



Metropolitan Sports Facilities Commission

Minneapolis, Minnesota

A Component Unit of the Metropolitan Council



Comprehensive Annual Financial Report

Fiscal year ended December 31, 2003



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Minneapolis, Minnesota

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**Finance Department
900 South Fifth Street,
Minneapolis, Minnesota 55415**

**Metropolitan Sports Facilities Commission
 Comprehensive Annual Financial Report
 For the Fiscal Year Ended December 31, 2003**

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INTRODUCTORY SECTION



M E T R O D O M E



April 19, 2004

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Mr. Roy Terwilliger, Chair
And Commissioners of the Metropolitan Sports Facilities Commission
900 South Fifth Street
Minneapolis, Minnesota 55415

Dear Mr. Terwilliger and Commissioners:

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of the Metropolitan Sports Facilities Commission (Commission) for the fiscal year ended December 31, 2003. The financial statements included in this report conform to generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board (GASB). Responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with management. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner that presents fairly the financial position and results of operations of the Commission. All necessary disclosures have been included to enable the reader to gain the maximum understanding of the Commission's financial affairs.

The CAFR is divided into three sections: introductory, financial, and statistical. The introductory section includes this letter of transmittal, a list of the Commission's appointed officials, and the organizational chart. The financial section includes the independent auditor's report, Management's Discussion and Analysis (MD&A), and Basic Financial Statements, including the notes. The statistical section contains selected financial and demographic information, generally presented on a multi-year basis.

All the financial activities of the Commission are included in this report. The Commission is a discretely presented component unit of the Metropolitan Council.

GOVERNMENTAL STRUCTURE

The Commission was established by legislative charter in 1977. The Commission is the owner and operator of the Hubert H. Humphrey Metrodome sports stadium located in Minneapolis, Minnesota and is home to the Minnesota Twins, Minnesota Vikings, University of Minnesota Gopher football team and many other athletic, educational, cultural, and entertainment activities for the citizens of the metropolitan area. The Metropolitan Council issued the original stadium construction bonds on behalf of the Commission since the Commission did not have independent bonding

authority. The Minnesota Legislature gave authority to the City of Minneapolis to appoint Commission members because the City of Minneapolis pledged its full faith and credit to the repayment of the bonds. The Commission consists of six members appointed by the Minneapolis City Council and a chair who is appointed by the governor. The Commissioners serve for four years, and their terms may be renewed.

FACTORS AFFECTING FINANCIAL CONDITION

Local Economy

Minnesota has traditionally been known for its thousands of lakes, state parks, and vibrant sporting events. Minnesota's economy grew at a healthy pace during the last quarter of 2003. Residential real estate, manufacturing, consumer spending, and tourism were up, labor markets were stable, and wage and price increases were generally moderate. Retail sales at year-end were generally up from a year ago.

Minneapolis-St. Paul is Minnesota's largest metropolitan area consisting of 11 counties and over 2.9 million people. Minnesota's population grew faster than any other midwest state during the last decade. Office vacancy rates remained over 20% in the downtown areas of Minneapolis and St. Paul and relatively high vacancy rates for apartment rentals were reported in the metro area. Homebuilding continued to expand at a strong pace, although home sales were down slightly in the metro area from a year earlier. Employment increased the most in education and health services, followed by leisure and hospitality; the government sector experienced decreased employment due to tight state and local government budgets. As of December 2003, the Minneapolis/St Paul metropolitan area unemployment rate was 4.1%. The metropolitan area's economic outlook for 2004 points toward positive job growth and moderate economic growth.

Major Initiatives and Accomplishments

Plaza

The Metrodome plaza became operational in September 2003 with the opening of a concession stand and the public restrooms. The Commission partnered with the City of Minneapolis to rebuild the Metrodome plaza, which is located on the west side of the Metrodome at the Downtown East Light Rail Transit (LRT) station. The City of Minneapolis contracted for construction of the plaza and the Commission funded the construction related expenses for the concessions stand and the restrooms. The focal point of both the plaza and the Downtown East LRT station is the replica of the Stone Arch bridge that runs at an angle in front of the LRT station. This LRT station will be a gateway to downtown Minneapolis and will assist fans with their transit needs to Metrodome events.

The public plaza is a huge benefit for the tenants of the Metrodome. The plaza greatly enhances the fans' experience by providing more concession points of sale, a variety of concession products that are not offered within the stadium, live music and other entertainment opportunities. The plaza is also available for community activities on a year-round basis.

LED Project

In 2003 the Commission installed 860 lineal feet of LED (light emitting diode) display boards to provide new advertising revenue opportunities and enhance entertainment capabilities for the three major tenants. The LED boards are attached to each of the four corners of the upper deck fascia of the stadium; each display board is approximately four feet in height by 160 feet in length. The Commission also replaced nine of the existing static advertising panels located on the east and west upper deck fascia of the stadium and added two more display boards. These boards are approximately four feet in height by 20 feet in length. The full color LED boards are capable of displaying brilliant images and moving ads that have a greater impact on viewers than static ads. The LED boards are integrated with the existing auxiliary panels and video boards for game information. The new LED display boards will enhance entertainment capabilities for all tenants.

Storage Building Project

The Commission contracted for the construction of four storage buildings adjacent to the Metrodome. Two storage buildings are located on either side of Gate A, one storage building is located at Gate G and one storage building is located at Gate E. This project added approximately 2,700 square feet of storage space. The Commission needed the additional space for equipment storage and the tenants needed the additional space to store their game day and event related items in a convenient and easily accessible location.

Concession Renovation

Six concession stands located on the upper concourse of the stadium were remodeled to conform to the Commission's new concession standards and to meet the requirements of the Americans with Disabilities Act. The concession renovation project has been completed in phases; the lower concourse concession stands were renovated first. The six concession stands were completely remodeled. New tile floors, new ceiling tiles, and new lights were installed, walls were repainted, the front counters were replaced and lowered, and new concession equipment was installed. The equipment was replaced to improve operating efficiency, product presentation, and to increase the service delivery of product. Previously, only the backroom areas of these concession stands were renovated. The renovated concession stands have been a huge success and have increased per capita spending by the fans.

Other Projects

In the fall of 2003, the Commission hired Birdair, Inc., who originally installed and inflated the roof in the fall of 1981, to conduct a test of the weathering performance

of the Metrodome's outer membrane roof fabric. The outer membrane roof material is composed of a fiberglass fabric with a Teflon coating. Samples of the roof fabric were removed for testing and new fabric patches were installed to replace them. The test results showed that the outer membrane fabric is performing very well as compared to the original 1980 specifications for fabric values. The fabric test values actually exceeded the original fabric specifications. Birdair, Inc. has found that this type of roof material performs well in climates with low humidity ratios and ultraviolet radiation, such as Minnesota's climate. Birdair, Inc. recommended that the roof fabric be retested in five years.

