Seat Fees	271,500	269,000	0.9%
Parking Fees	1,459,686	1,091,957	33.7%
Catering Services	8,316,725	6,183,062	34.5%
Audio Visual	776,108	754,846	2.8%
Building Services Contracted	1,010,664	1,109,492	(8.9%)
Repairs, Maintenance and Supplies	1,101,441	935,055	17.8%
Ticket Expense	1,998,811	561,991	255.7%
Other Operating Expenses	872,819	442,423	97.3%
Total Operating Expenses	<u>25,765,694</u>	<u>19,457,011</u>	<u>32.4%</u>
GROSS PROFIT	<u>14,008,594</u>	<u>9,068,651</u>	<u>54.5%</u>
GENERAL AND ADMINISTRATIVE EXPENSES			
Salaries, Wages and Benefits	3,884,421	3,541,151	9.7%
Professional Fees	412,649	256,535	60.9%
Depreciation and Amortization	1,680,948	1,648,900	1.9%
Sales and Marketing	176,297	189,205	(6.8%)
Insurance	314,237	309,636	1.5%
Other	997,778	839,432	18.9%
Total General and Administrative Expenses	<u>7,466,330</u>	<u>6,784,859</u>	<u>10.0%</u>
OPERATING INCOME	<u>6,542,264</u>	<u>2,283,792</u>	<u>186.5%</u>
NON-OPERATING REVENUE/(EXPENSES)			
Interest and Investment Income	112,275	114,382	(1.8%)
Management Fee	-	77,550	(100.0%)
Interest Expense	(149,054)	(149,054)	0.0%
Revenue Sharing	(5,285,594)	-	
Reserve Funding	(780,000)	-	
Other Expense	14,595	35,777	(59.2%)
Total Non-Operating Revenue/(Expenses)	<u>(6,087,778)</u>	<u>78,655</u>	<u>(7,839.8%)</u>
INCREASE IN NET ASSETS	<u>\$ 454,486</u>	<u>2,362,447</u>	<u>(80.8%)</u>

Metropolitan Entertainment & Convention Authority

Management's Discussion and Analysis (Unaudited)

June 30, 2011 and 2010

FINANCIAL ANALYSIS OF THE AUTHORITY (Continued)

The majority of the changes in operating revenues and expenses from year to year were due to the addition of the stadium with the exception of the increase in parking revenue. This increase was due to a rate increase from \$6.00 to \$8.00 per stall that took effect on July 1, 2011. In the Non-Operating Revenue/Expenses section, there are two new line items; Revenue Sharing and Reserve Funding. The amounts in these two categories represent the cash that was required to be paid out from the stadium's revenue in accordance with the Tri-Party Agreement between MECA, the City of Omaha and CWS, Inc. The computation to determine the payments to each party has been commonly referred to as the "Waterfall". The Waterfall prioritizes the payments to be made from net revenue attributable to the College World Series and certain public sources of funds.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Authority's finances. If you have questions about this report or need additional financial information, contact MECA, Finance Department, 455 North 10th Street, Omaha, Nebraska 68102.

