MINNESOTA SPORTS FACILITIES AUTHORITY • MINNEAPOLIS, MINNESOTA

# COMPREHENSIVE ANNUAL FINANCIAL REPORT 2012

FIVE-MONTH FISCAL PERIOD ENDED DECEMBER 31, 2012

MINNESOTA SPORTS FACILITIES AUTHORITY

HUBERT H. HUMPHREY METRODOME • 900 SOUTH 5TH ST • MINNEAPOLIS, MN 55415 • MSFA.COM

# Minnesota Sports Facilities Authority
**Minneapolis, Minnesota**

# Comprehensive Annual Financial Report

**Five Month Fiscal Period Ended December 31, 2012**

Finance Department
900 South Fifth Street
Minneapolis, Minnesota 55415

**Minnesota Sports Facilities Authority**
**Comprehensive Annual Financial Report**
**For the Five Month Fiscal Period Ended December 31, 2012**

## TABLE OF CONTENTS


| | Exhibit | Page |
|---|---|---|
| **INTRODUCTORY SECTION** | | |
| Letter of Transmittal | | i |
| Commissioners and Administrative Officials | | vi |
| Organization Chart | | vii |
| **FINANCIAL SECTION** | | |
| Independent Auditor's Report | | 1 |
| Management's Discussion and Analysis | | 3 |
| **Basic Financial Statements** | Exhibit | |
| Statement of Net Position | A | 11 |
| Statement of Revenues, Expenses and Changes in Net Position | B | 12 |
| Statement of Cash Flows | C | 13 |
| Notes to the Financial Statements | | 14 |
| **STATISTICAL SECTION** | | |
| | Table | |
| List of Statistical Tables | | 24 |
| Net Position by Component | 1.1 | 25 |
| Changes in Net Position | 1.2 | 26 |
| User Fee Revenues by Source | 2.1 | 27 |
| Demographic and Economic Statistics | 3.1 | 28 |
| Principal Employers in Minnesota | 3.2 | 28 |
| Full-time Employees by Department | 4.1 | 29 |
| Stadium Event Attendance | 4.2 | 29 |
| Metrodome Amenities | 4.3 | 30 |

# INTRODUCTORY SECTION

The Introductory Section contains the letter of transmittal, which provides an overview of the Minnesota Sports Facilities Authority's finances, economic prospects, and achievements. Also, included in this section is the list of commissioners and administrative officials, and the organization chart.

Minnesota Sports Facilities Authority
900 South 5th Street, Minneapolis, MN 55415

June 25, 2013

Chair Michele Kelm-Helgen
And Commissioners of the Minnesota Sports Facilities Authority
900 South Fifth Street
Minneapolis, Minnesota 55415

Dear Chair Kelm-Helgen and Commissioners:

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of the Minnesota Sports Facilities Authority (Authority) for the five month fiscal period ended December 31, 2012. 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 Authority. All necessary disclosures have been included to enable the reader to gain the maximum understanding of the Authority's financial affairs.

The report is divided into three sections:

- Introductory Section – includes this letter of transmittal, the Authority's organization chart, and a list of Commissioners and administrative officials.

- Financial Section – includes the auditor's opinion, management's discussion and analysis, and the basic financial statements including the notes to the financial statements (notes) which are necessary for an understanding of the information included in the statements. The notes include a summary of significant accounting policies and other necessary disclosure of matters relating to the financial position of the Authority.

- Statistical Section – includes mainly trend data and nonfinancial information useful in assessing the Authority's financial condition.

The Authority's management is responsible for establishing and maintaining an internal control structure designed to ensure that its assets are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable but not absolute assurance that these objectives are met and that the financial statements will be free from material misstatement. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived. The evaluation of costs and benefits requires estimates and judgments by management. As management we assert that to the best of our knowledge and belief this financial report is complete and reliable in all material respects.

Minnesota State Statutes, Chapter 473J.07, Subd.7, require the Minnesota Office of the Legislative Auditor perform an annual audit of the financial statements of the Authority. The independent auditor's report is presented as the first component of the financial section of this report. The goal of the audit is to provide reasonable assurance that the financial statements of the Authority, for the five month fiscal period ended December 31, 2012, are free of material misstatement. The audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The Minnesota Office of the Legislative Auditor will issue a separate Report on Internal Control over Financial Reporting and Compliance and Other Matters.

The reader is referred to Management's Discussion and Analysis (MD&A) section for additional information regarding the activities and financial position of the Authority. The MD&A provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

**PROFILE OF THE AUTHORITY**

In May 2012 the Minnesota Legislature established the Authority as a public body and a political subdivision of the state. Per the legislation the Authority's membership must have five members, who had to be appointed within 30 days of enactment of the statutes. The statutes also required the governor of the state of Minnesota appoint the chair and two additional members, and the mayor of the city of Minneapolis appoint two members. The members serve four year terms. Governor Mark Dayton appointed Michele Kelm-Helgen as the chair and he appointed two additional members: Duane Benson and John Griffith. City of Minneapolis Mayor R.T. Rybak appointed Barbara Butts Williams and Bill McCarthy to the Authority. On June 22, 2012 the Authority held its first board meeting and the commissioners appointed Ted Mondale as its CEO/Executive Director. The governing body sets policy for the administration of the Authority and the CEO/Executive Director directs the Authority's operations and carries out the policies established by it.

Although the Authority began its operations on June 22, 2012, the Metropolitan Sports Facilities Commission (Commission) paid all of its operating expenses through July 31, 2012. Then on August 1, 2012 the Commission transferred all of its assets, liabilities, and obligations to the Authority and upon completion of transfer the Commission was abolished. Additional information about the transfer of operations from the Commission to the Authority may be found in Note III. Other Information D. Transfer of Operations. All of the financial activities of the Authority are included in this report. The initial financial reporting period for the Authority is the five month fiscal period beginning on August 1, 2012 and ending on December 31, 2012. Thereafter the reporting period will be a calendar year.
The Authority's mission is to provide for the construction, financing, and long-term use of a new multi-purpose stadium and related stadium infrastructure as a venue for professional football and a broad range of other civic, community, athletic, educational, cultural, and commercial activities. The new stadium will be located in Minneapolis on the current site of the Hubert H. Humphrey Metrodome (Metrodome). Additional parcels of land will be acquired for the development of stadium related infrastructure including parking facilities. Operation and maintenance of the Metrodome is the

responsibility of the Authority. The Metrodome will continue to host events until it is demolished in the first quarter of 2014.

An annual budget is adopted on a basis consistent with generally accepted accounting principles. In July 2012 a continuing operations resolution was passed by the Authority which authorized a budget for the remaining five month fiscal period ending on December 31, 2012. For fiscal year 2013 an operating budget and a capital budget were prepared in November 2012 and the budgets were approved and adopted by the Authority in December 2012. This budget process will be followed for adoption of the 2014 budget. Per Minnesota Statutes section 3.8842 the Legislative Commission on Minnesota Sports Facilities (Legislative Commission) is required to oversee the Authority's operating and capital budgets. The Authority submitted its 2013 operating and capital budgets to the Legislative Commission on January 15, 2013. Monthly budget to actual comparisons are presented to the Authority.

## ECONOMIC CONDITION and OUTLOOK

### Local Economy

Minnesota draws its strength from its diverse economy, an educated workforce, innovative companies, a growing population, and an efficient transportation system. The greater metropolitan area is home to 19 Fortune 500 public companies and seven of Forbes' largest private firms. Minnesota's key industries include: finance, business services, health and life science, food and agriculture and innovation and technology. Global giants headquartered in Minnesota include 3M, General Mills, US Bank, Ecolab, Cargill, Medtronic, Target and many more. These companies are recognized for their ethics and commitment to diversity and rank among the most admired organizations in the world.

