Comprehensive Annual Financial Report

Fiscal year ended December 31, 2004

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, Minnesota

A Component Unit of the Metropolitan Council of the Twin Cities Area

METRODOME

Metropolitan Sports Facilities Commission
Minneapolis, Minnesota

Comprehensive Annual Financial Report

Fiscal year ended December 31, 2004

A component unit of the Metropolitan Council of the Twin Cities Area

METRODOME

Finance Department
900 South Fifth Street,
Minneapolis, Minnesota 55415

Metropolitan Sports Facilities Commission
Comprehensive Annual Financial Report
For the Fiscal Year Ended December 31, 2004

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INTRODUCTORY SECTION

METRODOME

METRODOME

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April 27, 2005

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, 2004. 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, the Government Finance Officers Association's Certificate of Achievement for Excellence in Financial Reporting, a list of the Commissioners and administrative officials, and the organizational chart. The financial section includes the independent auditor's report, Management's Discussion and Analysis (MD&A), and the Basic Financial Statements, including the notes to the financial statements. This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The Commission's MD&A can be found immediately following the report of the independent auditors. 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 of the Twin Cities Area (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 and the state of Minnesota. 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 cultural and sporting events. Our diverse economy and prosperous business sector have helped Minnesotans enjoy a high standard of living as reflected in high home ownership rates, great medical services, low crime rates and excellent educational institutions. The goods producing industries include mining, construction, manufacturing and farms; the services producing industries include agricultural services, transportation and utilities, wholesale and retail trade, finance, insurance and real estate services and government. The Twin Cities metropolitan area is home to 15 Fortune 500 companies and many prominent private companies representing a variety of industries, including energy, health care, banking and food products processing.

Economic indicators point to a growing economy in 2005, it is anticipated that there would be moderate growth in employment, personal income and home building. In 2004, 16,000 jobs were added, an increase in employment of .9 percent. It is expected that across all sectors, wages will grow moderately. Wage increases in 2004 were soft in part due to higher benefit costs, particularly health insurance. During 2004, prices for construction and manufacturing materials and energy products grew significantly. Housing units authorized have slowed slightly during the past year, as mortgage interest rates crawled higher, although they are still below historical averages. The slow commercial construction sector is showing signs of improvement. Office building construction has been slow due to relatively high vacancy rates. Unemployment rates began to decline in 2004. The metropolitan area's 2004 annual rate was 4.4 percent, well below the nation's annual rate of 5.5 percent and the state's annual rate of 4.7 percent.

Major Initiatives and Accomplishments

Artificial turf playing surface and warning track

A new artificial turf playing surface was installed in the Metrodome in March 2004. The new synthetic turf is a permanent system that is visibly different from the old 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. A new warning track surface was installed on the perimeter of the artificial turf system.

Ticket booth project

The Commission contracted for the construction of two new ticket booths to replace the 15 year old ticket booths at Gates F and H. The old booths were small and had only eight ticket windows. The new ticket booths were designed with 10-12 ticket windows and improved work areas for computerized ticketing. The new ticket booths will be utilized primarily by the Minnesota Twins and to a lesser extent by the Minnesota Vikings and the University of Minnesota. The new ticket booths will greatly enhance the Minnesota Twins' new computerized ticket system.

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 4.6% on these investments, which compares with the average return of .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, workers compensation insurance, and terrorism insurance. 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-third consecutive year. The auditor's report on the basic financial statements for the year ended December 31, 2004, 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

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Commission for its CAFR for the fiscal year ended December 31, 2003. This was the first year that the Commission received this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must 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 continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another 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 C. Fox-Stroman

Mary C. Fox-Stroman, CPA
Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Metropolitan Sports Facilities Commission, Minnesota