Metropolitan Entertainment & Convention Authority

Statements of Net Assets

June 30, 2011 and 2010

ASSETS		
	<u>2011</u>	<u>2010</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 8,330,460	\$ 10,044,468
Investments (Note 2)	26,725,046	21,197,136
Receivables		
Accounts Receivable, Less Allowance for Doubtful		
Accounts of \$25,000 and \$10,000, Respectively	5,955,460	287,964
Other	25,800	10,937
Prepaid Expenses	383,871	331,788
Total Current Assets	41,420,637	31,872,293
CAPITAL ASSETS (Note 3)	15,497,154	15,351,755
OTHER ASSETS		
Prepaid Expenses	1,217,025	1,274,792
Other Assets	11,238	11,240
Total Other Assets	1,228,263	1,286,032
TOTAL ASSETS	\$ 58,146,054	\$ 48,510,080
LIABILITIES		
CURRENT LIABILITIES		
Current Portion of Long-Term Debt (Note 4)	\$ 1,002,226	\$ 1,002,226
Accounts Payable	2,771,195	2,081,436
Deferred Revenue	3,692,733	3,776,986
CWS Stadium Fund Deposits (Note 11)	8,776,503	-
Other Accrued Expenses	6,987,763	5,457,018
Total Current Liabilities	23,230,420	12,317,666
LONG-TERM LIABILITIES		
Long-Term Debt, Less Current Portion (Note 4)	3,808,078	4,810,305
Deferred Revenue	407,887	1,651,926
Other Liabilities	750,000	235,000
Total Long-Term Liabilities	4,965,965	6,697,231
Total Liabilities	28,196,385	19,014,897
COMMITMENTS AND CONTINGENCIES (Note 5)		
NET ASSETS		
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	10,686,850	9,539,224
Unrestricted	19,262,819	19,955,959
Total Net Assets	29,949,669	29,495,183
TOTAL LIABILITIES AND NET ASSETS	\$ 58,146,054	\$ 48,510,080

See Notes to Financial Statements.

Metropolitan Entertainment & Convention Authority

Statements of Revenues, Expenses, and Changes in Net Assets

Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
OPERATING REVENUES		
Facility Rent	\$ 2,807,916	\$ 2,853,621
Advertising, Suites, and Club Seats	7,079,447	4,473,280
Donations	5,407,464	1,681,059
Food, Beverages, and Merchandise	13,952,945	10,878,397
Audio Visual	1,154,889	1,144,144
Facility Fees	2,296,243	1,582,767
Parking	2,665,158	1,794,313
Other Revenue	4,410,226	4,118,081
Total Operating Revenues	39,774,288	28,525,662
OPERATING EXPENSES		
Event/Building Engineering Labor	6,458,584	5,053,761
Utilities	2,900,612	2,519,160
Facility Fees	598,744	536,264
Club Seat Fees	271,500	269,000
Parking Fees	1,459,686	1,091,957
Catering Services	8,316,725	6,183,062
Audio Visual	776,108	754,846
Building Services Contracted	1,010,664	1,109,492
Repairs, Maintenance, and Supplies	1,101,441	935,055
Ticket Expense	1,998,811	561,991
Other Operating Expenses	872,819	442,423
Total Operating Expenses	25,765,694	19,457,011
GROSS PROFIT	14,008,594	9,068,651
GENERAL AND ADMINISTRATIVE EXPENSES		
Salaries, Wages, and Benefits	3,884,421	3,541,151
Professional Fees	412,649	256,535
Depreciation and Amortization	1,680,948	1,648,900
Sales and Marketing	176,297	189,205
Insurance	314,237	309,636
Other	997,778	839,432
Total General and Administrative Expenses	7,466,330	6,784,859
Operating Income	6,542,264	2,283,792
NON-OPERATING REVENUES AND EXPENSES		
Interest and Investment Income	112,275	114,382
Interest Expense	(149,054)	(149,054)
Management Fee	-	77,550
Revenue Sharing (Note 11)	(5,285,594)	-
Reserve Funding (Note 11)	(780,000)	-
Other Revenue (Expense)	14,595	35,777
Total Non-Operating Revenues and Expenses	(6,087,778)	78,655
Increase in Net Assets	454,486	2,362,447
NET ASSETS - BEGINNING OF YEAR	29,495,183	27,132,736
NET ASSETS - END OF YEAR	\$ 29,949,669	\$ 29,495,183

See Notes to Financial Statements.