Minnesota is a multi-cultural community with a highly motivated work force. The labor force participation rate for women in Minnesota is 67.6 percent, compared to the national rate of 59.3 percent. People between the ages of 45 and 54 have the highest labor force participation rate (89.5 percent) of all age groups in the state. The national rate for the same age group is 82 percent. The population of the 13-county metropolitan area is over 3.2 million and is projected to reach over 5.2 million by 2030. The metropolitan area has a cosmopolitan spirit, vibrant international community, and a broad range of cultural institutions.

Economic fundamentals are improving again and the housing sector is positioned to lead the economy higher over the next three years. In Minnesota Management & Budget's (MMB) April 2013 Economic Update its macro-economic consultant forecast real Gross Domestic Product (GDP) growth of 2.0 percent in 2013, 2.8 percent in 2014, and 3.2 percent in 2015. Minnesota had strong employment growth in January and February 2013 which has boosted Minnesota's payroll employment to 2.78 million according to reports from the U.S. Department of Labor. More than 150,000 jobs were lost in Minnesota during the "Great Recession" however Minnesota's employment has recovered to pre-recession levels. Minnesota's goods producing sectors added 10,600 jobs in 2012, which was up 2.7 percent from 2011 levels. Construction employment was up 3,900 jobs (4.4 percent), and manufacturing employment was more than 6,600 jobs (2.2 percent) above the level in 2011.

Personal income in Minnesota also grew faster than the nation during 2012. Personal income grew at a 3.2 percent rate in 2012, which U.S. personal income grew by 3.0 percent. The housing sector is expected to be a leader in both 2013 and 2014 as housing starts recover from the extraordinarily depressed levels that have been observed since 2008. Inflation continues to be of little concern. According to MMB's February 2013 Forecast the consumer price index (CPI) is expected to increase 1.4 percent in 2013, 1.7 percent in 2014, and 1.6 percent in 2015.

Consumer purchases and household finances are important economic indicators for the sports and entertainment industry as they influence event attendance, ticket pricing, and concession food and beverage pricing.

## Major Initiatives and Accomplishments

### Future Events

Plans for hosting the Minnesota Vikings 2013 football season at the Metrodome have begun as well as plans to host several other events including Minnesota State High School League events, Hmong American New Year, Monster Truck Jam and a myriad of other athletic and community events.

### Minnesota's New Multi-Purpose Stadium

Planning for construction of the new $975 million multi-purpose stadium and stadium related infrastructure project began immediately upon creation of the Authority. In August 2012 an owner's representative firm was hired as a key consultant for the project to advise, guide, and assist the Authority with the planning, budgeting, and scheduling of the project during the pre-construction and construction timeframes. An architectural firm was hired in October 2012 to provide architectural design and engineering services for the new stadium. This firm has contracted with several local associate architects and sub-consultants firms and together they have developed the conceptual design and schematic design for the new stadium. In February 2013 the Authority hired a construction management firm to be the general contractor for construction of the new stadium. The construction management firm and the architects have collaborated on development of the cost estimates for various design elements and options and on the project schedule. At its May 13, 2013 board meeting, the Authority joined with the Minnesota Vikings and the architectural firm to unveil the schematic design for the new stadium. This was a major milestone for the project. Groundbreaking for the new stadium is planned to be in the fall 2013, demolition of the Metrodome is planned to occur in the first quarter of 2014, and opening of the new stadium is planned for July 2016.

### Minnesota Vikings

In 2012 the Authority and the Minnesota Vikings signed a separate agreement that required the Minnesota Vikings to play the 2012 and 2013 football seasons at the Metrodome. The Authority and the Minnesota Vikings have started to negotiate a new long-term use agreement for the Minnesota Vikings to play their home football games in the new stadium, the use agreement's term would begin with the 2016 football season and continue for 30 years.

## FINANCIAL INFORMATION

### Reserve Policy

As of August 1, 2012, the Authority implemented a liquidity/reserves policy to ensure that adequate liquidity is maintained to meet operational expense requirements and avoid the use of short-term debt to fund cash flow requirements. Prudent financial management necessitates the maintenance of adequate financial cash balances. The Authority is required to maintain a cash position in its operating fund to meet six months of operational expenses. The minimum liquidity/reserve requirement is $6 million.

## OTHER INFORMATION

### Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awards a Certificate of Achievement for Excellence in Financial Reporting to a governmental unit whose financial report meets the program requirements. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, the contents of which conform to program standards. 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 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 Authority and all interested readers of this report to provide information in conformance with the highest standards of financial reporting. Preparation of this CAFR was made possible by the dedicated service of Sue Arcand, Carol Olson, and Julie Millikan. They have our sincere appreciation for the contributions they made in the preparation of this report. Appreciation is also expressed to the Commissioners for their cooperation and outstanding assistance in matters pertaining to the financial affairs of the Commission.

Respectfully submitted,

Ted Mondale
CEO/Executive Director

Mary C. Fox-Stroman, CPA
Director of Finance

Minnesota Sports Facilities Authority
List of Commissioners and Administrative Officials
December 31, 2012

COMMISSIONERS:

Left to right: Bill McCarthy, Michele Kelm-Helgen, Duane Benson, Barbara Butts Williams, John Griffith

| | Term of Office | |
|---|---|---|
| **Commissioners** | **Appointed** | **End of Term** |
| Michele Kelm-Helgen, Chair | June 2012 | January 2015 |
| Bill McCarthy, Vice Chair | June 2012 | December 2016 |
| Duane Benson, Secretary & Treasurer | June 2012 | December 2015 |
| Barbara Butts Williams | June 2012 | December 2015 |
| John Griffith | June 2012 | December 2016 |

