Metropolitan Sports Facilities Commission

A Component Unit of the Metropolitan Council

Minneapolis, Minnesota

Annual Financial Report

Fiscal year ended December 31, 2002

METRODOME

Metropolitan Sports Facilities Commission
Minneapolis, Minnesota

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A component unit of the Metropolitan Council

METRODOME

Finance Department
900 South Fifth Street,
Minneapolis, Minnesota 55415

Metropolitan Sports Facilities Commission
Annual Financial Report
For the Fiscal Year Ended December 31, 2002

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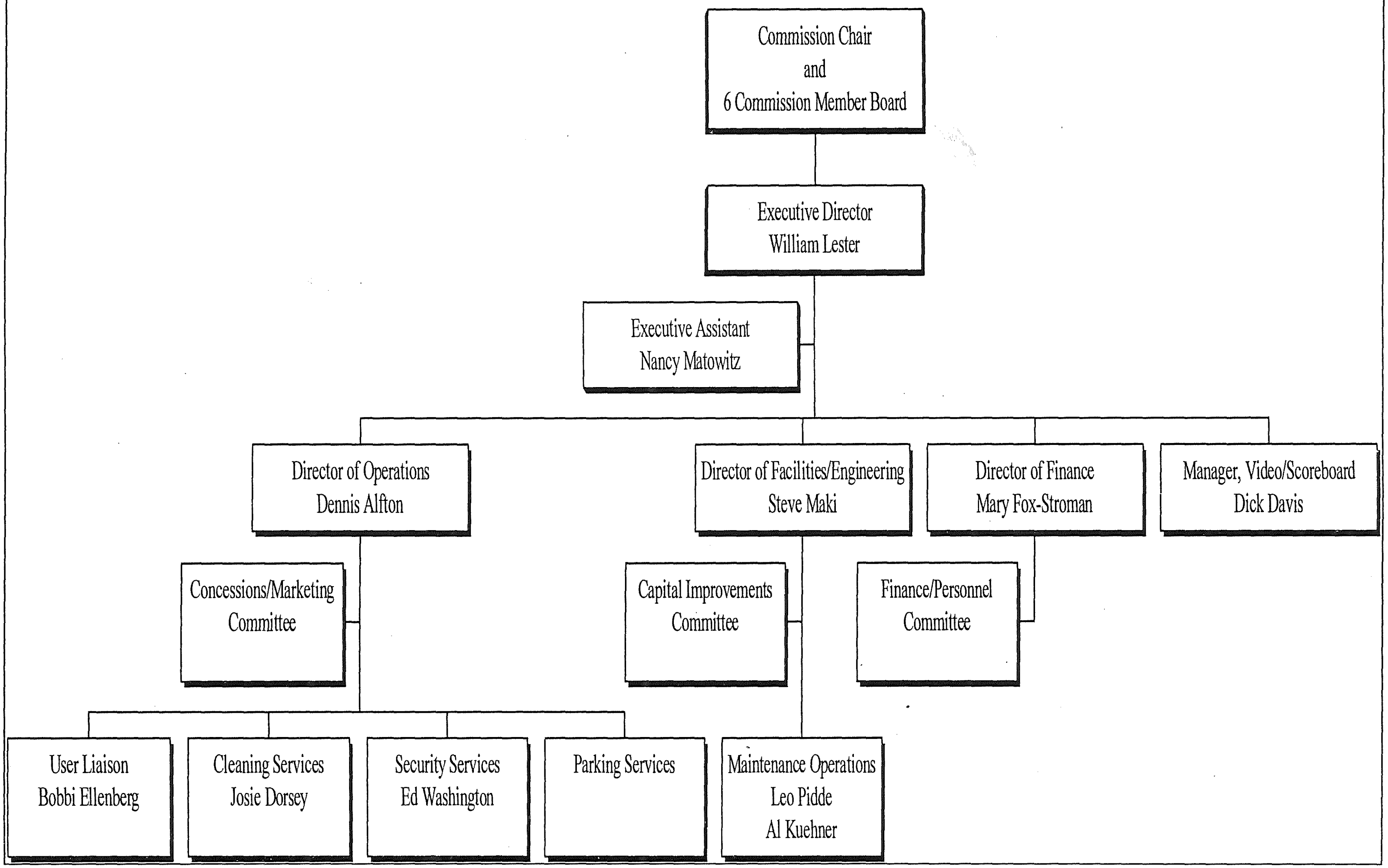
METROPOLITAN SPORTS FACILITIES COMMISSION