Metropolitan Entertainment & Convention Authority

Statements of Cash Flows

Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received From Customers and Others	\$ 32,930,340	\$ 30,806,197
Cash Paid to Employees	(6,275,653)	(5,434,088)
Cash Paid to Vendors and Others	(20,050,686)	(17,773,260)
Net Cash Provided by Operating Activities	6,604,001	7,598,849
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating Transfers From City of Omaha	229,652	77,550
Operating Transfers To City of Omaha	(375,325)	(63,768)
Net Cash Provided by (Used in) Noncapital Financing Activities	(145,673)	13,782
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of Capital Assets	(1,612,320)	(543,269)
Principal Payments on Long-Term Debt	(1,002,227)	(1,002,226)
Interest Paid	(149,054)	(149,054)
Net Cash Used in Capital and Related Financing Activities	(2,763,601)	(1,694,549)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(31,007,389)	(27,667,627)
Sales of Investments	25,487,258	19,749,530
Interest Received	106,198	161,129
Lease Payments Received	5,198	6,139
Net Cash Used in Investing Activities	(5,408,735)	(7,750,829)
Net Decrease in Cash and Cash Equivalents	(1,714,008)	(1,832,747)
Cash and Cash Equivalents, Beginning of Year	10,044,468	11,877,215
Cash and Cash Equivalents, End of Year	\$ 8,330,460	\$ 10,044,468
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOW PROVIDED BY OPERATING ACTIVITIES		
Operating Income	\$ 6,542,264	\$ 2,283,792
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation and Amortization	1,680,948	1,648,900
Changes in Assets and Liabilities		
Decrease (Increase) in Accounts and Other Receivables	(5,515,657)	220,165
Decrease in Prepaid Expenses	5,684	24,926
Increase in Accounts Payable	462,400	511,235
Increase (Decrease) in Deferred Revenue	(1,328,292)	2,060,370
Increase in CWS Stadium Fund Deposits	2,710,909	-
Increase in Other Accrued Expenses	2,045,745	849,461
Net Cash Provided by Operating Activities	\$ 6,604,001	\$ 7,598,849
NONCASH INVESTING AND FINANCING ACTIVITIES		
Accounts Payable Incurred to Purchase Capital Assets	\$ 214,027	\$ -

See Notes to Financial Statements.

Metropolitan Entertainment & Convention Authority

Notes to Financial Statements

June 30, 2011 and 2010

1. Summary of Significant Accounting Policies

This summary of significant accounting policies of the Metropolitan Entertainment & Convention Authority (MECA) is presented to assist in understanding MECA's financial statements. The financial statements and notes are representations of MECA's management who are responsible for their integrity and objectivity. These accounting policies have been consistently applied in the preparation of the financial statements.

Nature of Operations

MECA was incorporated under the Nebraska Nonprofit Corporation Act, Neb. Stat. §21-1901, et seq. in the State of Nebraska. Formal operations of MECA commenced on August 25, 2000, when the City of Omaha approved an Agreement and Lease between the City of Omaha and MECA to implement the Convention Center/Arena Redevelopment Plan, to provide bond funds to MECA, to allow MECA to cause the design and construction of the Convention Center/Arena Facility, to allow MECA to operate the Convention Center/Arena and Parking Facility for 99 years, and to provide a multi-year operating subvention from the City of Omaha. The agreement and lease required the City to make annual subvention payments to MECA, initially to fund start-up, pre-construction, planning and other pre-operational activities, and thereafter to help offset anticipated annual operating losses. As discussed in Note 4, in 2004 MECA amended its agreement and lease with the City of Omaha (the amended agreement and lease) to provide for the repayment of construction funds. In 2006, MECA further amended the agreement and lease. Under the amended agreement and lease, the City of Omaha agreed to transfer to MECA the final subvention amount of \$1,815,000 in fiscal year 2008. No further subvention payments are required under the agreement.

Title to the facility and all related infrastructure assets are vested with the City of Omaha. Construction activities were principally funded by private donations and general obligation bonds of the City of Omaha (the Project Funds). Construction cost, bond proceeds, and payments are not reflected in the Authority's financial statements as these assets, liabilities, revenues, and expenditures are accounted for separately by the City of Omaha. Construction was completed and operations commenced for the CenturyLink Center Omaha (see Note 10) facility during fiscal year 2004.