**CEO/Executive Director**
Ted Mondale

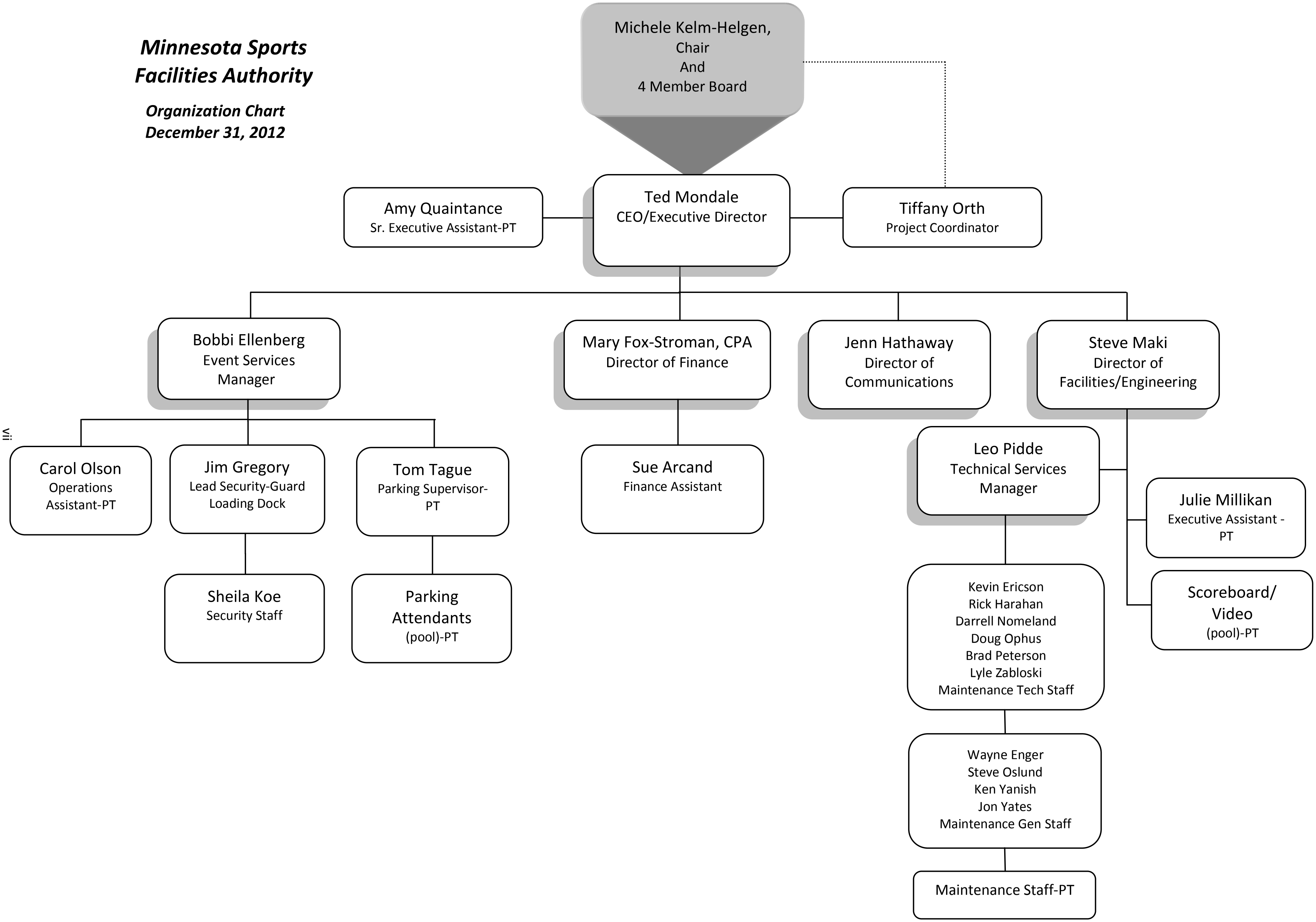
**Director of Facilities/Engineering**
Steve Maki, P.E.

**Director of Finance**
Mary C. Fox-Stroman, CPA

**Director of Communications**
Jenn Hathaway

***Minnesota Sports Facilities Authority***

***Organization Chart December 31, 2012***



# FINANCIAL SECTION

The Financial Section includes the independent auditor's report, management's discussion and analysis, and the basic financial statements including the accompanying notes.

## Independent Auditor's Report

Senator Roger J. Reinert, Chair
Legislative Audit Commission

Members of the Legislative Audit Commission

Ms. Michele Kelm-Helgen, Chair
Minnesota Sports Facilities Authority

Members of the Minnesota Sports Facilities Authority

Mr. Ted Mondale, CEO/Executive Director
Minnesota Sports Facilities Authority

We have audited the accompanying basic financial statements of the Minnesota Sports Facilities Authority, as of and for the five-month period ended December 31, 2012, as listed in the Table of Contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit work. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Minnesota Sports Facilities Authority as of December 31, 2012, and the changes in its financial position and its cash flows for the five-month period then ended in conformity with accounting principles generally accepted in the United States of America.

**Emphasis of Matter - Early Implementation of New Governmental Accounting Standard**

As discussed in Note III.D., the Minnesota Sports Facilities Authority early implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 69, *Government Combinations and*

*Disposals of Government Operations,* for the year ended December 31, 2012. This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations; its implementation and the enactment of Laws of Minnesota 2012, Chapter 299, which created the Minnesota Sports Facilities Authority, resulted in the August 1, 2012, transfer of the assets and liabilities of the former Metropolitan Sports Facilities Commission to the Authority and the five-month financial statement reporting period.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we will issue our report on our consideration of the Minnesota Sports Facilities Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on 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.

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate, operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Information Included With the Financial Statements**

Our audit was conducted for the purposes of forming an opinion on the financial statements that collectively comprise the Authority'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 Authority's basic financial statements. This information 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

Cecile M. Ferkul, CPA
Deputy Legislative Auditor

June 27, 2013

# MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Minnesota Sports Facilities Authority (Authority) Comprehensive Annual Financial Report presents a narrative overview and analysis of the Authority's financial performance for its first five months of operation. The Authority's first fiscal year began on August 1, 2012 and ended on December 31, 2012. Since this is the Authority's first fiscal period of operations prior year comparative information is not available. 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- v of this report.

## Financial Highlights

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

- On August 1, 2012 the Metropolitan Sports Facilities Commission transferred its operations to the Authority, for more information see Note III. D Transfer of Operations on page 22. The following carrying values were transferred to the Authority: assets of $26,211,044, liabilities of $2,017,624, and net position of $24,193,420.
- The Authority's total net position (assets less liabilities) was $27,578,067 at December 31, 2012. Of this amount, $12,080,223 represents unrestricted net position which may be used to meet the Authority's ongoing obligations, and $15,497,844 represents its investment in capital assets.
- Revenues of $18,795,687 were reported for the five month fiscal period ended December 31, 2012, operating revenues were $17,891,861, investment earnings were $70,645, and nonoperating contribution from Minnesota Vikings was $833,181.
- The Authority's expenses were $17,957,978 for five month fiscal period ended December 31, 2012 and included concession costs of $4,101,323, facilities cost credit of $3,704,030, depreciation of $1,898,121, and utilities of $1,436,919.
- For the five month fiscal period ended December 31, 2012 total operating income was $767,064.

## Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The financial section of this comprehensive 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 position
    b. Statement of revenues, expenses, and changes in net position
    c. Statement of cash flows
(4) Notes to the Financial Statements

The Authority uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The Authority maintains one proprietary fund, an enterprise fund. The enterprise fund financial statements report information about the Authority 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 Authority's overall financial status. The statements present information on the Authority's assets, liabilities, and net position, and show how net position has changed during the year.

**Statement of net position**

The statement of net position presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial health of the Authority is improving or deteriorating. Additionally, nonfinancial factors, such as a change in major users, change in the number or type of events, demolition date of the Metrodome and the start of construction of the new stadium, should be considered to assess the overall health of the Authority. The statement of net position can be found on page 11 of this report.

**Statement of revenues, expenses and changes in net position**

The statement of revenues, expenses and changes in net position presents information showing how the Authority's net position changed during the five month fiscal period ended December 31, 2012. All of the current fiscal period'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 position can be found on page 12 of this report.

**Statement of cash flows**

The statement of cash flows reports cash and cash equivalent activities for the five month fiscal period ended December 31, 2012 as a result of operating, noncapital financing, capital and investing activities. The statement of cash flows can be found on page 13 of this report.

**Notes to the financial statements**

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 - 23 of this report.