Long-term financial planning

Future Projects

In the fall of 2003, the Commission awarded the bid for a new turf system to Southwest Recreational Industries (SRI) based on a bid selection process that included a blind test by the major tenants to assess the playability of the turf surfaces. However in February 2004 SRI filed for bankruptcy, the Commission then terminated its contract with SRI. In March 2004 the Commission awarded the contract to the second lowest qualified bidder, FieldTurf, Inc.

The new synthetic turf is a permanent system that is visibly different from the existing removable artificial turf system. The new turf's fiber surface is softer with a natural grass-like feel, the polyethylene grass fibers are surrounded by a blend of "synthetic earth," a mixture of smooth, rounded silica sand, rubber granules and NIKE GRIND made of re-ground athletic shoe material. The sand and rubber granules are layered to create a uniform, stable, shock-absorbing surface. The contract also includes replacement of the warning track surface that is on the perimeter of the artificial turf system. The new artificial turf system was installed in the Metrodome prior to April 1, 2004.

Cash Management policies and practices

The Commission maintains two bank accounts, one money market account and one short-duration investment account. The investment portfolio includes fixed income mortgage backed securities. The maturities of these investments range from one to three years. The Commission earned an average return of 3.8% on these investments, which compares with the average return of 1.9% on the Merrill Lynch 1-3 year Treasury Index. The Commission's investment policy is to ensure that all cash received by the Commission is promptly recorded, deposited, and invested in a manner that assures safety and minimizes credit and market risks while maintaining a competitive yield on its portfolio. Accordingly, bank deposits were either insured by Federal Deposit Insurance or collateral was provided. The market value of collateral pledged must equal 110% of deposits not covered by insurance. The collateral on the deposits was held by the Federal Reserve Bank of Boston in the name of the Commission. The notes to the financial statements present the Commission's investment holdings by security type and risk category.

Risk Management

The Commission purchased all-risk property insurance, general and umbrella liability insurance, automobile insurance, crime insurance, and workers compensation insurance. The Commission added terrorism coverage to its general and umbrella liability policies and purchased a separate terrorism property insurance policy. Additional information on the Commission's risk management can be found in the notes to the financial statements.

OTHER INFORMATION

Independent Audit

Minnesota State Statutes require the Minnesota Office of the Legislative Auditor to perform an annual audit of the Commission. The Commission received an unqualified opinion from the Office of the Legislative Auditor for the twenty-second consecutive year. The auditor's report on the basic financial statements for the year ended December 31, 2003, is included in the financial section of this report.

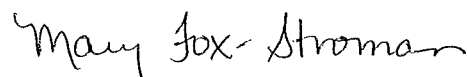
The Office of the Legislative Auditor will issue a separate Report on Compliance and on Internal Control over Financial Reporting.

Awards

This is the first year the Commission will apply for the Certificate of Achievement for Excellence in Financial Reporting. The Government Finance Officers Association of the United States and Canada (GFOA) awards the certificates to governmental units who publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A certificate of Achievement is valid for a period of one year only. We believe that our current CAFR will meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for a certificate. The Certificate of Achievement is a prestigious national award which recognizes conformance with the highest standards for preparation of state and local government financial reports.

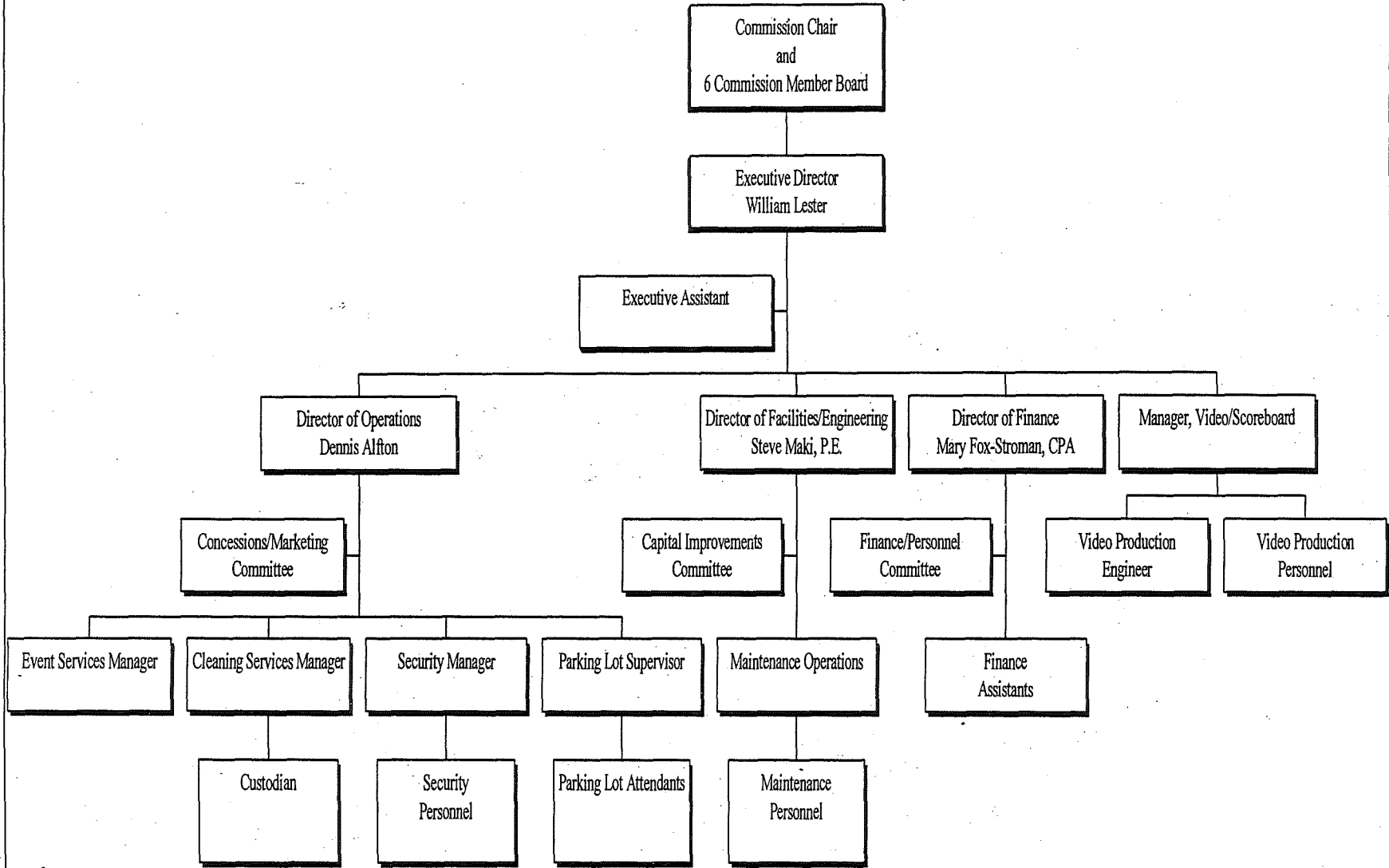
This CAFR reflects our commitment to the Commission and all interested readers of this report to provide information in conformance with the highest standards of financial reporting.