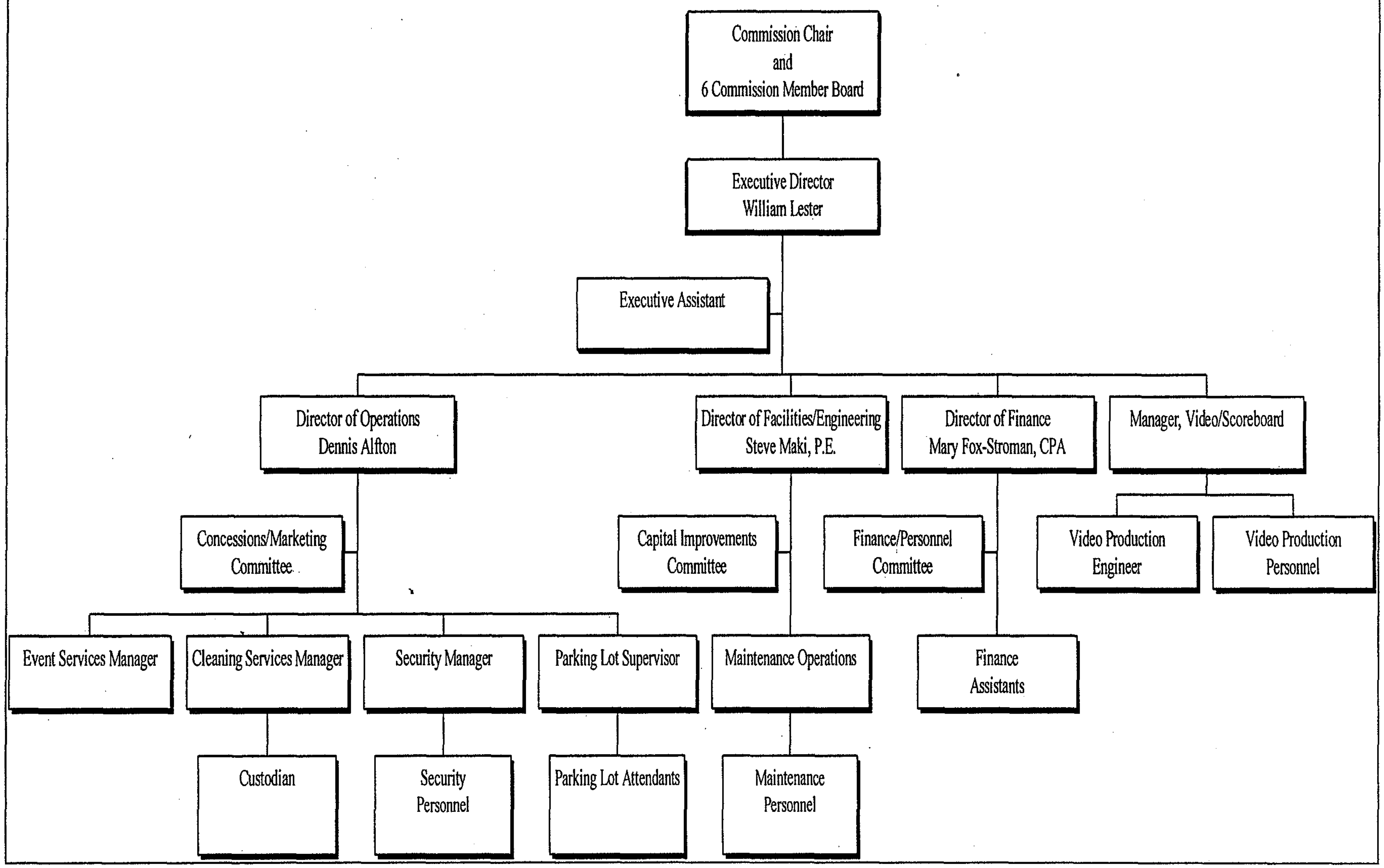
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

METROPOLITAN SPORTS FACILITIES COMMISSION



Metropolitan Sports Facilities Commission
List of Commissioners and Administrative Officials
December 31, 2004

COMMISSIONERS:

	Term of Office	
	First Appointed	**End of Term**
Roy Terwilliger, Chair	March 2003	January 2007
Loanne Thrane, Vice Chair	January 1985	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

METRODOME

FINANCIAL SECTION

METRODOME

OLA **OFFICE OF THE LEGISLATIVE AUDITOR**
STATE OF MINNESOTA • James Nobles, Legislative Auditor

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, 2004, and the related statement of revenues, expenses, and changes in net assets and statement of cash flows for the year then ended. 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, 2004, and the results of changes in its financial position and its cash flows 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 April 27, 2005, 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, 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 the 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.