**Financial Analysis**

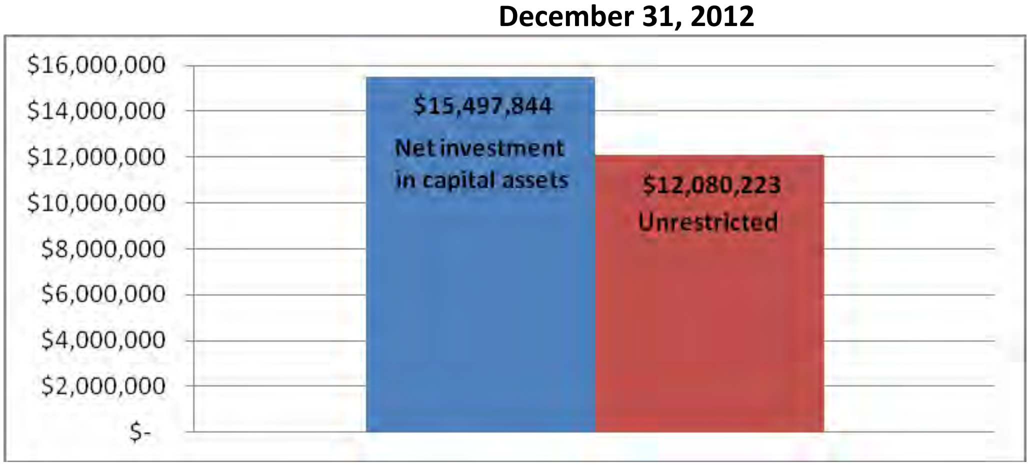
Following is a table that presents the Authority's Statement of Net Position as of December 31, 2012:

### Statement of Net Position as of December 31, 2012

| | 2012 |
|---|---|
| **ASSETS** | |
| Current and other assets | $ 17,442,594 |
| Capital assets | 15,497,844 |
| Total assets | 32,940,438 |
| **LIABILITIES** | |
| Current liabilities | 5,274,308 |
| Noncurrent liabilities | 88,063 |
| Total liabilities | 5,362,371 |
| **NET POSITION** | |
| Net investment in capital assets | 15,497,844 |
| Unrestricted | 12,080,223 |
| Total net position | $ 27,578,067 |

As mentioned previously net position over time may serve as a useful indicator of the Authority's financial position. The largest portion of the Authority's net position (56.2%) reflects its net investment in capital assets of $15,497,844. These assets are comprised of the Metrodome stadium site, stadium building, stadium and concession equipment, and construction in progress for the new stadium. The Authority uses capital assets to provide services to users, their fans, and the public; consequently, these assets are not available for future spending. The unrestricted net position of $12,080,223 (43.8%) is available for future use to meet the Authority's ongoing obligations to users, fans, citizens, and creditors. At the end of its five month fiscal period, the Authority is able to report positive balances in both categories of net position.

**Authority Net Position**
**December 31, 2012**




The following table presents the changes in net position for the five month fiscal period ended December 31, 2012.

## Statement of Revenues, Expenses and Changes in Net Position
## For the Five Month Fiscal Period Ended December 31, 2012

| | 2012 |
|---|---|
| **Operating revenues:** | |
| Concessions | $ 8,479,625 |
| Admission tax | 4,098,350 |
| Rent | 4,068,914 |
| Charges for services | 908,813 |
| Other | 336,159 |
| Total operating revenues | 17,891,861 |
| **Operating expenses:** | |
| Concession costs | 4,101,323 |
| Tenants share of concession receipts | 1,309,240 |
| Facilities cost credit | 3,704,030 |
| Personal services | 1,085,418 |
| Professional services | 922,956 |
| Contractual services | 1,137,579 |
| Utilities | 1,436,919 |
| Other | 1,529,211 |
| Depreciation | 1,898,121 |
| Total operating expenses | 17,124,797 |
| Total operating Income (loss) | 767,064 |
| Nonoperating revenues (expenses) | 70,645 |
| Income before capital contribution | 837,709 |
| Capital contribution from Minnesota Vikings | 2,546,938 |
| Change in net position | 3,384,647 |
| Total net position, August 1 | 24,193,420 |
| **Total net position, December 31** | $ 27,578,067 |

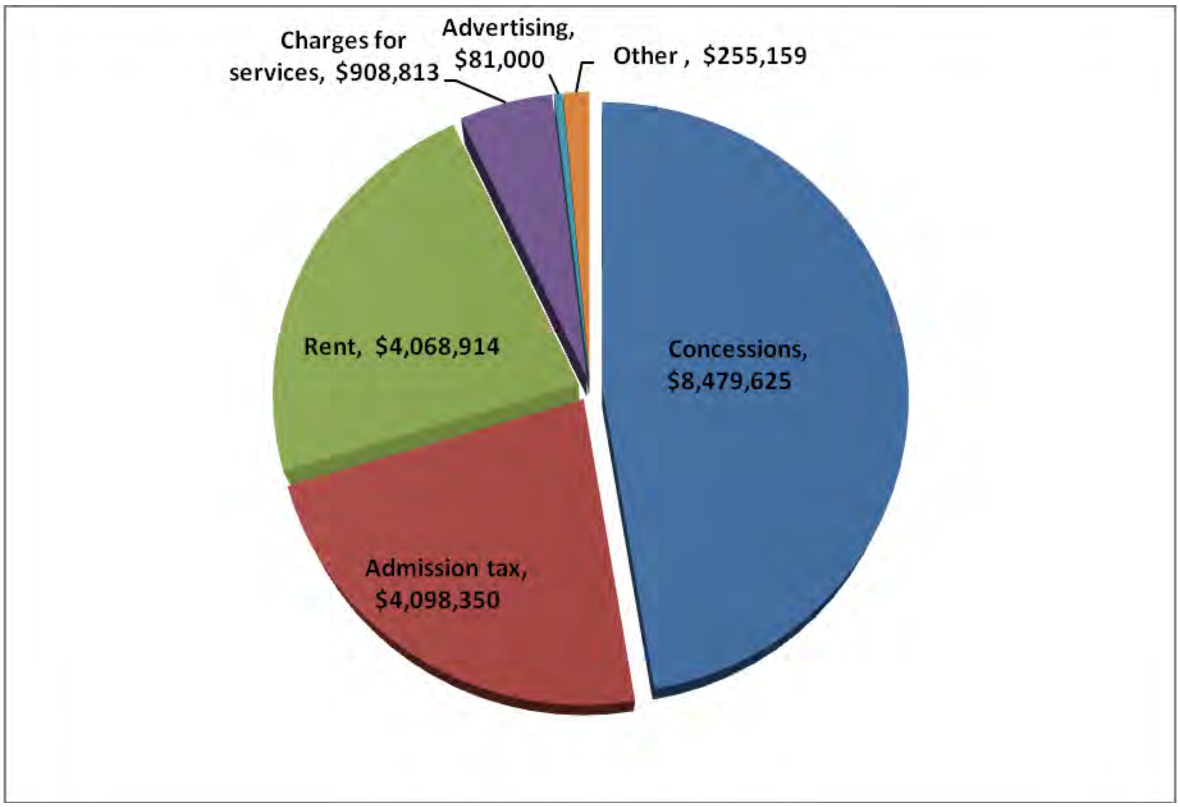
### Authority's Activities

Operating revenues were $17,891,861 for the Authority's five month fiscal period ended December 31, 2012. Sources of revenue are comprised of concessions, admission tax, rent, charges for services, advertising, and other revenues. Food and beverage concessions constitute the largest source of revenues and represent 47.4 percent of total operating revenues. A portion of the concessions revenues is paid to the Minnesota Vikings and a five percent management fee is paid to the concessionaire 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 stadium operating expenses. Rent is based on the terms of the use agreements with the Minnesota Vikings and various other users. Rent also includes the private suite rent from the Minnesota Vikings. Charges for services include payments from the users and others for event related expenses such as audio expense, scoreboard operator expense, cleaning supplies and services, first aid, and field lights.

Below is a chart of the five month fiscal period ended December 31, 2012 operating revenues by source:

**Operating Revenues by Source**




A variety of events were hosted in the Metrodome in 2012 including the ten Minnesota Vikings 2012 football season home games, the 2012 Minnesota State High School League soccer and football tournaments, motorsports events, several amateur football games, and many other cultural and athletic events.