In June 2004, MECA entered into a facility management services and lease agreement with the City of Omaha, to manage and operate the Civic Auditorium, the Music Hall, and the Mancuso Center (collectively referred to as the "Civic Auditorium") for a three-year period beginning July 1, 2004. The City of Omaha and MECA are required under the agreement to make advances to fund Civic Auditorium operations if the facility operates at a loss. Any advances made by MECA during the term of this agreement will be repaid through operating profits of the Civic Auditorium or through a subvention payment by the City of Omaha in 2013. In March 2006, MECA and the City of Omaha extended the Civic Auditorium lease agreement through June 30, 2012, and in June 2010 the agreement was extended again through June 30, 2017.

Metropolitan Entertainment & Convention Authority

Notes to Financial Statements

June 30, 2011 and 2010

In May 2008, MECA entered into the Sixth Amendment to the Agreement and Lease with the City of Omaha to implement the Downtown Omaha Stadium Project Plan by expanding the property currently leased to MECA under the agreement, to provide adequate parking, to provide bond and donation funds to MECA, to allow MECA to cause the design and construction of the Omaha Baseball Stadium and to allow MECA to operate the Omaha Baseball Stadium and additional parking areas. MECA also concurrently entered into agreements with the City of Omaha, the National Collegiate Athletic Association and College World Series, Inc. to clarify the terms by which the Men's College World Series Baseball Championship will be held at the stadium for a 25 year term. The stadium was named TD Ameritrade Park Omaha (see Note 10) and construction was completed in 2011.

Reporting Entity

MECA is a component unit of the City of Omaha, Nebraska for financial reporting purposes. The Governmental Accounting Standards Board (GASB) establishes the criteria used in determining which organizations should be included in the financial statements. Accounting principles generally accepted in the United States of America require the inclusion of the transactions of government organizations for which an organization is financially accountable.

The extent of financial accountability is based upon several criteria including; appointment of a voting majority, imposition of will, financial benefit to or burden on a primary government, and financial accountability as a result of fiscal dependency.

MECA's financial statements are included in the City of Omaha's financial statements as a discretely presented component unit.

Measurement Focus Basis of Accounting

MECA accounts for its operations using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. MECA distinguishes operating revenues and expenses from non-operating items. Operating revenues are those revenues that are generated from primary operations. Operating expenses are those that are essential to the primary operations of MECA. All other revenues and expenses are non-operating.

Accounting Standards

All GASB pronouncements are applied, as well as the Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. MECA also has the option of following subsequent private sector guidance for business-type activities, subject to this same limitation. MECA has not elected to follow subsequent private sector guidance.

Metropolitan Entertainment & Convention Authority

Notes to Financial Statements

June 30, 2011 and 2010

Revenue Recognition

MECA recognizes its suite license and club seat revenues over the life of the agreements. Amounts received in advance are recorded as deferred revenues based on fair value of services to be provided to the licensee, as determined by management. Amounts received in excess of the fair value are recorded as donation revenue when received. Advance ticket sales, parking, facility rental deposits, and other event revenue received in advance are initially recorded as deferred revenues which are recognized as revenues as the events take place or services are provided. Naming rights for the Qwest Center Omaha and advertising revenues are recognized ratably over the life of the agreements. Naming rights for the TD Ameritrade Park Omaha are recognized based on event level, with a majority of the rights recognized with the completion of the annual Men's College World Series Baseball Championship.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Cash and Cash Equivalents

MECA considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a periodic basis. Management determines the allowance for doubtful accounts by regularly evaluating individual customer receivables and considering a customer's financial condition, credit history, and current economic conditions. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received.

Capital Assets

Capital assets are recorded at cost. MECA's capitalization policy states capital asset purchases with a useful life of greater than one year and with a purchase cost greater than or equal to \$1,000 per item or greater than \$10,000 in the aggregate, are capitalized and depreciated. Expenditures for additions and betterments are capitalized; expenditures for maintenance and repairs are charged to expense as incurred. The costs of assets disposed of and the related accumulated depreciation are eliminated from the accounts in the year of disposal. Gains or losses from asset disposals are recognized in the year of disposal.