Respectfully,



Mary Fox-Stroman, CPA
Director of Finance

METROPOLITAN SPORTS FACILITIES COMMISSION



Metropolitan Sports Facilities Commission

COMMISSIONERS:

	<u>Term of Office</u>	
	<u>First Appointed</u>	<u>End of Term</u>
Roy Terwilliger, Chair	March 2003	January 2007
Loanne Thrane, Vice Chair	January 1992	January 2005
Peggy Lucas, Secretary	January 1993	January 2005
Richard Jefferson, Treasurer	January 1999	January 2007
Richard Johnson	January 2001	January 2005
Dan Kenney	January 2003	January 2007
Jeff Seidel	January 2003	January 2007

Executive Director

William Lester

Director of Operations

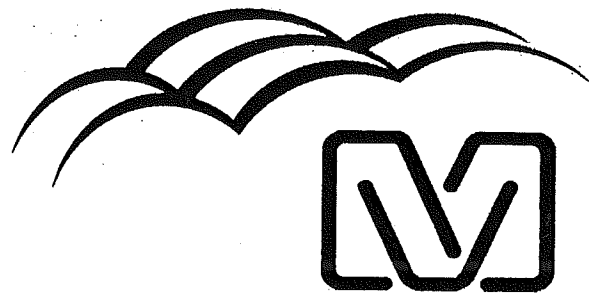
Dennis Alfton

Director of Facilities/Engineering

Steve Maki, P.E.

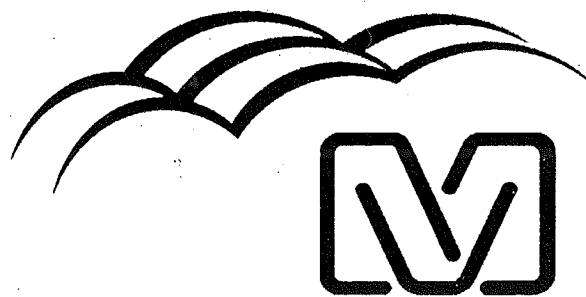
Director of Finance

Mary C. Fox-Stroman, CPA



M E T R O D O M E

FINANCIAL SECTION



M E T R O D O M E



Independent Auditor's Report

Mr. Roy Terwilliger, 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 statement of net assets of the Metropolitan Sports Facilities Commission as of and for the year ended December 31, 2003, and the related statements of income and cash flows for the year then ended, as presented on pages 10 to 12. 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 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 financial position of the Metropolitan Sports Facilities Commission as of December 31, 2003, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

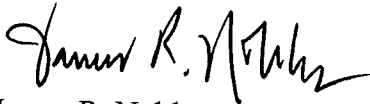
The Metropolitan Sports Facilities Commission implemented Governmental Accounting Standards Board (GASB) Statement No. 38, Certain Financial Statement Note Disclosures for the year ended December 31, 2003. This statement modifies, establishes, and rescinds certain financial statement disclosure requirements.

Management's Discussion and Analysis on pages 3 to 9 is not a required part of the Commission's basic financial statements, but is 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

Mr. Roy Terwilliger, Chair
Members of the Metropolitan Sports Facilities Commission
Mr. William Lester, Executive Director
Page 2

methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 19, 2004, 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.



James R. Nobles
Legislative Auditor



Claudia J. Gudvangen, CPA
Deputy Legislative Auditor

April 19, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Metropolitan Sports Facilities Commission (Commission) Comprehensive Annual Financial Report presents our discussion and analysis of the Commission's financial performance during the fiscal year ended December 31, 2003. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our basic financial statements.

Financial Highlights

The basic financial statements report information about the Commission using the economic resources measurement focus and accrual basis of accounting.

- The Commission's total net assets (assets less liabilities) were \$55,779,753 at December 31, 2003, a decrease in net assets of \$2,119,972 from the previous year. This is better than last year, when the decrease in net assets was \$3,924,775.
- During fiscal year 2003, revenues increased by \$1,073,631, fiscal year 2003 revenues were \$41,080,631; expenses decreased by \$728,172, fiscal year 2003 expenses were \$43,203,603.
- Admission tax revenues increased by \$682,299 due to increased fan attendance, additional events, and increased ticket prices for the major sporting events.
- Concession revenues increased by \$154,378 and the related concession costs increased by \$97,254 due to the opening of the plaza in September 2003. The tenants' share of concession receipts decreased by \$290,755 due to the decrease in the number of post-season baseball games.
- Investment earnings decreased by \$334,621 as a result of continuing decreases in the earnings rate for investments.

Overview of the Financial Statements

The financial section of this annual report consists of:

- (1) Independent Auditor's Report
- (2) Management's Discussion and Analysis (presented here)
- (3) Basic (Enterprise fund) Financial Statements:
 - a. Statement of net assets
 - b. Statement of revenues, expenses, and changes in net assets
 - c. Statement of cash flows
- (4) Notes to the Financial Statements

The enterprise fund financial statements report information about the Commission using accounting methods similar to those used by private-sector businesses in which costs are recovered primarily through user charges. Enterprise fund financial statements provide both short-term and long-term financial information about the Commission's overall

financial status. In addition, they report the Commission's net assets and how they have changed during the fiscal year.

The Commission's primary business activity is operation of the Hubert H. Humphrey Metrodome sports facility (Metrodome). The Metrodome was primarily built for three major tenants: Minnesota Twins, Minnesota Vikings, and the University of Minnesota Gopher football team. The Commission has signed "Use Agreements," with the Minnesota Vikings and the University of Minnesota, which requires them to play all home football games through the 2011 season at the Metrodome. The extended Use Agreement with the Minnesota Twins expired on October 31, 2003 and December 31, 2003 with respect to the Metrodome office space. The Commission is in negotiations with the Minnesota Twins for an extended or new Baseball Use Agreement.

The statement of net assets presents information on all of the Commission's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial health of the Commission is improving or deteriorating. Additionally, nonfinancial factors, such as a change in major tenants or the condition of the Metrodome, should be considered to assess the overall health of the Commission. The statement of net assets can be found on page 10 of this report.