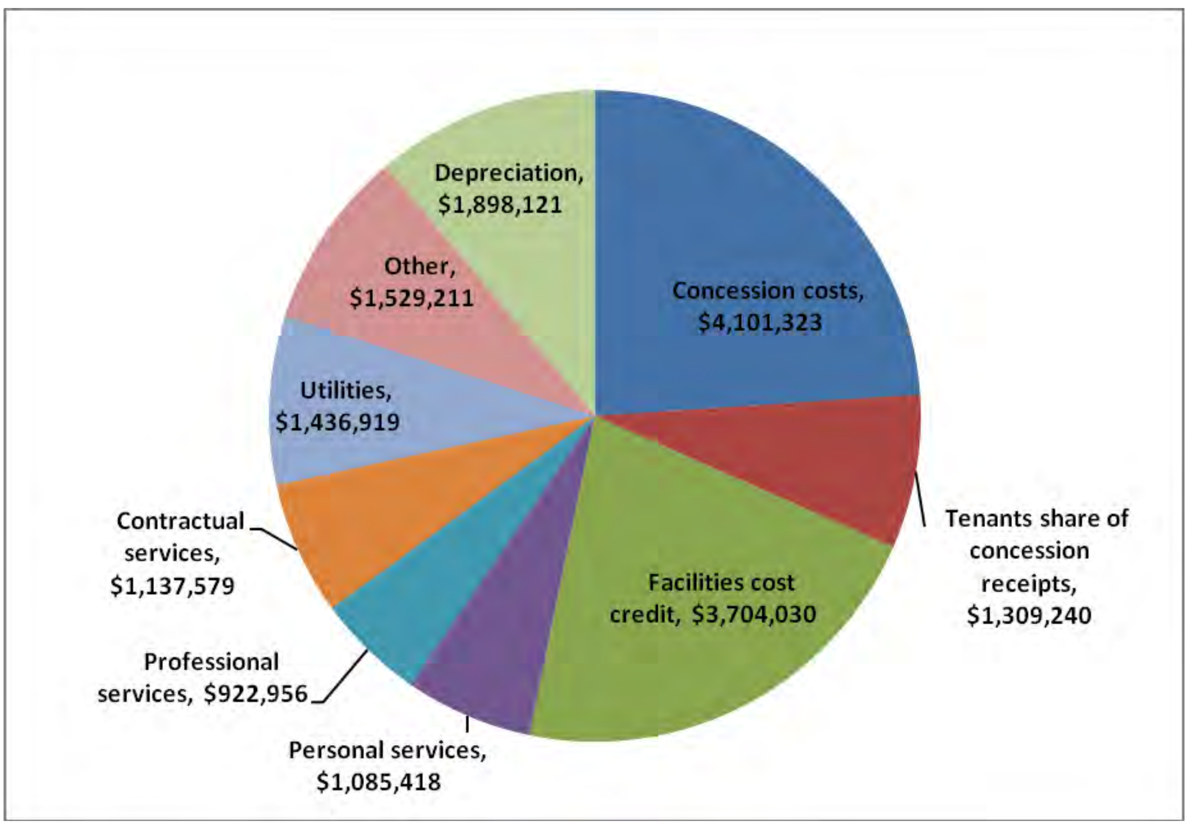
The 2012 Minnesota Laws, Chapter 299, provided for the construction, financing, operation, and long-term use of a new multi-purpose stadium and stadium infrastructure as a venue for the National Football League and a broad range of other civic, community, athletic, educational, cultural, and commercial activities in the city of Minneapolis. The stadium and stadium infrastructure project has a budget of $975 million which will be funded by contributions of

$477 million from the Minnesota Vikings and/or private contributions, $348 million from the state of Minnesota, and $150 million from the city of Minneapolis. In December 2012 the Authority entered into an agreement with the Minnesota Vikings to begin the planning, design, development and preconstruction of the stadium project. Since the Minnesota Vikings are required to be the first source of funding for project costs, they contributed $833,181 for stadium project expenses and $2,546,938 for construction in progress.

The Authority's operating expenses include concessions (operating) costs, tenants share of concession receipts, facilities cost credit, personal services, professional services, contractual services, utilities, supplies, repairs and maintenance, insurance, event costs, depreciation, and miscellaneous expenses. Operating expenses were $17,124,797 for the five month fiscal period ended December 31, 2012. Concession costs of $4,101,323 comprise the largest expense category and represent 23.9 percent of total operating expenses.

Below is a chart of the five month fiscal period ended December 31, 2012 operating expenses by category:

**Operating Expenses by Category**



## Capital Assets

The Authority's investment in capital assets as of December 31, 2012 was $15,497,844 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and construction in progress. The following summarizes the Authority's capital assets as of December 31, 2012.

| | |
|---|---|
| Capital assets: | |
| Land | $ 8,700,000 |
| Building | 111,207,306 |
| Equipment | 12,626,397 |
| Construction in progress | 2,546,938 |
| Total capital assets | 135,080,641 |
| Less: accumulated depreciation | (119,582,797) |
| Total capital assets, net | $ 15,497,844 |

During the five month fiscal period ended December 31, 2012, the Authority's total capital assets net valuation increased by $680,027. There was one major capital asset event during the current fiscal period:

- Construction planning which included architectural design and engineering fees and environmental assessment services fees for the new stadium (construction in progress as of December 31, 2012 had reach $2,546, 938).

Additional information on the Authority's capital assets can be found in the notes to the financial statements on page 20 of this report.

## Economic Factors and Next Year's Budget

Planning for the construction of the new stadium and stadium infrastructure began in June 2012 and has continued into 2013. It has been a joint and collaborative effort with the Minnesota Vikings to develop a project plan, project timeline, and project budget. Several requests for proposals have been published, a multitude of proposals have been received, and the following contracts have been executed: architectural design and engineering services, environmental services, site survey services, geotechnical services, and construction management services.

The construction management firm plans to begin construction in the fall of 2013. Construction will be limited to work in the parking lot so that events may continue to be hosted in the Metrodome. Demolition of the Metrodome and construction of the new stadium are planned to begin in the first quarter of 2014.

The Authority's 2013 budget, for the fiscal year from January 1, 2013 through December 31, 2013, includes total operating revenues of $20,405,100 which includes concession revenues of

$8,066,000 (39.5 %), rent revenues of $4,690,200 (23.0 %), and admission tax revenues of $4,057,900 (19.9 %). The Minnesota Vikings plan to play one international home game during their 2013 football season so only nine home football games will be played in the Metrodome in 2013. Several other events are planned for 2013 including the Home and Landscape Show, Twins Fest 2013, Monster Jam, SuperCross, Vikings Draft Party, Vikings Family Day, several high school and college baseball games, five home Minnesota United Soccer games, several Minnesota State High School League Soccer and Football tournaments, Youth In Music, Hmong American New Year, Minnesota Distance Running Association, Rollerdome, Jewish Federation, and several amateur football games. Stadium rental fees, parking fees, and building use fees remain unchanged for fiscal year 2013. Budgeted operating expenses for fiscal year 2013 are $22,846,841. The Authority's goal is to continue to manage its costs while maintaining core stadium services for its many users.

**Requests for Information**

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in its financial position and to demonstrate the Authority'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, Minnesota Sports Facilities Authority, 900 South Fifth Street, Minneapolis, Minnesota 55415. This report may also be found on the Authority's web site at www.msfa.com.