Metropolitan Entertainment & Convention Authority

Notes to Financial Statements

June 30, 2011 and 2010

Depreciation is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Building Rights	15
Furniture, Fixtures, and Equipment	5-10
Leasehold Improvements	2-25

Compensated Absences

Eligible employees are entitled to an all purpose time-off policy to use for vacation, illness or injury, and personal business. The amount of paid time off employees receive each year increases with the length of their employment, with a maximum accrual of 35 days. MECA accrues accumulated unpaid time-off pay when earned by the employee.

Net Assets

The financial statements utilize a net assets presentation. Net assets are categorized as invested in capital assets (net of related debt), restricted, and unrestricted.

Invested in Capital Assets, Net of Related Debt – This component of net assets groups all capital assets into one component of net assets. Accumulated depreciation and outstanding debt balances related to the acquisition, construction, or improvement of these capital assets reduce the balance of this component.

Restricted Net Assets – This component of net assets presents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law.

Unrestricted Net Assets – This component of net assets consists of MECA's net assets not restricted for any project or other purpose.

Capital Improvement, Repair and Replacement, and Civic Reserves

On June 14, 2007, the MECA Board established a Capital Improvement Reserve to be used to fund future upgrades and improvements to the facility in excess of \$100,000. The MECA Board also established a Repair and Replacement Reserve to be used for all other capitalized asset purchases that are under \$100,000. Amounts are added to the reserve at the end of each fiscal year. Fifteen percent (15%) of MECA's net operating profit is allocated to the Capital Improvement Reserve and twenty percent (20%) of MECA's net operating profit is allocated to the Repair and Replacement Reserve, with a minimum funding requirement of \$600,000 per year broken out as follows: \$270,000 to the Capital Improvement Reserve and \$330,000 to the Repair and Replacement Reserve. For the year ended June 30, 2011, the MECA Board authorized one-time additional reserves of \$4,500,000 to the Capital Improvement Reserve and \$5,500,000 to the Repair and Replacement Reserve.

The Civic Auditorium also has a reserve established which is calculated at 50% of the Civic Auditorium's cash basis net profit.

Metropolitan Entertainment & Convention Authority

Notes to Financial Statements

June 30, 2011 and 2010

MECA's board-designated reserves included in net assets at June 30, were as follows:

	<u>2011</u>	<u>2010</u>
Capital Improvement Reserve	\$ 12,035,345	\$ 7,944,448
Repair and Replacement Reserve	9,159,343	4,618,407
Civic Auditorium Reserve	149,964	158,374
	<u>\$ 21,344,652</u>	<u>\$ 12,721,229</u>

Income Taxes

MECA is a tax exempt 501(c)(3) nonprofit corporation. In April 2006, MECA received a favorable ruling from the Internal Revenue Service (IRS) in response to a Private Letter Ruling request in July 2003. The ruling found that MECA is lessening the burdens of the City of Omaha by managing the operations of Qwest Center Omaha. As a result of this finding, the IRS determined that the revenues derived from the facility's operations are not subject to unrelated business income tax. MECA also operates in accordance with the findings of this ruling as it pertains to the operations of the Omaha Civic Auditorium and TD Ameritrade Park Omaha.

Reclassifications

Certain reclassifications have been made to the 2010 financial statements to conform to the 2011 presentation.

Subsequent Events

Subsequent events are events or transactions that occur after the statement of net assets date but before the financial statements are available to be issued and may require potential recognition or disclosure in the financial statements. Management has considered such events or transactions through November 22, 2011. See Note 10 for a subsequent event.