Metropolitan Sports Facilities Commission

COMMISSIONERS:

	Term of Office	
	First Appointed	**End of Term**
Kathry R. Roberts, Chair	October 1999	January 2003
John Pacheo, Vice Chair	January 1992	January 2003
Loanne Thrane, Treasurer	January 1985	January 2005
Peggy Lucas, Secretary	January 1993	January 2005
Richard Jefferson	January 1999	January 2007
Richard Johnson	January 2001	January 2005
Terrell Towers	January 1995	January 2003

Executive Director
William Lester

Director of Operations
Dennis Alfton

Director of Facilities/Engineering
Steve Maki

Director of Finance
Mary C. Fox-Stroman, CPA

Financial Section

METRODOME

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, 2002, and the related statements of income, and cash flows for the year then ended as presented on pages 9 to 11. 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, 2002, 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.

Management's Discussion and Analysis on pages 3 to 8 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 supplementary information. However, we did not audit the information and express no opinion on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2003, 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

March 13, 2003

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Metropolitan Sports Facilities Commission (Commission) Annual Financial Report presents our discussion and analysis of the Commission's financial performance during the fiscal year ended December 31, 2002. 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 $57,899,725 at December 31, 2002, a decrease in net assets of $3,924,775 from the previous year. This is better than last year, when the decrease in net assets was $7,354,471.
- During fiscal year 2002, revenues increased by $2,987,184, fiscal year 2002 revenues were $40,007,000; expenses decreased by $442,512, fiscal year 2002 expenses were $43,931,775. The facilities cost credit, a significant expense, increased $933,986.
- Concession revenues increased $2,913,900 due to increased fan attendance for the major sporting events. The related concession costs and tenants share of concession receipts also increased $1,539,404 and $1,605,643, respectively.
- Investment earnings decreased $444,791 as a result of significant decreases in earning rates for investments.

Overview of the Financial Statements

The financial section of this annual report consists of:

(1) Management's discussion and analysis (presented here)
(2) Enterprise fund financial statements:
    a. Statement of net assets
    b. Statement of revenues, expenses, and changes in net assets
    c. Statement of cash flows
(3) 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 long- and short-term financial information. 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 Vikings, Minnesota Twins, and the University of Minnesota Gopher football team. The Commission has signed "Use Agreements" with the Minnesota Vikings and the University of Minnesota requiring them to play all home football games, through the 2011 season, at the Metrodome; the Use Agreement with the Minnesota Twins requires them to play all home games at the Metrodome through the 2003 season.

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 9 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 10 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 11 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 may serve over time as a useful indicator of the Commission's financial position. The Commission's net assets decreased by $3,924,775 in fiscal year 2002. The largest portion of the Commission's net assets, $38,097,612 (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.

Statement of Net Assets

The table on the following page presents a summary of the Statement of Net Assets as of December 31, 2002:

Summary of Net Assets
as of December 31, 2002 and 2001

	2002	2001
Assets:		
Current assets	$25,233,003	$22,754,950
Capital assets (net)	38,097,612	42,521,132
Total assets	63,330,615	65,276,082
Liabilities:		
Current liabilities	5,430,890	3,451,582
Net assets:		
Invested in capital assets	38,097,612	42,521,132
Unrestricted	19,802,113	19,303,368
Total net assets	$57,899,725	$61,824,500

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.

The unrestricted net assets of $19,802,113 (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 Revenues, Expenses and Changes in Net Assets

The table below summarizes the changes in net assets for the years ended December 31, 2002 and 2001.