**MINNESOTA SPORTS FACILITIES AUTHORITY** **Exhibit A**

**STATEMENT OF NET POSITION**

**December 31, 2012**

| | | |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ | 2,974,581 |
| Investments | | 8,701,375 |
| Receivables: | | |
| Accounts | | 5,122,726 |
| Accrued interest | | 47,631 |
| Prepaid items | | 439,781 |
| Total current assets | | 17,286,094 |
| Noncurrent assets: | | |
| Receivables: | | |
| Accounts | | 156,500 |
| Capital assets: | | |
| Land | | 8,700,000 |
| Building | | 111,207,306 |
| Equipment | | 12,626,397 |
| Construction in progress | | 2,546,938 |
| Accumulated depreciation | | (119,582,797) |
| Total capital assets (net of accumulated depreciation) | | 15,497,844 |
| Total noncurrent assets | | 15,654,344 |
| Total assets | | 32,940,438 |
| **LIABILITIES** | | |
| Current liabilities: | | |
| Salaries and benefits payable | | 48,259 |
| Accounts payable and other accrued liabilities | | 4,899,028 |
| Unearned revenue | | 176,130 |
| Compensated absences | | 150,891 |
| Total current liabilities | | 5,274,308 |
| Noncurrent liabilities: | | |
| Compensated absences | | 88,063 |
| Total liabilities | | 5,362,371 |
| **NET POSITION** | | |
| Net investment in capital assets | | 15,497,844 |
| Unrestricted | | 12,080,223 |
| Total net position | $ | 27,578,067 |

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

**MINNESOTA SPORTS FACILITIES AUTHORITY** **Exhibit B**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

**For the Five Month Fiscal Period Ended December 31, 2012**

| | | |
|---|---|---|
| Operating revenues: | | |
| Concessions | $ | 8,479,625 |
| Admission tax | | 4,098,350 |
| Rent | | 4,068,914 |
| Charges for services | | 908,813 |
| Advertising | | 81,000 |
| Other | | 255,159 |
| Total operating revenues | | 17,891,861 |
| | | |
| Operating expenses: | | |
| Concession costs | | 4,101,323 |
| Tenants share of concession receipts | | 1,309,240 |
| Facilities cost credit | | 3,704,030 |
| Personal services | | 1,085,418 |
| Professional services | | 922,956 |
| Contractual services | | 1,137,579 |
| Supplies, repairs and maintenance | | 470,478 |
| Utilities | | 1,436,919 |
| Insurance | | 367,127 |
| Event costs | | 388,508 |
| Miscellaneous | | 303,098 |
| Depreciation | | 1,898,121 |
| Total operating expenses | | 17,124,797 |
| | | |
| Total operating income (loss) | | 767,064 |
| | | |
| Nonoperating revenues (expenses): | | |
| Investment earnings | | 70,645 |
| Other contribution from Minnesota Vikings | | 833,181 |
| Stadium project expenses | | (833,181) |
| Total nonoperating revenues (expenses) | | 70,645 |
| | | |
| Income before capital contribution | | 837,709 |
| | | |
| Capital contribution from Minnesota Vikings | | 2,546,938 |
| | | |
| Change in net position | | 3,384,647 |
| | | |
| Total net position, August 1, 2012 | | 24,193,420 |
| | | |
| Total net position, December 31, 2012 | $ | 27,578,067 |

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

**MINNESOTA SPORTS FACILITIES AUTHORITY** **Exhibit C**

**STATEMENT OF CASH FLOWS**

**For the Five Month Fiscal Period Ended December 31, 2012**

| | |
|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | |
| Receipts from concessionaire | $ 3,560,579 |
| Receipts from tenants | 4,063,731 |
| Receipts from others | 442,711 |
| Payments to concessionaire, vendors and others | (4,423,889) |
| Payments to tenants | (839,009) |
| Payments to employees | (1,021,084) |
| Net cash provided (used) by operating activities | 1,783,039 |
| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES** | |
| Other contribution from Minnesota Vikings | 59,747 |
| Payments for stadium project | (18,849) |
| Net cash provided (used) by noncapital financing activities | 40,898 |
| **CASH FLOWS FROM CAPITAL ACTIVITIES** | |
| Purchase of capital assets | (510,697) |
| Capital contribution from Minnesota Vikings | 438,588 |
| Net cash provided (used) by capital activities | (72,109) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | |
| Proceeds from sales and maturities of investments | 2,136,332 |
| Purchase of investments | (2,293,143) |
| Interest on investments | 209,524 |
| Net cash provided (used) by investing activities | 52,713 |
| Net increase (decrease) in cash and cash equivalents | 1,804,541 |
| Cash and cash equivalents, August 1 | 1,170,040 |
| Cash and cash equivalents, December 31 | $ 2,974,581 |
| **Reconciliation of operating income (loss) to net cash provided (used) by operating activities:** | |
| Operating income (loss) | $ 767,064 |
| Adjustments to reconcile operating loss to net cash provided by operating activities: | |
| Depreciation expense | 1,898,121 |
| Change in assets and liabilities: | |
| (Increase) decrease in accounts receivable | (4,613,539) |
| (Increase) decrease in prepaid items | 386,647 |
| Increase (decrease) in salaries and benefits payable | 8,785 |
| Increase (decrease) in accounts payable and other accrued liabilities | 3,665,306 |
| Increase (decrease) in unearned revenue | (384,893) |
| Increase (decrease) in compensated absences | 55,548 |
| Total adjustments | 1,015,975 |
| Net cash provided (used) by operating activities | $ 1,783,039 |
| **Noncash investing, capital, and financing activities:** | |
| Increase in fair value of investments | $ 255,758 |

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

## I. Summary of significant accounting policies

### A. Reporting entity

In May 2012, the State of Minnesota enacted 2012 Minnesota Laws, Chapter 299 to establish the Minnesota Sports Facilities Authority (Authority). The Authority is comprised of five board members: the Chair, appointed by the Governor of the State of Minnesota, two members appointed by the governor and two members appointed by the Mayor of the city of Minneapolis. One member appointed by the governor and one member appointed by the mayor serve until December 31, 2015 and one member appointed by the governor and one member appointed by the mayor serve until December 31, 2016. Thereafter members appointed by the governor and the mayor serve a four year term beginning January 1. The Chair serves at the pleasure of the governor. The board makes policies for the administration of the Authority and it appoints a CEO/Executive Director to act as the administrative head of the Authority. The CEO/Executive Director serves at the pleasure of the board, carries out the policies established by the board, directs business and administrative procedures, and recommends personnel to be appointed by the board.

The financial statements of the Authority 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. Significant accounting policies of the Authority are described below.

The Authority was created to provide for the construction, financing, and long term use of a new stadium and related stadium infrastructure as a venue for professional football and a broad range of other civic, community, athletic, educational, cultural and commercial activities. Operation and maintenance of the existing stadium, Hubert H. Humphrey Metrodome (Metrodome), was assumed by the Authority upon transfer of operations from the Metropolitan Sports Facilities Commission to the Authority on August 1, 2012, see note III. Other Information D. Transfer of Operations for additional information.

### B. Basis of presentation

The operations of the Authority are accounted for in an enterprise fund which is a set of self-balancing accounts comprised of assets, liabilities, net position, revenues, and expenses. The fund is used to account for the operation of the Metrodome and the financing and construction of the new stadium and stadium infrastructure.