2. Deposits and Investments

Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, MECA's deposits might not be recovered. MECA does not have a deposit policy for custodial credit risk. As of June 30, MECA's bank deposits were exposed to custodial credit risk as follows:

	<u>2011</u>	<u>2010</u>
Deposits per Bank	\$ 601,711	\$ 1,127,911
Money Market Deposits per Bank	7,586,561	8,944,259
Total Deposits	8,188,272	10,072,170
Less: FDIC Coverage	601,711	250,000
Uninsured and Uncollateralized	<u>\$ 7,586,561</u>	<u>\$ 9,822,170</u>

Metropolitan Entertainment & Convention Authority

Notes to Financial Statements

June 30, 2011 and 2010

Investments

MECA management adheres to an investment policy approved by the Board of Directors that describes what types of investments MECA is able to purchase, minimum rating criteria, reporting and oversight responsibilities. The investment policy authorizes investments in U.S. treasury securities, government-sponsored debt securities, commercial paper, major money market funds, repurchase agreements, and certificates of deposit.

As of June 30, 2011, MECA's investments consist of U.S. treasury bills, various government agencies, commercial paper and brokered certificates of deposit. In addition, MECA has various mutual fund investments in a deferred compensation account.

<u>Investment</u>	<u>Maturities</u>	<u>Credit Rating</u>	<u>Fair Value</u>
Certificates of Deposit	7/1/11 - 6/29/12	100% FDIC Insured	\$ 5,880,000
Commercial Paper	7/1/11 - 1/9/12	S&P-A1 and Moody's-P1	7,041,403
US Treasury Securities	9/22/11 - 5/31/12	N/A	6,992,732
Government Agency Discount Notes	8/2/11 - 6/15/12	N/A	6,693,977
Mutual Funds	None	N/A	116,934
Total Investments			<u>\$ 26,725,046</u>

As of June 30, 2010, MECA's investments consist of U.S. treasury bills, various government agencies, commercial paper and brokered certificates of deposits. In addition, MECA has various mutual fund investments in a deferred compensation account.

<u>Investment</u>	<u>Maturities</u>	<u>Credit Rating</u>	<u>Fair Value</u>
Certificates of Deposit	7/9/09 - 7/11/10	100% FDIC Insured	\$ 5,570,000
Commercial Paper	7/1/10 - 1/4/11	S&P-A1 and Moody's-P1	5,523,297
US Treasury Securities	10/25/10 - 6/10/11	N/A	6,016,728
Government Agency Discount Notes	12/16/10 - 6/2/11	N/A	3,992,297
Mutual Funds	None	N/A	94,814
Total Investments			<u>\$ 21,197,136</u>

Metropolitan Entertainment & Convention Authority

Notes to Financial Statements

June 30, 2011 and 2010

3. Capital Assets

Activity for the year ended June 30, 2011 for property, equipment and intangible assets, and accumulated depreciation and amortization are as follows:

	July 1, 2010	Additions	Dispositions	Reclass- ifications	June 30, 2011
Building Rights (See Note 4)	\$10,079,196	\$ -	\$ -	\$ -	\$10,079,196
Furniture, Fixtures and Equipment	9,529,886	802,042	(6,933)	-	10,324,995
Leasehold Improvements	5,437,274	637,883	-	-	6,075,157
Construction in Progress	-	386,422	-	-	386,422
	<u>25,046,356</u>	<u>1,826,347</u>	<u>(6,933)</u>	<u>-</u>	<u>26,865,770</u>
Accumulated Depreciation and Amortization	(9,694,601)	(1,680,948)	6,933	-	(11,368,616)
Total Capital Assets	<u>\$15,351,755</u>	<u>\$ 145,399</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$15,497,154</u>

Activity for the year ended June 30, 2010 for property, equipment and intangible assets, and accumulated depreciation and amortization are as follows:

	July 1, 2009	Additions	Dispositions	Reclass- ifications	June 30, 2010
Building Rights (See Note 4)	\$10,079,196	\$ -	\$ -	\$ -	\$10,079,196
Furniture, Fixtures and Equipment	9,173,776	377,177	(21,067)	-	9,529,886
Leasehold Improvements	5,196,443	166,092	-	74,739	5,437,274
Construction in Progress	74,739	-	-	(74,739)	-
	<u>24,524,154</u>	<u>543,269</u>	<u>(21,067)</u>	<u>-</u>	<u>25,046,356</u>
Accumulated Depreciation and Amortization	(8,066,768)	(1,648,900)	21,067	-	(9,694,601)
Total Capital Assets	<u>\$16,457,386</u>	<u>\$(1,105,631)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$15,351,755</u>

Metropolitan Entertainment & Convention Authority

Notes to Financial Statements

June 30, 2011 and 2010

4. Long-Term Debt

Through the amended agreement and lease with the City of Omaha, MECA agreed to exercise good faith and best efforts to raise and pay the City of Omaha the sum of \$14,000,000 to offset additional funds provided by the City of Omaha for the construction of the Convention Center/Arena facility. Proceeds from the sale of Naming Rights were specifically identified as a source of repayment. The Naming Rights have been sold to Qwest Communications International, Inc. under a Convention Center/Arena Naming Rights Agreement, which terminates on September 1, 2018 (see Note 10). As a result, the obligation for the repayment of this portion of the construction funds has been recorded as long-term debt payable to the City of Omaha offset by recording intangible Building Rights (see Note 3).

Under a long-term contract for food service operations, MECA received a \$4,000,000 non-interest bearing note from the contractor for the purchase of food service equipment and leasehold improvements. The loan is to be repaid over the ten-year period of the contract, which began in July 2003.

Long-term debt consists of the following at June 30,:

	<u>2011</u>	<u>2010</u>
Installment note payable to the City of Omaha with interest imputed at 3.25%, payable in annual installments of \$825,000 through September 1, 2014 and \$725,000 from September 1, 2014 through September 1, 2018.	\$ 4,157,729	\$ 4,833,676
Non-interest bearing note payable to Lew Restaurants, payable in monthly installments of \$27,190, through July 1, 2013.	652,575	978,855
Total Long-Term Debt	4,810,304	5,812,531
Less Current Portion	(1,002,226)	(1,002,226)
Long-Term Debt, Less Current Portion	<u>\$ 3,808,078</u>	<u>\$ 4,810,305</u>

Debt service payments for the City of Omaha and food service contract debt are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 1,002,226	\$ 149,054
2013	1,002,241	149,054
2014	675,946	149,054
2015	675,946	149,054
2016	675,946	149,054
Thereafter	777,999	322,949
	<u>\$ 4,810,304</u>	<u>\$ 1,068,219</u>

Metropolitan Entertainment & Convention Authority

Notes to Financial Statements

June 30, 2011 and 2010

5. Commitments and Contingencies

MECA entered into a long-term contract for food service operations in November 2001. The terms of the contract commit MECA to a ten-year CPI indexed annual payment to the contractor of \$715,493 and \$718,044 for the years ended June 30, 2011 and 2010, respectively. There are incentive provisions in the contract that may result in additional payments to the contractor. Such incentives totaled \$178,873 and \$179,512 for the years ended June 30, 2011 and 2010, respectively. The remaining cost of such commitments as of June 30, are as follows:

<u>Year Ending June 30,</u>	
2012	\$ 1,000,000
2013	1,000,000
	<u>\$ 2,000,000</u>

6. Employee Benefits

MECA maintains a 401(k) profit sharing plan which covers substantially all permanent employees upon completion of one month of service and attainment of 21 years of age. MECA contributes a safe harbor non-elective contribution limited to 3% of participants' eligible compensation. MECA, at its discretion, may also make profit sharing contributions.

Total MECA contributions for the years ended June 30, 2011 and June 30, 2010 were \$123,042 and \$114,491, respectively.

7. Deferred Compensation

Certain MECA employees are able to participate in a non-qualified deferred compensation plan in the form of a Rabbi Trust. The deferred compensation plan is intended to qualify as a plan described in Section 201(2) of the Employee Retirement Income Security Act of 1974 (ERISA) and is maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees.