Room 140 Centennial Building, 658 Cedar Street, St. Paul, Minnesota 55155-1603 • Tel: 651/296-4708 • Fax: 651/296-4712
E-mail: auditor@state.mn.us • TDD Relay: 651/297-5353 • Website: www.auditor.leg.state.mn.us

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

Our audit was conducted for the purposes of forming an opinion on the Commission's basic financial statements. The Introductory Section and Statistical Section, as listed in the table of contents, are presented for the purposes of additional analysis and are not a required part of the Commission's basic financial statements. The Introductory and Statistical Sections, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of basic financial statements and, accordingly, we express no opinion on them.

James R. Nobles
Legislative Auditor

Claudia J. Gudvangen, CPA
Deputy Legislative Auditor

April 27, 2005

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, 2004. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i - iv of this report.

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 $52,903,682 at December 31, 2004, a decrease in net assets of $2,876,071 from the previous year.
- During fiscal year 2004, the Commission's revenues increased by $138,328, fiscal year 2004 revenues were $41,218,959. The increase in revenues was due primarily to a stronger market and improved earnings rates on investments, investment earnings increased by $108,064. Operating revenues had only a modest increase of $30,264.
- The Commission's expenses increased by $891,427 during the year, fiscal year 2004 expenses were $44,095,030. This increase in expenses is largely attributable to an increase in utility expenses of $523,710 and an increase in facilities cost credit expenses of $513,304.

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 football Gophers. 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 term of the Use Agreement with the Minnesota Twins was from July 31, 1998 to October 31, 2003 and to December 31, 2003, with respect to the Metrodome office space. However, in 2004 the Commission and the Minnesota Twins, by their conduct, have continued to operate consistent with the terms and conditions of the 1998 Baseball Use Agreement. The Commission continues to negotiate with the Minnesota Twins for an extension of the 1998 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 11 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 12 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 13 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 14 - 21 of this report.

Financial Analysis

As noted earlier, net assets serve as a useful indicator of the Commission's financial position. In fiscal year 2004, the Commission's net assets decreased by $2,876,071 (5 percent) to $52,903,682. The largest portion of the Commission's net assets, $34,284,166 (65 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 $18,619,516 (35 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, 2003 and 2004:

Summary of Net Assets
as of December 31, 2003 and 2004

	2003	2004
ASSETS		
Current assets:		
Cash and cash equivalents	$ 11,352,726	$ 11,696,616
Investments	7,570,959	8,079,740
Receivables:		
Accounts	4,502,560	4,197,875
Accrued interest	56,010	61,063
Prepaid items	278,351	246,384
Total current assets	23,760,606	24,281,678
Noncurrent assets:		
Receivables:		
Accounts	351,500	401,500
Capital assets:		
Land	8,700,000	8,700,000
Building	98,354,268	98,343,087
Equipment	10,301,967	10,561,286
Accumulated depreciation	(80,520,181)	(83,320,207)
Total capital assets (net of accumulated depreciation)	36,836,054	34,284,166
Total noncurrent assets	37,187,554	34,685,666
Total assets	60,948,160	58,967,344
LIABILITIES		
Current liabilities:		
Salaries and benefits payable	67,695	94,632
Accounts payable and other accrued liabilities	4,759,392	5,432,339
Deferred revenue	178,589	363,691
Total current liabilities	5,005,676	5,890,662
Noncurrent liabilities:		
Compensated absences	162,731	173,000
Total liabilities	5,168,407	6,063,662
NET ASSETS		
Invested in capital assets	36,836,054	34,284,166
Unrestricted	18,943,699	18,619,516
Total net assets	$ 55,779,753	$ 52,903,682

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, 2003 and 2004.