### C. Measurement Focus and Basis of Accounting

The Authority's enterprise fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned,

**I. Summary of significant accounting policies** (continued)

and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

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 Authority'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, personal services, professional services, contractual services, supplies, repairs, and maintenance, utilities, insurance, event related expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**D. Assets, liabilities, and net position**

**1. Cash and investments**

The Authority 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. Authority deposits are backed by a combination of Federal Deposit Insurance Corporation (FDIC) and a letter of credit from Federal Home Loan Bank for the account of U.S. Bank National Association, Cincinnati, Ohio for an amount of $10 million. The letter of credit is irrevocable, unconditional, and nontransferable.

The Authority may invest funds as authorized by Minnesota Statutes, Chapter 118A, and the Authority's internal investment policy. Investments include:

(a) Securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as high risk by Minnesota Statutes, Chapter 118A.04, subdivision 6;
(b) Mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments.

Investments are reported at fair value and are based on quoted market prices.

**2. Prepaid items**

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

**I. Summary of significant accounting policies** (continued)

### 3. Capital assets

Capital assets include land, building, equipment, and construction in progress. Capital assets are defined by the Authority as assets with an initial, individual cost of $5,000 or more and an estimated useful life greater than three years. 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. Costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

As required by GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries" the Metropolitan Sports Facilities Commission (Commission) recognized an asset impairment of $11,123,340 as of May 31, 2012 due to the significant and unexpected decline in the service utility of fourteen capital assets. Each asset had an original cost of $100,000 or more and a remaining net book value. The useful life for each asset was reduced from 55 months to 19 months due to the planned closure and demolition of the Metrodome in 2014. The amount of the impairment for each asset was treated as a direct increase to accumulated depreciation as the impairment was considered to be a reduction in the capital asset's useful life.

Capital assets are depreciated over their estimated useful lives using the straight-line method. The useful life for certain assets was extended to December 31, 2013.

Estimated useful lives are as follows:

| Capital Assets | Useful Life |
|---|---|
| Buildings | 17 months, August 2012 through December 2013 |
| Equipment | 17 months, August 2012 through December 2013 |

### 4. Compensated absences

The Authority accrues vacation and sick leave when earned. All full-time non-bargaining agreement employees earn annual vacation leave based on years of service and are allowed to accumulate up to a maximum of 400 hours as of the end of each year. Full-time bargaining agreement 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. Regularly scheduled part-time non-bargaining agreement employees also earn annual vacation leave and are allowed to accumulate up to a maximum of 200 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. Unearned revenue

Unearned revenue consists of amounts recognized as assets that have not been earned. These amounts include license agreement revenues and rent.

**I. Summary of significant accounting policies** (continued)

### 6. Net position

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

| Unrestricted Net Position Accounts | Balance as of December 31, 2012 |
|---|---|
| Operating account | $ 7,317,351 |
| Repairs, replacements and improvements account | 2,730,842 |
| Concessions reserve account | 2,032,030 |
| | $ 12,080,223 |

## II. Detailed Notes

### A. Deposits

Minnesota Statutes, Chapter 118A, require that all Authority deposits in excess of available federal deposit insurance be protected by a corporate surety bond or collateral security. An irrevocable standby letter of credit issued by a Federal Home Loan Bank is an allowable form of collateral. 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 financial institution's banking day, except for irrevocable standby letters of credit, then the amount of collateral shall be at least equal to the amount on deposit at the close of the financial institution's banking day. At December 31, 2012, the carrying amount of the Authority's combined bank accounts was $1,197,725. Bank balances were $1,250,330 of which $250,000 was covered by federal depository insurance and the remaining $1,000,330 was collateralized by an irrevocable standby letter of credit issued by Federal Home Loan Bank of Cincinnati. The differences between carrying value and bank balance generally result from checks outstanding and deposits in transit at December 31, 2012.

### B. Investments

The Authority's investment policy addresses certain risks to which it is currently exposed as follows:

*Interest rate risk.* Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The Authority has a formal investment policy by which it manages exposures to declines in fair value, and the policy limits investments to a maximum maturity of five years. The Authority does not have a policy on interest rate risk. To meet short-term cash flow needs, the Authority's investment portfolio will remain sufficiently liquid to enable the Authority to meet anticipated cash requirements without the occurrence of significant investment losses. To meet long-term needs, the average duration of the investment portfolio should match the average duration of liabilities subject to regulatory requirements.

*Credit risk*. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Investment instruments purchased by the Authority must comply with Minnesota Statutes, Chapter 118A, and its investment policy which is more restrictive than state law. The Authority's investment policy limits investments to the following: money market funds, savings/demand deposits, bankers acceptances, commercial paper, U.S. Treasury Obligations, U.S. Agency Securities Government Sponsored Enterprises (GSE), Municipal Securities, Repurchase Agreements, and Guaranteed Investment Contracts. U.S. Agency Securities GSE's issuers have the second highest credit quality in the fixed income markets and provide higher yields than U.S. Treasury Obligations. The ratings on all the agencies that the Authority can invest in are the highest available and include: Federal Home Loan Bank system (FHLB), Federal Home Loan Mortgage Corporation, Federal Farm Credit Bureau, and Federal National Mortgage Association. It is the Authority's policy not to invest in inverse floaters, range notes, interest only strips derived from a pool of mortgages, and any security that could result in a zero interest accrual if held to maturity.

*Concentration of credit risk.* Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Authority's investment policy limits investments to no more than 50% of the total investment portfolio may be invested in a single security type or with a single financial institution, and no more than 5% of the portfolio may be invested in the securities of a single issuer, except for the securities of the United States government.

*Custodial credit risk.* The custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, then the Authority will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that in the event of the failure of the counter party to a transaction, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. According to the Authority's investment policy, all securities are to be held by a third party safekeeping agent appointed as custodian.

**II. Detailed Notes** (continued)

Following is a summary of the fair values of securities at December 31, 2012:

| Security Type | Credit Risk | Custodial Credit Risk | Par | Fair Value | % of Total Portfolio |
|---|---|---|---|---|---|
| Federal National Mortgage Assoc. | Aaa | Custody (a) | $ 3,205,679 | $ 3,752,243 | 32.14% |
| Federal Home Loan Mortgage Corp. | Aaa | Custody (a) | 2,583,845 | 2,948,801 | 25.26% |
| Government National Mortgage Assoc. | Aaa | Custody (a) | 1,763,125 | 2,000,331 | 17.13% |
| Money Market Funds | (b) | (c) | 2,079,180 | 2,079,180 | 17.81% |
| Cash for operations | n.a. | (c) | 894,951 | 894,951 | 7.66% |
| Petty cash | n.a. | Authority held | 450 | 450 | 0.0% |
| Total cash and investments | | | $ 10,527,230 | $11,675,956 | 100.0% |

(a) Securities held in custody/escrow are in the Authority's name

(b) $1,776,406 invested in Aaa money market fund and $302,774 invested in U.S. Bank money market account.

(c) Individual bank balances less than or equal to $250,000 are FDIC insured. Individual balances greater than $250,000 are collateralized by the Authority holding a letter of credit from the Federal Home Loan Bank of Cincinnati for $10 million.