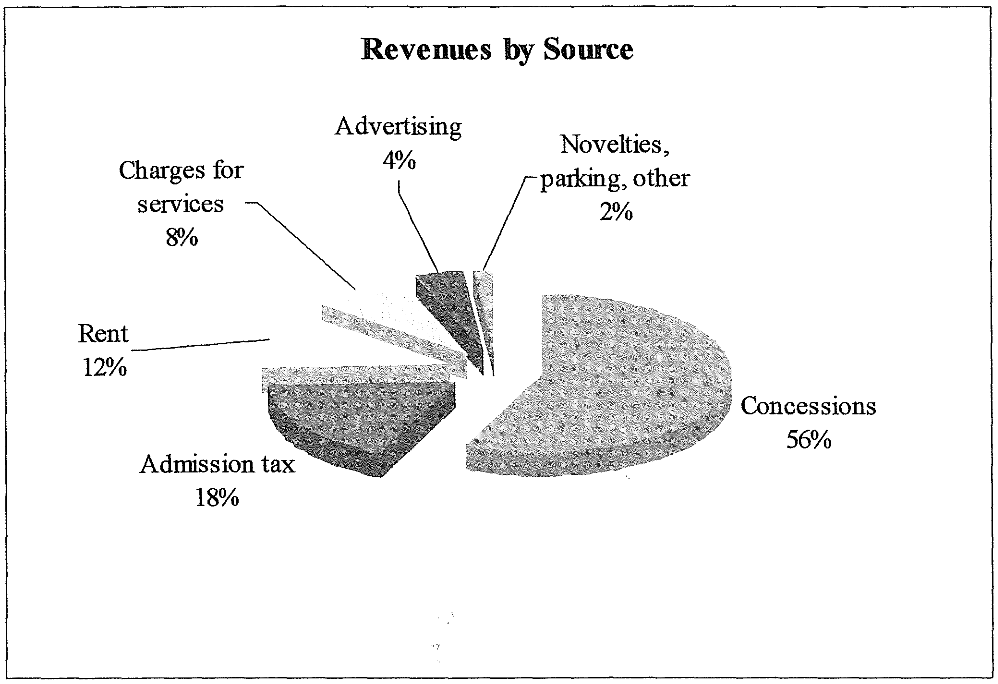
Summary of Changes in Net Assets
For the Fiscal Years Ended December 31, 2002 and 2001

	2002	2001
Operating revenues	$39,345,096	$35,916,876
Operating expenses	43,931,775	40,689,763
Operating loss	(4,586,679)	(4,772,887)
Nonoperating revenues:		
Investment earnings	658,149	1,102,940
Gain (loss) on disposal of capital assets	3,755	(3,684,524)
Total nonoperating revenues (expenses)	661,904	(2,581,584)
Change in net assets	(3,924,775)	(7,354,471)
Net assets, January 1	61,824,500	69,178,971
Net assets, December 31	$57,899,725	$61,824,500

Commission's Activities

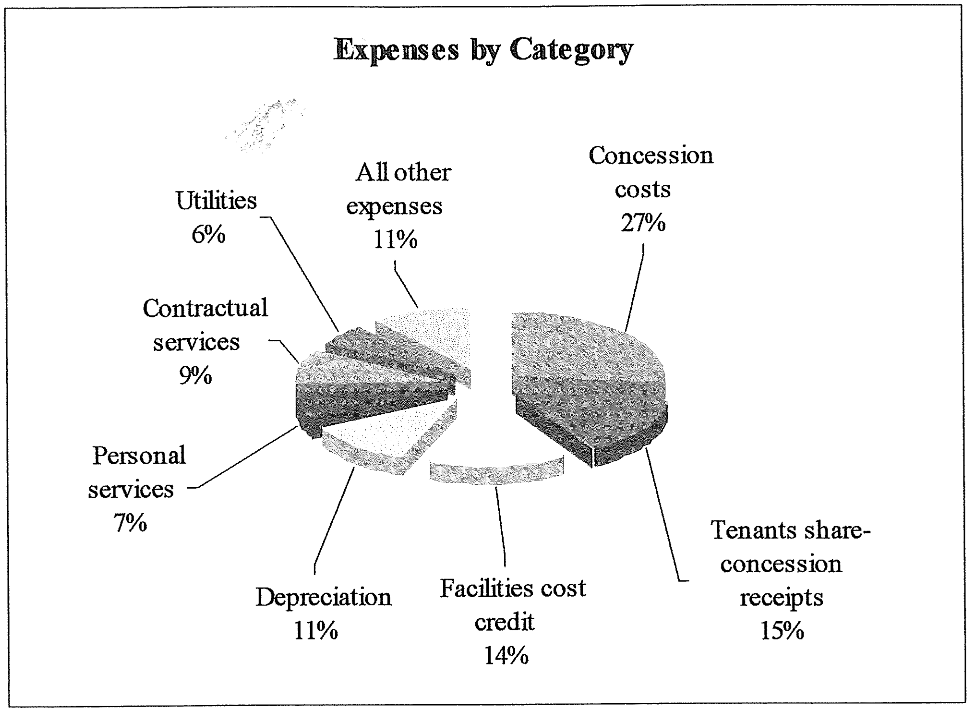
Operating revenues for the Commission were $39,345,096 for fiscal year 2002. Sources of revenue are comprised of concessions, admission taxes, rent, charges for services, advertising, novelties, parking and other miscellaneous revenues. Concessions constitute the largest source of revenues and represent 56 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 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 2002 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 2002 expenses by category.