Summary of Changes in Net Assets
For the Fiscal Years Ended December 31, 2003 and 2004

	2003	2004
Operating revenues:		
Concessions	$ 22,435,339	$ 22,529,617
Admission tax	7,594,055	7,633,567
Rent	4,734,140	4,854,723
Charges for services	3,249,702	3,120,076
Advertising	2,162,562	1,852,312
Novelties	142,069	211,311
Parking	145,379	141,625
Other	293,857	444,136
Total operating revenues	40,757,103	40,787,367
Operating expenses:		
Concession costs	11,841,615	12,019,363
Tenants share of concession receipts	6,293,697	6,481,646
Facilities cost credit	6,576,380	7,089,684
Personal services	3,169,272	3,370,186
Professional services	639,046	523,768
Contractual services	3,657,299	3,578,312
Audio-visual services	292,588	266,218
Travel and meetings	64,501	41,325
Supplies, repairs and maintenance	710,888	759,200
Utilities	2,339,391	2,863,101
Insurance	610,687	559,440
Communications	94,144	80,670
Facilities planning, research and public information	184,562	100,722
Event costs	1,135,068	575,615
Marketing and advertising	241,479	418,810
Miscellaneous	232,401	143,368
Depreciation	5,090,179	5,208,418
Total operating expenses	43,173,197	44,079,846
Total operating loss	(2,416,094)	(3,292,479)
Nonoperating revenues:		
Investment earnings	323,528	431,592
Loss on disposal of capital assets	(30,406)	(15,184)
Total nonoperating revenues	293,122	416,408
Capital contributions	3,000	-
Change in net assets	(2,119,972)	(2,876,071)
Total net assets, January 1	57,899,725	55,779,753
Total net assets, December 31	$ 55,779,753	$ 52,903,682

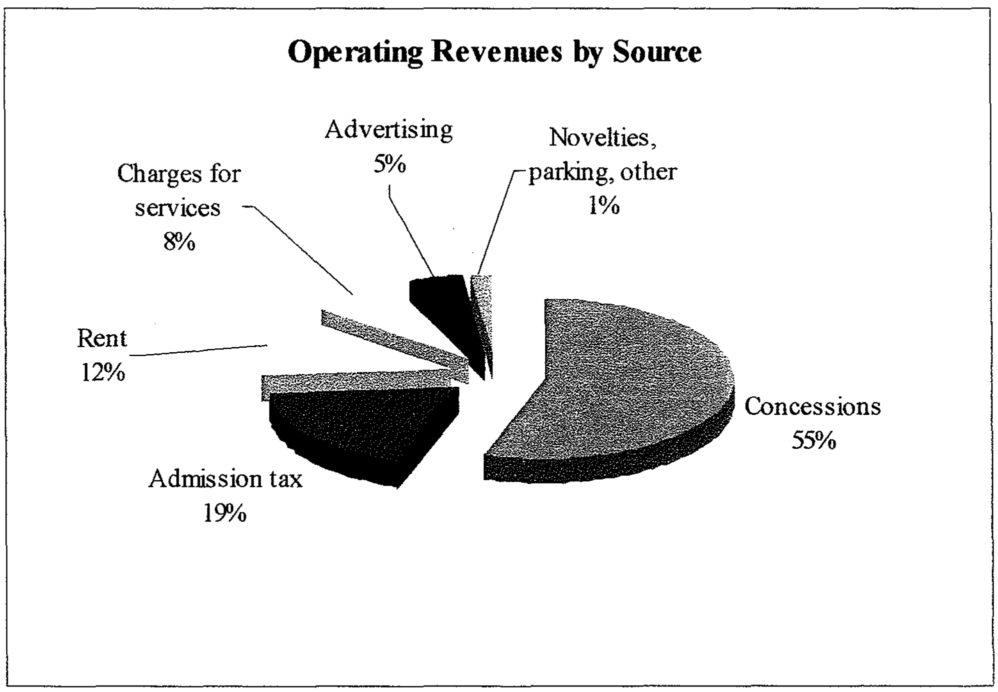
Commission's Activities

Operating revenues for the Commission were $40,787,367 for fiscal year 2004. Sources of revenue are comprised of concessions, admission tax, rent, charges for services, advertising, novelties, parking and other 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 statutes 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. The largest changes in revenues were:

- Advertising revenues decreased by $310,250 (14 percent) due to a reduction in advertising sales.
- Novelties increased by $69,242 (49 percent) due to increased Minnesota Twins novelty sales.
- Other revenues increased by $150,279 (51 percent) primarily due to an increase in commissions on the private suites food and beverages of $50,140 and the Commission received a $75,000 settlement from Hartford Insurance due to the failed performance of Southwest Regional Industries to install a new artificial turf system.