The statement of revenues, expenses and changes in net assets presents information showing how the Commission's net assets changed during the year. All of the current year's revenues and expenses are accounted for in this statement, regardless of when cash is received or paid. The statement of revenues, expenses and changes in net assets can be found on page 11 of this report.

The statement of cash flows reports cash and cash equivalent activities for the fiscal year as a result of operating, capital and investing activities. The statement of cash flows can be found on page 12 of this report.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the enterprise fund financial statements. The notes to the financial statements can be found on pages 13 – 19 of this report.

Financial Analysis

As noted earlier, net assets serve as a useful indicator of the Commission's financial position. In fiscal year 2003, the Commission's net assets decreased by \$2,119,972 (4 percent) to \$55,779,753. The largest portion of the Commission's net assets, \$36,836,054 (66 percent), reflects its investment in capital assets (e.g., land, buildings and equipment) less depreciation. These assets are comprised of the Metrodome stadium site, stadium building and stadium equipment. The Commission uses these capital assets to provide services to tenants, their fans and the public; consequently, these assets are not available for future spending.

The unrestricted net assets of \$18,943,699 (34 percent) are available for future use to meet the Commission's ongoing obligations to tenants, fans, citizens and creditors. These assets are reserved for future operating expenses, capital improvements, repair and replacement expenses and concession related expenses.

Statement of Net Assets

Following is a table that presents a summary of the Commission's Statement of Net Assets as of December 31, 2002 and 2003:

Summary of Net Assets as of December 31, 2002 and 2003

	<u>2002</u>	<u>2003</u>
Assets:		
Current and other noncurrent assets	\$25,233,003	\$24,112,106
Capital assets (net)	<u>38,097,612</u>	<u>36,836,054</u>
Total assets	<u>63,330,615</u>	<u>60,948,160</u>
Liabilities:		
Long-term liabilities	-	162,731
Other liabilities	<u>5,430,890</u>	<u>5,005,676</u>
Total liabilities	<u>5,430,890</u>	<u>5,168,407</u>
Net assets:		
Invested in capital assets	38,097,612	36,836,054
Unrestricted	<u>19,802,113</u>	<u>18,943,699</u>
Total net assets	<u>\$57,899,725</u>	<u>\$55,779,753</u>

At the end of the current fiscal year, the Commission is able to report positive balances in both categories of net assets. The same situation held true for the prior fiscal year.

Statement of Revenues, Expenses and Changes in Net Assets

The following table summarizes the changes in net assets for the years ended December 31, 2002 and 2003.

Summary of Changes in Net Assets For the Fiscal Years Ended December 31, 2002 and 2003

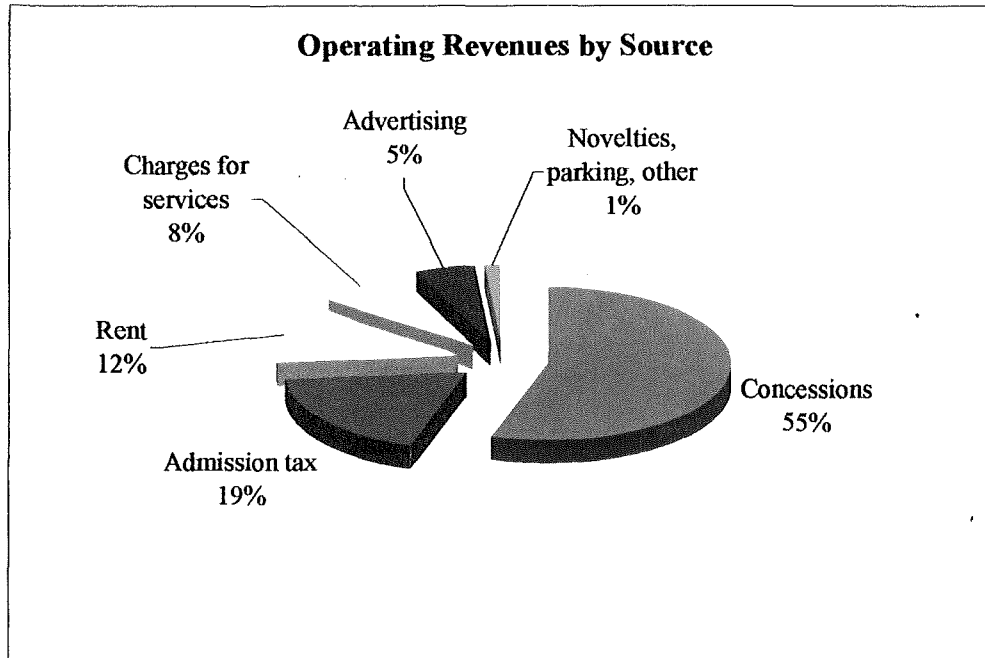
	<u>2002</u>	<u>2003</u>
Operating revenues	\$39,345,096	\$ 40,757,103
Operating expenses	<u>43,931,775</u>	<u>43,173,197</u>
Operating loss	<u>(4,586,679)</u>	<u>(2,416,094)</u>
Nonoperating revenues:		
Investment earnings	658,149	323,528
Gain (loss) on disposal of capital assets	<u>3,755</u>	<u>(30,406)</u>
Total nonoperating revenues	<u>661,904</u>	<u>293,122</u>
Capital contributions	<u>-</u>	<u>3,000</u>
Change in net assets	(3,924,775)	(2,119,972)
Net assets, January 1	<u>61,824,500</u>	<u>57,899,725</u>
Net assets, December 31	<u>\$57,899,725</u>	<u>\$55,779,753</u>

Commission's Activities

Operating revenues for the Commission were \$40,757,103 for fiscal year 2003. Sources of revenue are comprised of concessions, admission taxes, rent, charges for services, advertising, novelties, parking and other miscellaneous revenues. Concessions constitute the largest source of revenues and represent 55 percent of total operating revenues. A portion of the concession revenues are paid to the tenants and a five percent management fee is paid to Centerplate, the contractor who manages and operates the concessions.