MECA contributes a specified amount to the employees' accounts on an annual basis. The value of debt and equity securities held in the Rabbi Trust at June 30, 2011 and 2010, was \$116,934 and \$94,814, respectively, and is included in investments.

8. Risk Management

MECA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. MECA carries commercial insurance for certain of these risks. MECA is party to certain other uninsured legal proceedings arising in the ordinary course of business that, in the opinion of management, disposition of these matters will not materially affect MECA's financial position or results of operations.

During the year ended June 30, 2011, MECA did not reduce insurance coverages from coverage levels in place as of June 30, 2010. No settlements have exceeded coverage levels in place during the past three fiscal years.

Metropolitan Entertainment & Convention Authority

Notes to Financial Statements

June 30, 2011 and 2010

9. Project Oversight

MECA was delegated fiscal oversight responsibility for TD Ameritrade Park Omaha construction activities by the City of Omaha. MECA disbursed project funds to contractors and vendors in accordance with its established procedures for accounts payable. A summary of construction expenditures paid under MECA's oversight responsibly for the years ended June 30, is as follows:

	<u>2011</u>	<u>2010</u>
Construction Costs	\$ 50,424,447	\$ 46,577,687
Professional Fees	487,370	726,141
Other Expenditures	4,242,135	953,014
Total Expenditures	<u>\$ 55,153,952</u>	<u>\$ 48,256,842</u>

10. Naming Rights

The naming rights for the Convention Center/Arena, Qwest Center Omaha, and the Omaha Baseball Stadium, TD Ameritrade Park Omaha, were granted to Qwest Communications International, Inc. and TD Ameritrade Holding Corporation, respectively. The Convention Center/Arena Naming Rights Agreement with Qwest Communications International, Inc. has a term of approximately 15 years and terminates on September 1, 2018. The base fee is \$12,625,000 to be paid over the term of the agreement. The payment schedule includes a \$1,500,000 payment when the agreement was signed with an annual payment of \$800,000 in 2004, \$825,000 from 2005 through 2013, and \$725,000 from 2014 through 2017. The Omaha Stadium Naming Rights Agreement with TD Ameritrade Holding Corporation has a term of approximately 20 years and terminates on December 31, 2030. The base fee is \$20,152,782 to be paid over the term of the agreement. The payment schedule included a \$750,000 payment by January 1, 2010, increasing 3% annually through 2029. Both agreements include terms setting forth how negotiations for extension of the agreements will be performed.

Effective July 15, 2011, Qwest Center Omaha became CenturyLink Center Omaha due to CenturyLink, Inc.'s acquisition of Qwest Communications International, Inc. However, the Convention Center/Arena Naming Rights Agreement with Qwest Communications International, Inc. will remain in effect.

11. Tri-Party Agreement

MECA has contracted with the City of Omaha and College World Series, Inc. (the "Tri-Party Agreement") to commit to the construction, operation and management of TD Ameritrade Park Omaha and to license the facility to College World Series, Inc. for the conduct of the Men's College World Series Baseball Championship (CWS). The Tri-Party Agreement provides for the allocation of revenues generated by the downtown stadium and the application of such revenues to provide for debt service, payment of expenses of the CWS, operations of TD Ameritrade Park Omaha, establishment of a capital replacement and reserve fund and a sharing of any net revenue from the annual conduct of the CWS between the NCAA and the parties to the Tri-Party Agreement.

**INDEPENDENT AUDITORS' 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**

Board of Directors
Metropolitan Entertainment & Convention Authority
Omaha, Nebraska

We have audited the financial statements of Metropolitan Entertainment & Convention Authority (MECA) as of and for the year ended June 30, 2011, and have issued our report thereon dated November 22, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered MECA's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MECA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of MECA's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether MECA's financial statements are free of 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*.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, and the City of Omaha and is not intended to be and should not be used by anyone other than these specified parties.

Luty & Company, P.C.

November 22, 2011