Capital Assets

The Commission's investment in capital assets as of December 31, 2002, amounts to $38,097,612 (net of accumulated depreciation), as summarized below:

Capital Assets
As of December 31, 2002 and 2001

	2002	2001
Land	$8,700,000	$8,700,000
Buildings	95,046,903	94,808,042
Equipment	10,862,340	10,532,450
Total capital assets	114,609,243	114,040,492
Less: accumulated depreciation	(76,511,631)	(71,519,360)
Total capital assets, net	$38,097,612	$42,521,132

During fiscal year 2002, the Commission's net increase in capital assets (including additions and deletions) was $568,751, or one-half of one percent, over last year.

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

- Several concession stands and equipment were renovated to meet current design standards and they were modified to meet American with Disabilities Act (ADA) requirements.
- Security equipment was installed at all entrances and throughout the building.
- An additional storage area was created at Gate G.

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 7 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.
- Scheduled new Metrodome events for 2003 include the 2003 NCAA Midwest Men's Regional Basketball Tournament and Minnesota Thunder's Home Opener. The Commission is in negotiations for hosting Metallica's 2003 Concert Tour.
- Inflationary trends in the Minneapolis/St. Paul metropolitan area compare favorably to national indices.

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, 2002

ASSETS	
Current assets:	
Cash and cash equivalents	$ 13,061,714
Investments	7,242,145
Receivables:	
Accounts	4,623,206
Accrued interest	54,665
Prepaid items	251,273
Total current assets	25,233,003
Noncurrent assets:	
Capital assets:	
Land	8,700,000
Building	95,046,903
Equipment	10,862,340
Accumulated depreciation	(76,511,631)
Total capital assets (net of accumulated depreciation)	38,097,612
Total assets	63,330,615
LIABILITIES	
Current liabilities:	
Salaries and benefits payable	199,506
Accounts payable and other accrued liabilities	4,932,819
Deferred revenue	298,565
Total current liabilities	5,430,890
NET ASSETS	
Invested in capital assets	38,097,612
Unrestricted	19,802,113
Total net assets	$ 57,899,725

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, 2002

Operating revenues:	
Concessions	$ 22,280,961
Admission tax	6,911,756
Rent	4,609,338
Charges for services	3,278,386
Advertising	1,573,914
Novelties	152,015
Parking	143,620
Other	395,106
Total operating revenues	39,345,096
Operating expenses:	
Concession costs	11,744,361
Tenants share of concession receipts	6,584,452
Facilities cost credit	6,340,575
Personal services	3,138,774
Professional services	607,907
Contractual services	3,835,488
Audio-visual services	364,762
Travel and meetings	51,757
Supplies, repairs and maintenance	893,431
Utilities	2,536,115
Insurance	412,099
Communications	76,288
Facilities planning, research and public information	1,239,874
Miscellaneous	1,067,167
Depreciation	5,038,725
Total operating expenses	43,931,775
Total operating loss	(4,586,679)
Nonoperating revenues:	
Investment earnings	658,149
Gain on disposal of capital assets	3,755
Total nonoperating revenues	661,904
Change in net assets	(3,924,775)
Total net assets, January 1, 2002	61,824,500
Total net assets, December 31, 2002	$ 57,899,725

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, 2002

Exhibit C

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from concessionaire	$ 11,011,766
Cash received from tenants	10,959,308
Cash received from others	3,019,770
Cash payments to concessionaire, vendors and others	(13,876,860)
Cash payments to tenants	(6,281,771)
Cash payments to employees	(3,086,377)
Net cash provided (used) by operating activities	1,745,836
CASH FLOWS FROM CAPITAL ACTIVITIES	
Purchase of capital assets	(611,451)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales and maturities of investments	3,565,108
Purchase of investments	(4,046,086)
Interest received	701,539
Net cash provided (used) by investing activities	220,561
Net increase in cash and cash equivalents	1,354,946
Cash and cash equivalents, January 1	11,706,768
Cash and cash equivalents, December 31	$ 13,061,714