Below is a chart of the 2004 operating revenues by source.



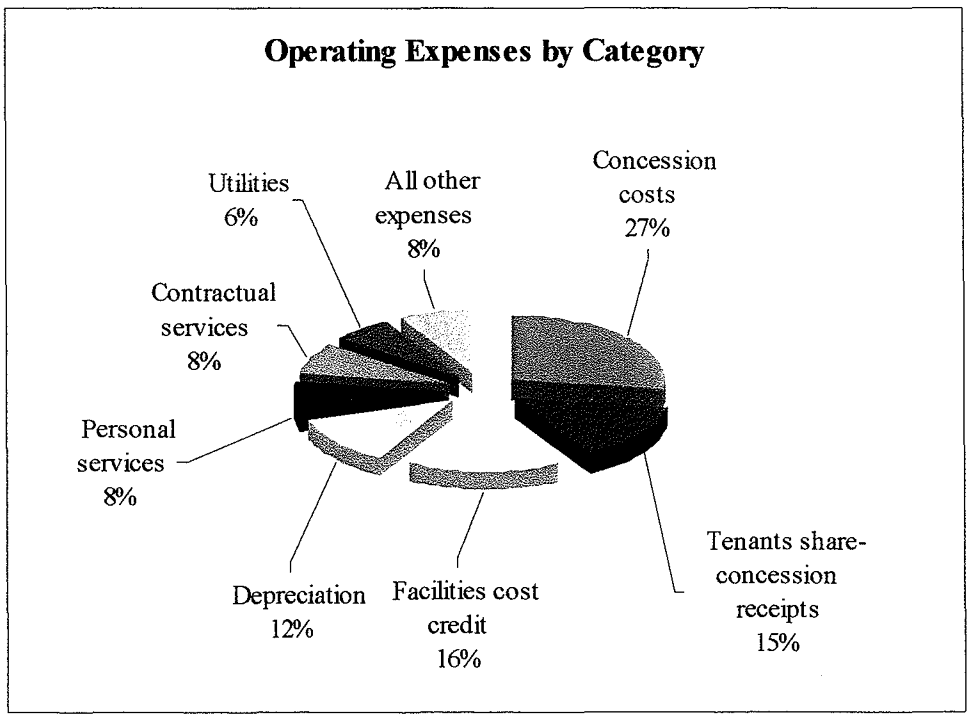
Commission operating expenses include concession (operating) costs, tenants share of concession receipts, facilities cost credit, personal services, professional services, contractual services, utilities, supplies, repairs and maintenance, insurance, facilities planning, research and public information, 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 admission 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. The largest increases in expenses were:

- Utilities expenses increased by $523,710. This increase is primarily due to an increase in air conditioning expenses of $291,468 due to rate increases.
- Facilities cost credit expenses increased by $513,304, of this amount $294,658 was for the Minnesota Twins, $148,894 was for the Minnesota Vikings, and $69,752 was for the U of M Gophers.

Below is a chart of the 2004 operating expenses by category.



Capital Assets

The Commission's investment in capital assets as of December 31, 2004 was $34,284,166 (net of accumulated depreciation). The following summarizes the Commission's capital assets as of December 31, 2003 and 2004.

Capital Assets
As of December 31, 2003 and 2004

	2003	2004
Capital assets:		
Land	$8,700,000	$ 8,700,000
Buildings	98,354,268	98,343,087
Equipment	10,301,967	10,561,286
Total capital assets	117,356,235	117,604,373
Less: accumulated depreciation	(80,520,181)	(83,320,207)
Total capital assets, net	$36,836,054	$34,284,166

During fiscal year 2004, the Commission's net increase in capital assets (including additions and deletions) was $248,138 over last year. This year's major capital asset additions included the following:

- An artificial turf system and a warning track surface were installed
- Two new ticket booths were constructed and are located at Gates F and H
- The concession renovation project was completed and new menu boards were installed
- Vikings locker room modifications were completed
- New advertising panels were installed

