



February 3, 2021

VIA EMAIL

The Honorable Ronald D. Kouchi
Senate President
415 South Beretania Street
Hawai'i State Capitol, Room 409
Honolulu, Hawai'i 96813

VIA EMAIL

The Honorable Scott K. Saiki
Speaker, House of Representatives
415 South Beretania Street
Hawai'i State Capitol, Room 431
Honolulu, Hawai'i 96813

RE: Financial Audit of the Stadium Authority

Dear President Kouchi and Speaker Saiki:

The audit report on the financial statements of the Stadium Authority for the fiscal year ended June 30, 2020, was issued on December 8, 2020. The Office of the Auditor retained N&K CPAs, Inc. to perform the financial audit. For your information, we are attaching a copy of the two-page Auditor's Summary of the financial audit report.

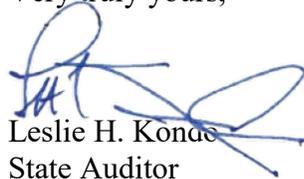
You may view the financial audit report and Auditor's Summary on our website at:

http://files.hawaii.gov/auditor/Reports/2020_Audit/Stadium2020.pdf; and

http://files.hawaii.gov/auditor/Reports/2020_Audit/Stadium_Summary_2020.pdf.

If you have any questions about the report, please contact me.

Very truly yours,



Leslie H. Kondo
State Auditor

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Attachment

cc/attach (Auditor's Summary only): Senators

Representatives

Carol Taniguchi, Senate Chief Clerk

Brian Takeshita, House Chief Clerk

Auditor's Summary

Financial Audit of the Stadium Authority

Financial Statements, Fiscal Year Ended June 30, 2020



***THE PRIMARY PURPOSE** of the audit was to form an opinion on the fairness of the presentation of the financial statements for the Stadium Authority, as of and for the fiscal year ended June 30, 2020. The audit was conducted by N&K CPAs.*

About the Authority

The Stadium Authority (Authority) was established in 1970 and is responsible for the operation, management, and maintenance of Aloha Stadium, located in Honolulu, Hawai'i. The Authority functions under the direction of a nine-member board, appointed by the Governor. In addition, the president of the University of Hawai'i and the superintendent of the Hawai'i Department of Education are nonvoting ex-officio members of the board. For administrative purposes, the Authority is placed within the State of Hawai'i's Department of Accounting and General Services.

Financial Highlights

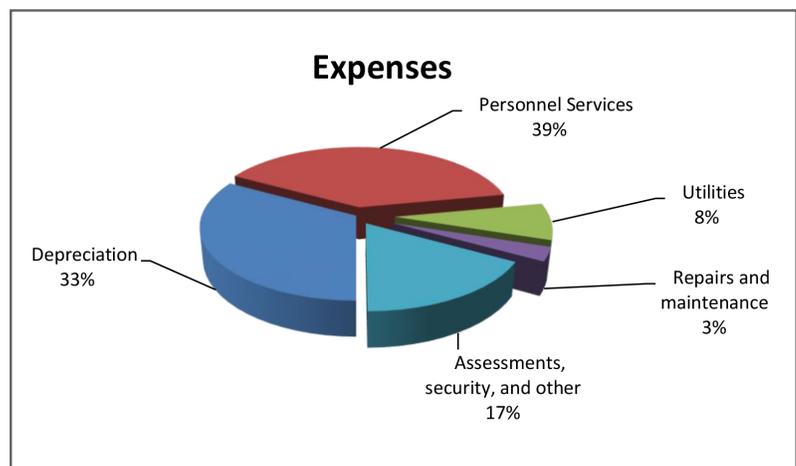
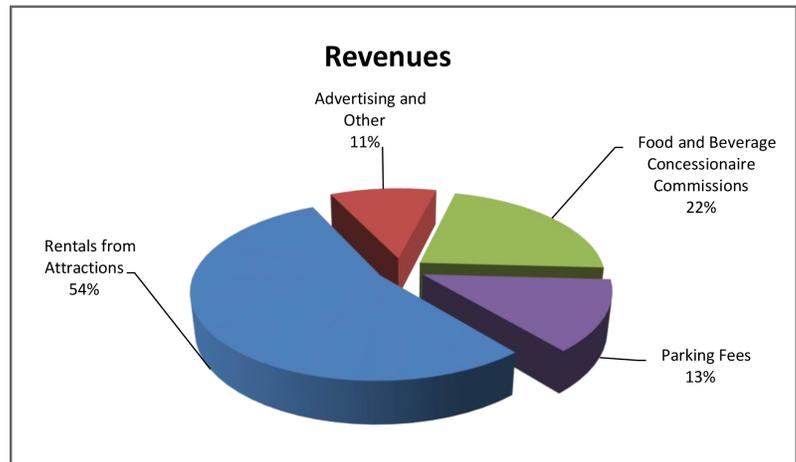
FOR THE FISCAL YEAR ended June 30, 2020, the Authority reported total revenues of \$6.9 million and total expenses of \$13.5 million, resulting in a net loss of \$6.6 million. Revenues consisted of (1) \$3.7 million from rentals from attractions, (2) \$1.5 million from food and beverage concessionaire commissions, (3) \$900,000 in parking fees, and (4) \$800,000 in advertising and other revenues. The Authority's net loss was partially offset by \$9 million in capital contributions, which represents the portion of Aloha Stadium capital improvement costs that were paid by the State of Hawai'i.

Expenses consisted of (1) \$4.5 million for depreciation, (2) \$5.3 million for personnel services, (3) \$1.1 million for utilities, and (4) \$400,000 for repairs and maintenance. Additional expenses totaled \$2.2 million and included state central services assessments as well as security, professional services, and other costs.

As of June 30, 2020, total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources, resulting in a net position of \$86.7 million. Of this amount, \$94.6 million was invested in capital assets, \$100,000 was restricted, and there is an unrestricted net deficit of \$7.9 million. The agency reported total assets and deferred outflows of resources of \$101.9 million, comprised of (1) cash of \$5.3 million, (2) receivables, other assets, and deferred outflows of resources of \$2 million, and (3) net capital assets of \$94.6 million. The agency reported total liabilities and deferred inflows of resources of \$15.2 million, comprised of (1) net pension liability of \$6.4 million, (2) vacation and other retirement payables of \$7.1 million, and (3) other liabilities and deferred inflows of resources of \$1.7 million.

Auditors' Opinion

THE AUTHORITY RECEIVED AN UNMODIFIED OPINION that the financial statements were presented fairly, in all material respects, in accordance with generally accepted accounting principles.



Findings

THERE WERE NO SIGNIFICANT DEFICIENCIES in internal control over financial reporting that would have required reporting under *Government Auditing Standards*. The auditors identified one material weakness. A material weakness is a deficiency, or a 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. The material weakness is described on page 53 of the report which found \$1.2 million in unrecorded capital additions and related capital contributions for the fiscal year ended June 30, 2020.

There were no instances of noncompliance or other matters required to be reported under *Government Auditing Standards*.

Going Concern Consideration

THE REPORT NOTES that due to the impact of the COVID-19 pandemic and the related emergency proclamations and emergency orders issued by the Governor, the Authority has substantial doubt about its ability to continue as a going concern for the 12-month period following the date of the issuance of the financial statements. The Authority has implemented cost saving measures in response to the conditions that have arisen due to COVID-19. The financial statements do not include any adjustments that might result from the outcome of this uncertainty, and the auditors' opinion is not modified with respect to this matter.

For the complete report and financial statements visit our website at:
https://files.hawaii.gov/auditor/Reports/2020_Audit/Stadium2020.pdf