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

Operating loss	$ (4,586,679)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation expense	5,038,725
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	(511,198)
(Increase) decrease in prepaid expenses	(174,320)
Increase (decrease) in salaries and benefits payable	53,322
Increase (decrease) in accounts payable and other accrued liabilities	1,627,421
Increase (decrease) in deferred revenue	298,565
Total adjustments	6,332,515
Net Cash provided by operating activities	$ 1,745,836

Noncash investing, capital, and financing activities:

Increase in fair value of investments	$ 244,996
Capital asset trade-ins	$ 7,350

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

METRODOME

I. Summary of significant accounting polices

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 Use Agreement with the Minnesota Twins obligates them to play all home games at the Metrodome through October 31, 2003 and remain in the Metrodome office space through December 31, 2003.

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 polices 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 nonoperating 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

I. Summary of significant accounting policies (continued)

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 nonoperating 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, which include land, buildings, improvements, and equipment, that individually cost $500 or more, with useful lives greater than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets 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:

Capital Assets	Useful Life
Buildings	9 – 30 years, up to Year 2011
Building improvements	9 – 30 years, up to Year 2011
Equipment	3 – 10 years, up to Year 2011

I. Summary of significant accounting policies (continued)

4. Compensated absences

All full-time employees earn annual leave based on years of service which allows employees to accumulate up to a maximum of 280 hours at year-end. Certain employees qualify for a sick leave severance benefit paid at termination. The Commission accrues vacation and sick leave when earned.

The current pay rate, including certain additional employer-related fringe benefits, is used to calculate compensated absences accruals at December 31. The entire liability is included in salary and benefits payable.

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 has maintained the following unrestricted net asset accounts:

Unrestricted Net Asset Accounts	Balance as of December 31, 2002
Operating account	$4,322,204
Capital improvement account	10,810,235
Repair and replacement account	4,032,735
Concessions reserve account	636,939
	$19,802,113

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, 2002, the carrying amount of the Commission's combined bank accounts was $275,303. Bank balances were $327,788 of which $100,000 was covered by federal depository insurance (FDIC) and the remaining $227,788 was collateralized

II. Detailed notes (continued)

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, 2002.

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, 2002. 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			
	1	2	3	Fair Value
U. S. Government Securities	$7,242,145			$ 7,242,145
Money market funds				$12,786,311
Cash (on-hand and in bank)				$275,403
			Total cash and investments	$20,303,859

B. Capital assets

Capital asset activity for the year ended December 31, 2002 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	94,808,042	238,861		95,046,903
Equipment	10,532,450	379,939	(50,049)	10,862,340
Total capital assets, being depreciated	105,340,492	618,800	(50,049)	105,909,243
Less: accumulated depreciation for:				
Buildings	(65,827,494)	(4,072,586)	-	(69,900,080)
Equipment	(5,691,866)	(966,139)	46,454	(6,611,551)
Total accumulated depreciation	(71,519,360)	(5,038,725)	46,454	(76,511,631)
Total capital assets, being depreciated, Net	33,821,132	(4,419,925)	(3,595)	29,397,612
Total capital assets, net	$42,521,132	$(4,419,925)	$(3,595)	$38,097,612

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, 2002 was $22,525,000.

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.

III. Other information (continued)

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:

Year	Contributions
2000	$80,535
2001	74,501
2002	74,504

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 carries commercial insurance. Within the past three fiscal years, no settled claims have exceeded commercial coverage. There have been no significant reductions in insurance coverage from the prior year by major categories of risk.

The Commission purchased all-risk property insurance, general and umbrella liability insurance, automobile insurance, crime insurance, workers compensation insurance and public officials liability insurance. The property insurance policy imposed a terrorism exclusion resulting in the Commission purchasing separate terrorism coverage. The cost of the terrorism policy significantly increased the insurance premiums.

Claims liabilities are calculated considering recent claim settlement trends including frequency and amount of payouts. For fiscal year 2002, there were no claim liabilities.

III. Other information (continued)

C. Subsequent events

On January 6, 2003, the Minneapolis City Council appointed two new commissioners: Jeff Seidel and Dan Kenney. They replaced John Pacheo and Terrell Towers. On March 1, 2003, Kathryn Roberts resigned as chair of the Commission and on March 21, 2003, Roy W. Terwilliger was appointed by the governor as chair of the Commission.

METRODOME

METRODOME

Hubert H. Humphrey Metrodome
Metropolitan Sports Facilities Commission
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