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, ten games for the Minnesota Vikings, and six games for the University of Minnesota Gopher football team. Other scheduled events include: high school and college sporting events, monster truck events, and other sport and recreation events.
- The Commission is in negotiations for hosting Vans Warped Tour in July 2005. Three motorsports events, a Monster Truck show, Snow Cross and Supercross, were not held at the Metrodome in 2005.
- Scheduled future Metrodome events include the 2006 NCAA Midwest Men's Regional Basketball Tournament in March 2006.
- There are several stadium bills before the 84th Legislative Session (2005-2006) that could impact the Commission and/or the Metrodome including a bill to partially fund the construction of a new University of Minnesota on-campus football stadium, a bill

to authorize Hennepin County to impose a sales tax that would partially fund a new Minnesota Twins ballpark, and a bill that would authorize Anoka County to impose certain taxes to partially fund the construction of a new Minnesota Vikings football stadium in Blaine, Minnesota. The University of Minnesota stadium bill would require the Commission to release the University of Minnesota from its obligation to play all home football games in the Metrodome through the 2011 football season.

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 **Exhibit A**
Statement of Net Assets
December 31, 2004

ASSETS	
Current assets:	
Cash and cash equivalents	$ 11,696,616
Investments	8,079,740
Receivables:	
Accounts	4,197,875
Accrued interest	61,063
Prepaid items	246,384
Total current assets	24,281,678
Noncurrent assets:	
Receivables:	
Accounts	401,500
Capital assets:	
Land	8,700,000
Building	98,343,087
Equipment	10,561,286
Accumulated depreciation	(83,320,207)
Total capital assets (net of accumulated depreciation)	34,284,166
Total noncurrent assets	34,685,666
Total assets	58,967,344
LIABILITIES	
Current liabilities:	
Salaries and benefits payable	94,632
Accounts payable and other accrued liabilities	5,432,339
Deferred revenue	363,691
Total current liabilities	5,890,662
Noncurrent liabilities:	
Compensated absences	173,000
Total liabilities	6,063,662
NET ASSETS	
Invested in capital assets	34,284,166
Unrestricted	18,619,516
Total net assets	$ 52,903,682

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

METROPOLITAN SPORTS FACILITIES COMMISSION **Exhibit B**
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended December 31, 2004

Operating revenues:	
Concessions	$ 22,529,617
Admission tax	7,633,567
Rent	4,854,723
Charges for services	3,120,076
Advertising	1,852,312
Novelties	211,311
Parking	141,625
Other	444,136
Total operating revenues	40,787,367
Operating expenses:	
Concession costs	12,019,363
Tenants share of concession receipts	6,481,646
Facilities cost credit	7,089,684
Personal services	3,370,186
Professional services	523,768
Contractual services	3,578,312
Audio-visual services	266,218
Travel and meetings	41,325
Supplies, repairs and maintenance	759,200
Utilities	2,863,101
Insurance	559,440
Communications	80,670
Facilities planning, research and public information	100,722
Event costs	575,615
Marketing and advertising	418,810
Miscellaneous	143,368
Depreciation	5,208,418
Total operating expenses	44,079,846
Total operating loss	(3,292,479)
Nonoperating revenues:	
Investment earnings	431,592
Loss on disposal of capital assets	(15,184)
Total nonoperating revenues	416,408
Change in net assets	(2,876,071)
Total net assets, January 1, 2004	55,779,753
Total net assets, December 31, 2004	$ 52,903,682

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

METROPOLITAN SPORTS FACILITIES COMMISSION **Exhibit C**
Statement of Cash Flows
For the Year Ended December 31, 2004