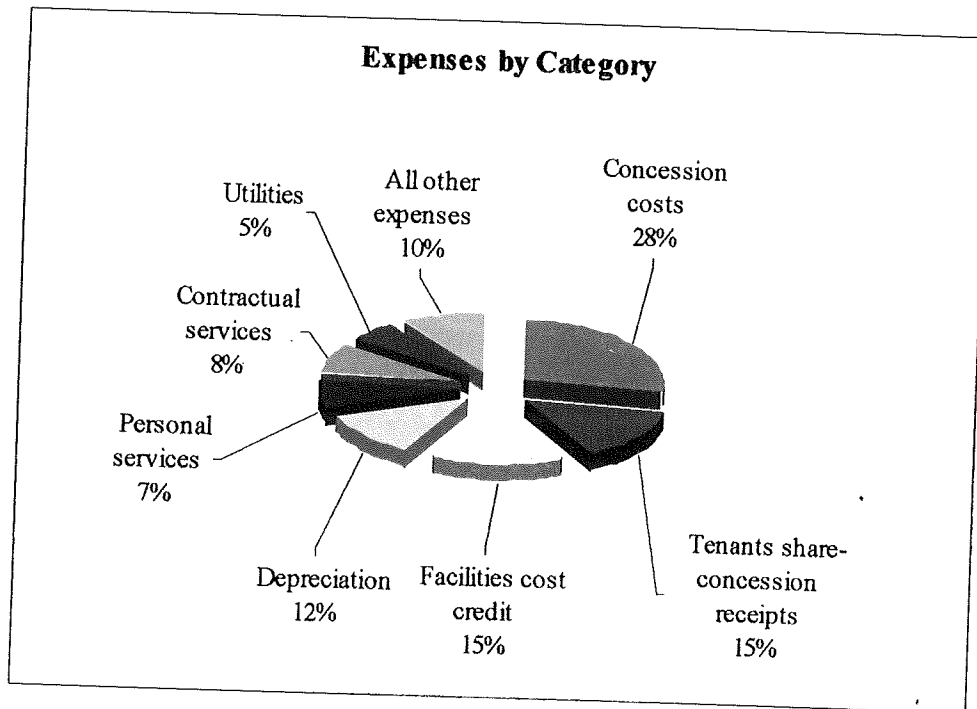
Per Minnesota statute a ten percent admission tax is charged on all Metrodome admission tickets. This tax was designed as a user fee to help defray operating expenses. Rent is based on the terms of the use agreement with the Minnesota Twins, Minnesota Vikings, and various other tenants. Rent also includes the private suite rent from the Minnesota

Vikings. Charges for services include the payments from the tenants and others for event related expenses. The Commission receives advertising revenue from the stadium seating area and the outside marquee; some of the tenants receive the advertising revenue from the concourses. Below is a chart of the 2003 operating revenues by source.



Commission operating expenses include concession (operating) costs, tenants' share of concession receipts, facilities cost credit, personal services, professional services, contractual services, utilities, supplies, repairs and maintenance, insurance, facilities planning, research and public information, depreciation and other expenses. The facilities cost credit was created to help the major tenants enhance team revenues and/or reduce event day cost of operations in the Metrodome. The Commission issues an annual payment to the Minnesota Twins and the University of Minnesota that is equal to the admissions tax paid by each team for events in the Metrodome. The Commission waives the required rent payment from the Minnesota Vikings in lieu of the facilities cost credit.

The Commission also spent monies to improve the stadium for the enjoyment of its tenants and their fans. Regular maintenance, repairs, and upgrades are essential to keep the stadium up to date and in line with current stadium designs. The Commission attempts to keep abreast of changing public needs and expectations to make sure it fulfills the community's needs for comfort and convenience. Below is a chart of the 2003 expenses by category.



Capital Assets

The Commission's investment in capital assets as of December 31, 2003 was \$36,836,054 (net of accumulated depreciation). The following summarizes the Commission's capital assets as of December 31, 2002 and 2003.

Capital Assets As of December 31, 2002 and 2003

	<u>2002</u>	<u>2003</u>
Capital assets:		
Land	\$8,700,000	\$8,700,000
Buildings	95,046,903	98,354,268
Equipment	<u>10,862,340</u>	<u>10,301,967</u>
Total capital assets	114,609,243	117,356,235
Less: accumulated depreciation	<u>(76,511,631)</u>	<u>(80,520,181)</u>
Total capital assets, net	<u>\$38,097,612</u>	<u>\$36,836,054</u>

During fiscal year 2003, the Commission's net increase in capital assets (including additions and deletions) was \$2,746,992, or two percent, over last year.

This year's major capital asset additions included the following:

- Several concession stands were renovated to meet current design standards and the American with Disabilities Act (ADA) requirements.
- Additional security equipment was installed in the building and on the perimeter of the Metrodome.
- Four new storage buildings were constructed and are located on the perimeter of the Metrodome at Gates A, E and G.
- The Metrodome plaza opened in September 2003 and provides additional concession operations. The plaza is adjacent to the light rail transit station.
- Additional LED advertising display panels were installed and are located on the upper deck façade.
- New Parking Booth was installed at the 4th Street entrance to the Metrodome.

Additional information on the Commission's capital assets can be found in the notes to the financial statements.

Economic Factors

- Planned Metrodome events include 81 games for the Minnesota Twins, 10 games for the Minnesota Vikings, and 6 games for the University of Minnesota Gopher football team. Other scheduled events include: high school and college sporting events, monster truck events, Snowcross, Supercross, and other sport and recreation events.
- The Commission is in negotiations for hosting the Warped Tour in July 2004.
- Inflationary trends in the Minneapolis/St. Paul metropolitan area compare favorably to national indices.
- Minnesota's House of Representatives 83rd Legislative Session (2003-2004) has a bill before it for providing a process to build two new stadiums for the use of the Minnesota Twins and the Minnesota Vikings. The bill would establish the Minnesota Stadium Authority which would independently choose sites for the two stadiums from proposals submitted by the franchise owners and the proposed host communities and it would set time frames for negotiations and construction of the two stadiums. The Authority would also recommend to the legislature and the governor a proposed disposition of the Metrodome facility and of the Metropolitan Sports Facilities Commission and its financial reserves, if any.

Requests for Information

This financial report is designed to provide a general overview of the Commission's finances for all those with an interest in its financial position and to demonstrate the Commission's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Director of Finance, Metropolitan Sports Facilities Commission, 900 South Fifth Street, Minneapolis, Minnesota 55415.

METROPOLITAN SPORTS FACILITIES COMMISSION
Statement of Net Assets
December 31, 2003

Exhibit A

ASSETS

Current assets:

Cash and cash equivalents	\$ 11,352,726
Investments	7,570,959
Receivables:	
Accounts	4,502,560
Accrued interest	56,010
Prepaid items	278,351
Total current assets	<u>23,760,606</u>

Noncurrent assets:

Receivables:	
Accounts	351,500
Capital assets:	
Land	8,700,000
Building	98,354,268
Equipment	10,301,967
Accumulated depreciation	(80,520,181)
Total capital assets (net of accumulated depreciation)	<u>36,836,054</u>
Total noncurrent assets	<u>37,187,554</u>
Total assets	<u>60,948,160</u>

LIABILITIES

Current liabilities:

Salaries and benefits payable	67,695
Accounts payable and other accrued liabilities	4,759,392
Deferred revenue	178,589
Total current liabilities	<u>5,005,676</u>

Noncurrent liabilities:

Compensated absences	162,731
Total liabilities	<u>5,168,407</u>

NET ASSETS

Invested in capital assets	36,836,054
Unrestricted	18,943,699
Total net assets	<u>\$ 55,779,753</u>

The notes to the financial statements are an integral part of this statement.