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from concessionaire	$ 10,944,492
Cash received from tenants	8,853,147
Cash received from others	3,347,114
Cash payments to concessionaire, vendors and others	(9,989,714)
Cash payments to tenants	(6,724,213)
Cash payments to employees	(3,332,980)
Net cash provided (used) by operating activities	3,097,846
CASH FLOWS FROM CAPITAL ACTIVITIES	
Purchase of capital assets	(2,686,676)
Proceeds from sales of capital assets	14,962
Net cash provided (used) by capital activities	(2,671,714)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales and maturities of investments	2,890,605
Purchase of investments	(3,663,666)
Interest received	690,819
Net cash provided (used) by investing activities	(82,242)
Net increase in cash and cash equivalents	343,890
Cash and cash equivalents, January 1	11,352,726
Cash and cash equivalents, December 31	$ 11,696,616
Reconciliation of operating loss to net cash provided (used) by operating activities:	
Operating loss	$ (3,292,479)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation expense	5,208,418
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	254,685
(Increase) decrease in prepaid items	31,967
Increase (decrease) in salaries and benefits payable	26,937
Increase (decrease) in accounts payable and other accrued liabilities	672,947
Increase (decrease) in deferred revenue	185,102
Increase (decrease) in compensated absences	10,269
Total adjustments	6,390,325
Net Cash provided by operating activities	$ 3,097,846
Noncash investing, capital, and financing activities:	
Increase in fair value of investments	$ 81,168
Capital asset trade-ins	$ 22,530

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

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 (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 term of the Use Agreement with the Minnesota Twins was from July 31, 1998 to October 31, 2003 and to December 31, 2003, with respect to the Metrodome office space. However, in 2004 the Commission and the Minnesota Twins, by their conduct, have continued to operate consistent with the terms and conditions of the 1998 Baseball Use Agreement. The Commission continues to negotiate with the Minnesota Twins for an extension of the 1998 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 of the Twin Cities Area (Metropolitan Council). The Metropolitan Council issued the original debt to finance the Metrodome, refunded the debt in 1992, and then defeased the refunding bonds in 1998. The Metropolitan Council annually approves the Commission's budget.

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.

I. Summary of significant accounting policies (continued)

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: 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.

I. Summary of significant accounting policies (continued)

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

Capital Assets	Useful Life
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:

Unrestricted Net Asset Accounts	Balance as of December 31, 2004
Operating account	$ 8,405,796
Capital improvement account	7,524,466
Repair and replacement account	1,781,463
Concessions reserve account	907,791
	$18,619,516

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

II. Detailed notes (continued)

deposit at the close of the business day. At December 31, 2004, the carrying amount of the Commission's combined bank accounts was $549,020. Bank balances were $756,821 of which $100,000 was covered by federal depository insurance (FDIC) and the remaining $656,821 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, 2004. At December 31, 2004, the balance in the money market account was $11,147,446.

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, 2004. 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.

Investment balances at December 31, 2004 were:

	Credit Risk Category			Reported Amount/
	1	2	3	Fair Value
U. S. Government Securities	$8,079,740			$ 8,079,740
			Total investments	$ 8,079,740

B. Capital assets

Capital asset activity for the year ended December 31, 2004 was as follows:

	Balance January 1	Increases	Decreases	Balance December 31
Capital assets, not being depreciated:				
Land	$8,700,000	$ -	$ -	$8,700,000
Capital assets, being depreciated:				
Buildings	98,354,268	2,256,870	(2,268,051)	98,343,087
Equipment	10,301,967	453,336	(194,017)	10,561,286
Total capital assets, being depreciated	108,656,235	2,710,206	(2,462,068)	108,904,373
Less: accumulated depreciation for:				
Buildings	(74,080,727)	(4,369,603)	2,250,855	(76,199,475)
Equipment	(6,439,454)	(838,815)	157,537	(7,120,732)
Total accumulated depreciation	(80,520,181)	(5,208,418)	2,408,392	(83,320,207)
Total capital assets, being depreciated, net	28,136,054	(2,498,212)	(53,676)	25,584,166
Total capital assets, net	$36,836,054	$(2,498,212)	$ (53,676)	$34,284,166

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, 2004 was $16,975,000.

On March 1, 2005 General Re Securities exercised its right per the Option Agreement, dated March 11, 1998, by and among General Re Securities, Metropolitan Council and the Escrow Agent, to purchase all of the escrow securities at the exercise price of $16,975,000 on the exercise date of March 1, 2005.

On April 1, 2005, Metropolitan Council and the Escrow Agent called for redemption $16,970,000 of the Metrodome Refunding Bonds.

II. Detailed notes (continued)

E. Changes in long-term liabilities

Long-term compensated absences activity for the year ended December 31, 2004, was:

Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
$162,731	$174,855	$164,586	$173,000	$99,923

III. Other information

A. Retirement plans

Commission employees are covered by one of two Minnesota State Retirement System (MSRS) retirement plans.

General Employees Plan (GEP) Description

The MSRS-GEP is a cost-sharing multiple employer defined benefit public employee retirement plan. All full-time employees of the Commission are covered by this plan. The plan is administered by MSRS. 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-GEP, which equaled the required contribution for each year, were:

Year	Contributions
2002	$71,414
2003	76,022
2004	78,449

III. Other information (continued)

Unclassified Employees Plan (UEP) Description
The MSRS-UEP is a multiple employer defined contribution public employee retirement plan. Only the chair of the Commission is covered by this plan. The plan is authorized by Minnesota Statutes, Chapter 352D, and is considered a money purchase plan, i.e., members vest only to the extent of the value of their accounts (contributions plus earnings less administrative expenses). Retirement and disability benefits are available through conversion, at the member's option to the General Employees Plan provided minimum service requirements are met.

Funding Policy
Minnesota Statutes, Chapter 352D, sets the rate for employee and employer contributions. Contributions are made to the fund by the employee and the employer, based on a percentage of gross salary/wage. The total required contribution rate was ten percent, the employee has a required contribution rate of four percent and the employer has a required contribution rate of six percent.

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

Year	Contributions
2002	$3,090
2003	2,856
2004	3,087

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. The Commission purchases all-risk property insurance, terrorism insurance, general and umbrella liability insurance, automobile insurance, crime insurance, and workers compensation insurance. There have been no significant reductions in insurance coverage from the prior year. Within the past three fiscal years, no settled claims have exceeded commercial coverage.

C. Contingent liability
The Commission, its Executive Director and its Director of Facilities/Engineering are defendants in a lawsuit. Although the outcome of this lawsuit is not presently determinable, in the opinion of the Commission's counsel the resolution of this matter will not have a material adverse effect on the financial condition of the Commission.

III. Other information (continued)

D. Subsequent Events

In January 2005 the Council reappointed two commissioners, Peggy Lucas and Loanne Thrane, to serve on the Commission. The Council also appointed a new commissioner, Ray Waldron, who replaced Richard Johnson.

In April 2005 a Minnesota Twins patron commenced a suit against the Commission alleging injury from exiting the Metrodome. The plaintiff is seeking damages in excess of $50,000. The Commission's insurer accepted the tender of the defense.

In April 2005 the Commission's insurer agreed to settle a suit that alleged a police officer wrongfully assaulted a Minnesota Vikings patron. The Commission's insurer has reserved its right to seek recovery for indemnification from the Minnesota Vikings.

METRODOME

STATISTICAL SECTION

METRODOME

METRODOME

METROPOLITAN SPORTS FACILITIES COMMISSION
Expenses by Major Category
Last Ten Fiscal Years
December 31, 2004

Fiscal Year	Concession/ Plaza Costs	Tenants Share of Concessions	Facilities Cost Credit	Personal Services	Professional Services	Contractual Services
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
2004	12,019,363	6,481,646	7,089,684	3,370,186	523,678	3,578,312

Table 1

Audio-Visual	Travel and Meetings	Supplies, Repairs and Maintenance	Utilities	Insurance	Communication	Other
$ -	$ 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
266,218	41,325	759,200	2,863,101	559,440	80,670	1,238,515

METROPOLITAN SPORTS FACILITIES COMMISSION **Table 2**
Revenues by Major Category
Last Ten Fiscal Years
December 31, 2004

Fiscal Year	Concessions	Admission Tax	Rent	Charges for Services	Advertising	Parking	Novelties and Other
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	$ 3,278,386	1,573,914	143,620	547,121
2003	22,435,339	7,594,055	4,734,140	3,249,702	2,162,562	145,379	435,926
2004	22,529,617	7,633,567	4,854,723	3,120,076	1,852,312	141,625	655,447

* Charges for services revenue information was not available for this year.

METROPOLITAN SPORTS FACILITIES COMMISSION **Table 3**
Demographic Statistics
Last Ten Fiscal Years
December 31, 2004

Fiscal Year	Metrodome Attendance
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
2004	3,277,984

METROPOLITAN SPORTS FACILITIES COMMISSION **Table 4**
Miscellaneous Statistics

December 31, 2004

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)

METRODOME

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