METROPOLITAN SPORTS FACILITIES COMMISSION
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended December 31, 2003

Exhibit B

Operating revenues:	
Concessions	\$ 22,435,339
Admission tax	7,594,055
Rent	4,734,140
Charges for services	3,249,702
Advertising	2,162,562
Novelties	142,069
Parking	145,379
Other	293,857
Total operating revenues	<u>40,757,103</u>
Operating expenses:	
Concession costs	11,841,615
Tenants share of concession receipts	6,293,697
Facilities cost credit	6,576,380
Personal services	3,169,272
Professional services	639,046
Contractual services	3,657,299
Audio-visual services	292,588
Travel and meetings	64,501
Supplies, repairs and maintenance	710,888
Utilities	2,339,391
Insurance	610,687
Communications	94,144
Facilities planning, research and public information	184,562
Event costs	1,135,068
Marketing and advertising	241,479
Miscellaneous	232,401
Depreciation	5,090,179
Total operating expenses	<u>43,173,197</u>
Total operating loss	<u>(2,416,094)</u>
Nonoperating revenues:	
Investment earnings	323,528
Loss on disposal of capital assets	(30,406)
Total nonoperating revenues	<u>293,122</u>
Capital contributions	<u>3,000</u>
Change in net assets	(2,119,972)
Total net assets, January 1, 2003	<u>57,899,725</u>
Total net assets, December 31, 2003	<u>\$ 55,779,753</u>

The notes to the financial statements are an integral part of this statement.

METROPOLITAN SPORTS FACILITIES COMMISSION
Statement of Cash Flows
For the Year Ended December 31, 2003

Exhibit C

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from concessionaire	\$ 10,821,831
Cash received from tenants	11,980,758
Cash received from others	2,964,601
Cash payments to concessionaire, vendors and others	(3,147,136)
Cash payments to tenants	(9,872,604)
Cash payments to employees	(10,593,780)
Net cash provided (used) by operating activities	<u>2,153,670</u>

CASH FLOWS FROM CAPITAL ACTIVITIES

Purchase of capital assets	<u>(3,856,028)</u>
----------------------------	--------------------

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sales and maturities of investments	3,844,246
Purchase of investments	(4,499,736)
Interest received	648,860
Net cash provided (used) by investing activities	<u>(6,630)</u>

Net decrease in cash and cash equivalents	<u>(1,708,988)</u>
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Cash and cash equivalents, January 1	13,061,714
--------------------------------------	------------

Cash and cash equivalents, December 31	<u>\$ 11,352,726</u>
--	----------------------

**Reconciliation of operating loss to net cash provided
(used) by operating activities:**

Operating loss	<u>\$ (2,416,094)</u>
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation expense	5,090,179
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	(230,854)
(Increase) decrease in prepaid expenses	(27,078)
Increase (decrease) in salaries and benefits payable	(131,811)
Increase (decrease) in accounts payable and other accrued liabilities	(173,427)
Increase (decrease) in deferred revenue	(119,976)
Increase (decrease) in compensated absences	162,731
Total adjustments	<u>4,569,764</u>
Net Cash provided by operating activities	<u>\$ 2,153,670</u>

Noncash investing, capital, and financing activities:

Increase in fair value of investments	\$ 143,793
Capital asset trade-ins	\$ 17,513
Capital contributions	\$ 3,000

The notes to the financial statements are an integral part of this statement.

METROPOLITAN SPORTS FACILITIES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2003

I. Summary of significant accounting policies

A. Reporting entity

The Metropolitan Sports Facilities Commission (Commission) was established under Chapter 89, Minnesota Laws 1977 as amended and currently operates under Minnesota Statutes, Chapter 473. The Commission is composed of six members appointed by the Minneapolis City Council and a chair appointed by the Governor. The commissioners serve four-year terms.

The primary responsibility of the Commission is the operation of the Hubert H. Humphrey Metrodome sports facility (Metrodome). The Metrodome hosts a variety of events including the Minnesota Twins, Minnesota Vikings, University of Minnesota football Gophers, various collegiate and amateur sports events, concerts, and community events. The Commission has Use Agreements with the Minnesota Vikings and the University of Minnesota obligating them to play all home football games, through the 2011 season, at the Metrodome. The extended Use Agreement with the Minnesota Twins expired on October 31, 2003 and December 31, 2003 with respect to the Metrodome office space. The Commission is in negotiations with the Minnesota Twins for a new Baseball Use Agreement.

The financial statements of the Commission have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted primary standard-setting body for establishing governmental accounting and financial reporting principles. The Commission's significant accounting policies are described below.

The Commission is a component unit of the Metropolitan Council. The Metropolitan Council annually approves the Commission's budget, issued the original debt to finance the Metrodome, refunded the debt and then defeased the refunding bonds.

B. Measurement focus, basis of accounting, and financial statement presentation

The Commission's enterprise fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the Commission's enterprise fund are:

METROPOLITAN SPORTS FACILITIES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2003

I. Summary of significant accounting policies (continued)

concession revenues, admission taxes, rent and charges for services. Operating expenses include concession costs, tenants share of concession receipts, facilities cost credit, building maintenance, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities That Use Proprietary Fund Accounting*, the Commission has elected not to apply Financial Accounting Standards Board statements and interpretations issued after November 30, 1989.

C. Assets, liabilities, and net assets

1. Cash and investments

The Commission has defined cash and cash equivalents as cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The Commission may invest funds as authorized by Minnesota Statutes, Chapter 118A, and the Commission's internal investment policy. The Commission's investments consist principally of debt securities of the U. S. Government. Investments are stated at fair value.

2. Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

3. Capital assets

Capital assets include land, buildings and equipment. Capital assets are defined by the Commission as assets with an initial, individual cost of \$500 or more and an estimated useful life greater than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are depreciated over their estimated useful lives using the straight-line method. The estimated useful lives are as follows:

METROPOLITAN SPORTS FACILITIES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2003

I. Summary of significant accounting policies (continued)

<u>Capital Assets</u>	<u>Useful Life</u>
Buildings	9 – 30 years, up to Year 2011
Equipment	3 – 10 years, up to Year 2011

4. Compensated absences

The Commission accrues vacation and sick leave when earned. All full-time employees earn annual vacation leave based on years of service and are allowed to accumulate up to a maximum of 280 hours as of the end of each year. Certain employees qualify for a sick leave severance benefit paid at termination. The pay rate in effect at the end of the year and the employer's share of social security contributions are used to calculate compensated absences accruals at December 31.

5. Deferred revenue

Deferred revenue consists of amounts recognized as assets that have not been earned. These amounts include admission taxes, advertising revenues, and rent.

6. Net assets

Net assets are comprised of two categories: net assets invested in capital assets and unrestricted net assets. The first category reflects the portion of assets that is associated with non-liquid capital assets. Net assets that are neither restricted nor related to capital assets, are reported as unrestricted net assets. The Commission maintains the following unrestricted net asset accounts:

<u>Unrestricted Net Asset Accounts</u>	<u>Balance as of December 31, 2003</u>
Operating account	\$ 6,661,686
Capital improvement account	7,889,481
Repair and replacement account	3,772,559
Concessions reserve account	<u>619,973</u>
	<u>\$18,943,699</u>

II. Detailed notes

A. Deposits and investments

Minnesota Statutes, Chapter 118A, require that all Commission deposits in excess of available federal deposit insurance be protected by corporate surety bonds or collateral pledged to the Commission. The statute further requires the total amount of collateral computed at its fair market value shall be at least ten percent more than the amount on deposit at the close of the business day.

At December 31, 2003, the carrying amount of the Commission's combined bank

METROPOLITAN SPORTS FACILITIES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2003

II. Detailed notes (continued)

accounts was \$572,939. Bank balances were \$904,450 of which \$100,000 was covered by federal depository insurance (FDIC) and the remaining \$804,450 was collateralized with securities held by the pledging institution's agent in the Commission's name. The differences between carrying value and bank balance generally result from checks outstanding and deposits in transit at December 31, 2003.

The Commission's investments are categorized to give an indication of the level of custodial credit risk assumed by the Commission as of December 31, 2003. The three categories of credit risk:

- (1) Insured or registered, or securities held by the Commission or its agent in the Commission's name.
- (2) Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Commission's name.
- (3) Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the Commission's name.

	Credit Risk Category			Fair Value
	1	2	3	
U. S. Government Securities	\$7,570,959			\$ 7,570,959
Money market funds				\$10,779,687
Cash (on-hand and in bank)				<u>\$573,039</u>
			Total cash and investments	<u>\$18,923,685</u>

B. Capital assets

Capital asset activity for the year ended December 31, 2003 was as follows:

	Balance <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>December 31</u>
Capital assets, not being depreciated:				
Land	\$8,700,000	\$ -	\$ -	\$8,700,000
Capital assets, being depreciated:				
Buildings	95,046,903	3,307,365	-	98,354,268
Equipment	10,862,340	569,176	(1,129,549)	10,301,967
Total capital assets, being depreciated	<u>105,909,243</u>	<u>3,876,541</u>	<u>(1,129,549)</u>	<u>108,656,235</u>
Less: accumulated depreciation for:				
Buildings	(69,900,080)	(4,180,647)	-	(74,080,727)
Equipment	(6,611,551)	(909,532)	1,081,629	(6,439,454)
Total accumulated depreciation	<u>(76,511,631)</u>	<u>(5,090,179)</u>	<u>1,081,629</u>	<u>(80,520,181)</u>
Total capital assets, being depreciated, Net	<u>29,397,612</u>	<u>(1,213,638)</u>	<u>(47,920)</u>	<u>28,136,054</u>
Total capital assets, net	<u>\$38,097,612</u>	<u>\$(1,213,638)</u>	<u>\$ (47,920)</u>	<u>\$36,836,054</u>

METROPOLITAN SPORTS FACILITIES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2003

II. Detailed notes (continued)

C. Expenses – Facilities Cost Credit

In 1998 the Commission created the facilities cost credit to assist the Minnesota Twins, Minnesota Vikings and the University of Minnesota football Gophers in enhancing team revenues and/or reducing event day cost of operations in the Metrodome. Since 1999 the Commission has issued an annual payment to the Minnesota Twins and the University of Minnesota football Gophers that is equal to the admissions tax paid by each team for their events in the Metrodome. At the request of the Minnesota Vikings, the Commission waived the required rent payment in lieu of the facilities cost credit. Although the facilities cost credit may not exceed admission tax amounts for each team’s events, the tax is not waived or pledged to the teams.

D. Defeasance of debt

In March 1998, the Commission entered into an agreement with the Metropolitan Airports Commission for the sale of the Met Center property. The Indenture of Trust dated August 1, 1992, between the Metropolitan Council (issuer of bonds) and the Trustee for the Sports Facilities Revenue Refunding Bonds Series 1992 (Metrodome Refunding Bonds), restricted the proceeds from the sale of the Met Center property to debt service application or retirement of the bonds. On March 11, 1998, the Metropolitan Council, at the request of the Commission, entered into an Escrow Agreement to defease the outstanding Metrodome Refunding bonds. The proceeds from the sale of the Met Center property and funds on hand of the Commission were placed in an irrevocable escrow fund to provide for all future debt service payments on the bonds. Accordingly, the escrow fund assets and the liabilities for the defeased bonds are not included in the financial statements. The balance outstanding of the defeased bonds as of December 31, 2003 was \$19,825,000.

E. Changes in long-term liabilities

In fiscal year 2003, the Commission decided to report separately compensated absences and salaries and benefits payable. Long-term activity for the year ended December 31, 2003, was:

<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
\$ -	\$ 162,731	\$ -	\$162,731	\$ -

METROPOLITAN SPORTS FACILITIES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2003

III. Other information

A. Retirement plan

The Commission employees are covered by the Minnesota State Retirement System (MSRS) plan.

Plan Description

MSRS is a cost-sharing multiple employer defined benefit public employee retirement plan. MSRS provides retirement benefits, as well as disability benefits to members, and benefits to survivors upon the death of eligible members. Minnesota Statutes, Chapter 352, establishes MSRS and the plan benefit provisions.

MSRS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing to Minnesota State Retirement System, 60 Empire Drive, Suite 300, St. Paul, Minnesota 55103-3000 or by calling (651) 296-2761.

Funding Policy

Minnesota Statutes, Chapter 352, sets the rate for employee and employer contributions. Contributions are made to the fund by the employees and the employer, based on a percentage of gross salary/wage. The total required contribution rate was eight percent, the employee and the employer each have a required contribution rate of four percent.

Employer contributions to MSRS, which equaled the required contribution for each year were:

<u>Year</u>	<u>Contributions</u>
2001	\$74,501
2002	74,504
2003	76,944

B. Risk management

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; work related injuries; and natural disasters for which the Commissions purchased commercial insurance. Within the past three fiscal years, no settled claims have exceeded commercial coverage. The only reduction in insurance coverage from the prior year was the Commission did not renew its public officials liability insurance policy.

The Commission purchased all-risk property insurance, general and umbrella liability insurance, automobile insurance, crime insurance, and workers compensation insurance.

METROPOLITAN SPORTS FACILITIES COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2003

III. Other information (continued)

The Commission added terrorism coverage to its general and umbrella liability policies and purchased a separate terrorism property insurance policy.

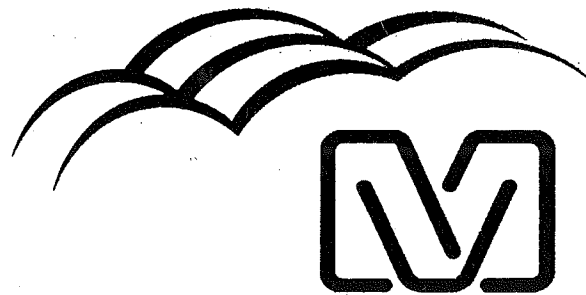
C. Subsequent events

In February 2004 two former Commission employees commenced a suit against the Commission, William Lester, Executive Director and Steve Maki, Director Facilities/Engineering alleging breach of contract, defamation, and intentional interference with contractual relations. The plaintiffs are seeking damages in excess of \$50,000. The Commission's insurer accepted the tender of the defense with reservation of rights. The Commission's counsel believes the claims are without basis.

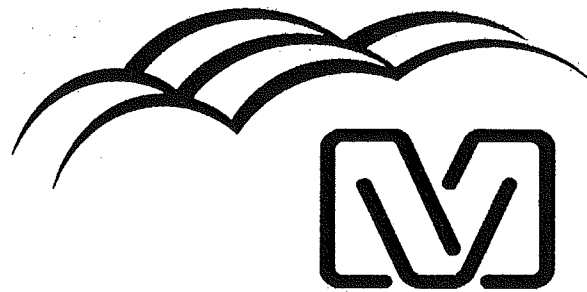


M E T R O D O M E

STATISTICAL SECTION



M E T R O D O M E



M E T R O D O M E

METROPOLITAN SPORTS FACILITIES COMMISSION

Expenses by Major Category

Last Ten Fiscal Years

December 31, 2003

Fiscal Year	Concession/ Plaza Costs	Tenants Share of Concessions	Facilities Cost Credit	Personal Services	Professional Services	Contractual Services
1994	\$ 5,833,096	\$ 2,920,877	\$ -	\$ 2,378,667	\$ 685,120	\$ 1,969,321
1995	5,854,566	2,126,957	-	2,337,640	801,401	2,014,890
1996	7,236,360	2,967,816	-	2,712,887	511,415	3,009,980
1997	7,157,924	2,846,059	-	2,854,262	366,003	2,238,933
1998	6,567,220	2,487,363	-	2,963,955	432,736	2,537,945
1999	6,945,860	2,500,213	3,498,199	3,116,778	298,829	2,693,136
2000	8,016,075	2,720,833	4,592,522	3,219,937	362,422	3,200,546
2001	10,217,971	4,979,243	5,406,589	3,114,633	326,949	3,782,745
2002	11,744,361	6,584,452	6,340,575	3,138,774	607,907	3,835,488
2003	11,841,615	6,293,697	6,576,380	3,169,272	639,046	3,657,299

Table 1

Audio-Visual	Travel and Meetings	Supplies, Repairs and		Utilities	Insurance	Communication	Other
		Maintenance					
\$ -	\$ 60,696	\$ 318,263	\$ 1,701,895	\$ 307,949	\$ 71,007	\$ 668,725	
-	60,587	348,390	1,726,150	260,559	70,804	1,153,598	
-	61,081	436,361	1,879,138	276,632	66,490	1,272,556	
354,093	39,662	425,602	1,987,931	236,930	70,351	1,682,313	
371,126	58,106	452,076	1,939,866	234,199	63,033	1,639,047	
532,982	53,716	443,065	1,928,348	243,708	70,972	1,235,997	
471,975	51,400	571,274	1,836,879	243,706	79,041	1,994,400	
444,512	38,786	677,490	2,332,833	293,153	156,880	3,638,199	
364,762	51,757	893,431	2,536,115	412,099	76,288	2,307,041	
292,588	64,501	710,888	2,339,391	610,687	94,144	1,793,510	

METROPOLITAN SPORTS FACILITIES COMMISSION
Revenues by Major Category
Last Ten Fiscal Years
December 31, 2003

Table 2

Fiscal Year	Concessions	Admission Tax	Rent	Advertising	Parking	Novelties and Other
1994	\$ 11,743,271	\$ 3,703,678	\$ 2,676,481	\$ 1,570,330	\$ 171,020	\$ 839,069
1995	10,879,594	3,562,493	3,120,226	1,501,911	136,974	856,424
1996	12,688,302	3,788,463	3,074,074	1,748,435	193,245	809,684
1997	12,632,631	4,317,754	3,483,204	1,834,458	145,933	989,654
1998	12,028,159	3,923,446	3,686,506	1,757,281	132,939	706,118
1999	12,287,430	4,636,332	4,383,490	1,792,685	142,809	816,479
2000	14,315,621	5,426,903	4,707,790	1,019,036	149,611	883,737
2001	19,374,144	6,724,513	4,633,947	1,604,761	146,015	808,258
2002	22,280,961	6,911,756	4,609,338	1,573,914	143,620	547,121
2003	22,435,339	7,594,055	4,734,140	2,162,562	145,379	435,926

METROPOLITAN SPORTS FACILITIES COMMISSION
Demographic Statistics
Last Ten Fiscal Years
December 31, 2003

Table 3

Fiscal Year	Metrodome Attendance
1994	2,245,165
1995	1,997,176
1996	2,290,905
1997	2,758,521
1998	2,957,460
1999	2,588,502
2000	2,641,182
2001	3,249,257
2002	3,516,570
2003	3,442,469

METROPOLITAN SPORTS FACILITIES COMMISSION
Miscellaneous Statistics

Table 4

December 31, 2003

Date of Establishment	1977
Number of primary tenants	3
Number of employees	
Full-time	34
Seating capacity	64,121
Number of private suites	115
Site size (acres)	20
Number of concession stands	
Upper level	17
Lower level	14
Plaza	1
Restrooms	32
Concourse width	
Upper level and lower level	20 feet
Playing field in relation to street level	47 feet below
Playing surface	Artificial turf
Playing field size	141,515 sq. feet
Roof	
Type	Fixed-supported by air
Surface	Teflon-coated fiberglass roof with inner fiberglass liner
Height above playing field	195 feet
Total dome area	415,000 sq. feet (9.5 acres)



Hubert H. Humphrey Metrodome
Metropolitan Sports Facilities Commission
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