The Authority has adopted a simulation model of reporting its investments and their sensitivity to fluctuation in interest rates to comply with GASB Statement No. 40. As presented below, assumptions are made of interest rate changes of 50, 100, 150, and 200 basis points; it also assumes that interest rate changes occur on December 31, 2012. The investment portfolio has an average yield of 2.54%, modified duration of 1.8 years, effective duration of 1.7 years and convexity of -0.11 as of December 31, 2012.

| | Estimated Fair Value, Parallel Shift of Yield Curve* | | | |
|---|---|---|---|---|
| Security Type | + 50 Basis Pts | +100 Basis Pts | +150 Basis Pts | +200 Basis Pts |
| Federal National Mortgage Assoc. | $ 3,742,170 | $ 3,708,490 | $3,673,260 | $3,638,364 |
| Federal Home Loan Mortgage Corp. | 2,926,433 | 2,900,095 | 2,872,544 | 2,845,255 |
| Government National Mortgage Assoc. | 2,022,668 | 2,004,464 | 1,985,422 | 1,966,560 |
| Money Market Funds | 2,079,180 | 2,079,180 | 2,079,180 | 2,079,180 |
| Cash for operations | 894,951 | 894,951 | 894,951 | 894,951 |
| Petty cash | 450 | 450 | 450 | 450 |
| Total cash and investments | $11,665,852 | $11,587,630 | $11,505,807 | $11,424,760 |

* The fair value reported in the custodial credit risk disclosure is nominally different than the fair value used as the basis for the interest rate risk disclosure.

The Authority has no foreign currency exposure.

## II. Detailed Notes (continued)

### C. Capital assets

Capital asset activity for the five month fiscal period ended December 31, 2012 was as follows:

| | Balance August 1 | Increases | Decreases | Balance December 31 |
|---|---|---|---|---|
| Capital assets, not being depreciated: | | | | |
| Land | $ 8,700,000 | $ - | $ - | $ 8,700,000 |
| Capital assets, being depreciated: | | | | |
| Buildings | 111,207,306 | - | - | 111,207,306 |
| Equipment | 12,598,324 | 31,210 | (3,137) | 12,626,397 |
| Construction in progress | - | 2,546,938 | - | 2,546,938 |
| Total capital assets, being depreciated | 123,805,630 | 2,578,148 | (3,137) | 126,380,641 |
| Less: accumulated depreciation for: | | | | |
| Buildings | (105,852,947) | (1,599,589) | - | (107,452,536) |
| Equipment | ( 11,834,866) | (298,532) | 3,137 | (12,130,261) |
| Total accumulated depreciation | (117,687,813) | (1,898,121) | 3,137 | (119,582,797) |
| Total capital assets, being depreciated, net | 6,117,817 | 680,027 | - | 6,797,844 |
| Total capital assets, net | $ 14,817,817 | $ 680,027 | $ - | $ 15,497,844 |

### D. Expenses – Facilities Cost Credit

The Authority waived the 2012 required rent payment from the Minnesota Vikings in order to reduce the cost of event day operations in the Metrodome. The waived rent is in lieu of payment of the facilities cost credit. The 2012 facilities cost credit for the Minnesota Vikings was $3,704,030.

### E. Changes in long-term liabilities

Long-term compensated absences activity for the five month fiscal period ended December 31, 2012, was:

| Balance August 1 | Additions | Reductions | Balance December 31 | Due Within One Year |
|---|---|---|---|---|
| $183,405 | $136,811 | $81,262 | $238,954 | $150,891 |

## III. Other information

### A. Retirement plans

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

State Employees Plan (SEP) Description

The MSRS-SEP is a cost-sharing multiple employer defined benefit public employee retirement plan. All full-time and certain part-time employees of the Authority are covered by this plan. The plan is administered by MSRS. MSRS provides retirement benefits, 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, Saint 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 10%, and the employee and the employer each contributed 5%.

Employer contributions to MSRS-SEP, which equaled the required contribution for the five month fiscal period ended December 31, 2012 were:

| Year | Contributions |
|---|---|
| 2012 | $26,481 |

Unclassified Employees Plan (UEP) Description

The MSRS-UEP is a multiple employer defined contribution public employee retirement plan. The chair of the Commission and the CEO/Executive Director are 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 State Employees Plan provided minimum service requirements are met.

Funding Policy

Minnesota Statutes, Chapter 352D, sets the rate for employee and employer contributions and may be amended by the State of Minnesota. Contributions are made to the fund by the employee and the employer, based on a percentage of gross salary/wage. The total required

**III. Other information** (continued)

contribution rate was 11%, the employee has a required contribution rate of 5% and the employer has a required contribution rate of 6%.

Employer contributions to MSRS-UEP which equaled the required contribution for the five month fiscal period ended December 31, 2012 were:

| Year | Contributions |
|---|---|
| 2012 | $6,113 |

**B. Risk management**

The Authority 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 Authority purchased insurance policies for the following exposures with the deductible or the amount of risk retention indicated in parenthesis: all-risk property insurance ($25,000 to $500,000 deductible dependent upon type of loss, the roof deductible is $500,000), boiler and machinery ($50,000 deductible), property terrorism ($1 million deductible), roof deductible buy-back ($25,000 retention), general liability (none), umbrella liability ($10,000 retention), automobile insurance ($500 collision deductible/$250 comprehensive deductible), crime insurance ($5,000 deductible), workers compensation (none), and public officials and employee liability insurance ($10,000 retention). There have been no significant reductions in insurance coverage from the prior year.

**C. Operating leases**

The Authority leases office space, a storage facility for operational purposes, and real estate for erection of the outdoor marquee. The office space lease period began on August 1, 2012 and continues on a month-to-month basis, lease expenses were $2,500 in 2012. The storage facility is used to store the plywood which covers the stadium's artificial playing surface during certain events. This lease period began on August 1, 2012 and continues on an annual basis, lease expenses were $10,000 in 2012. The real estate lease began on August 1, 2012 and terminates on August 31, 2014. This lease does not require any payment.

**D. Transfer of Operations**

The Authority early implemented GASB Statement No. 69, Government Combinations and Disposals of Government Operations. In May 2012 the State of Minnesota enacted 2012 Minnesota Laws, Chapter 299, which created the Authority. This law also required the Commission to transfer its assets, liabilities, and obligations to the Authority within 90 days of enactment of the law and upon completion of the transfer the Commission was abolished. On August 1, 2012 the Commission transferred the assets and liabilities of the Commission to the

**III. Other information** (continued)

Authority. In addition to assumption of the assets and liabilities, the Authority also assumed responsibility for the maintenance and operation of the Metrodome. As a result of the transfer, the Authority recognized the following assets, liabilities, and net position as of August 1, 2012:

| | |
|---|---|
| Transferred Assets (Net) | |
| Current assets | $11,366,727 |
| Capital assets | 14,817,817 |
| Noncurrent assets | 26,500 |
| Total assets | 26,211,044 |
| | |
| Transferred Liabilities | |
| Current liabilities | 1,952,159 |
| Noncurrent liabilities | 65,465 |
| Total liabilities | 2,017,624 |
| | |
| Net Position of Transferred Commission Operation | |
| Net investment in capital assets | 14,817,817 |
| Unrestricted | 9,375,603 |
| | |
| Total net position | $24,193,420 |

## E. Construction commitments

In 2012 the Authority began its stadium and stadium infrastructure construction project. The Authority has the following construction commitments with contractors at December 31, 2012:

| | Spent-to-date | Remaining Commitment |
|---|---|---|
| Architectural and engineering services | $2,362,333 | $31,637,667 |
| Environmental services | 184,605 | 562,491 |
| Owners representative services | 577,871 | 8,234,169 |

# STATISTICAL SECTION

The Statistical Section provides financial statement users with additional historical perspective, context, and detail to assist in using the information in the financial statements, including the accompanying notes.

## LIST OF STATISTICAL TABLES

### 1.0 FINANCIAL TRENDS

This information is intended to assist users in understanding and assessing how the Authority's financial position has changed over time. There are two tables presented in this section.

Table 1.1 Net Position by Component

Table 1.2 Changes in Net Position

### 2.0 REVENUE CAPACITY

This information is intended to assist users in understanding and assessing the factors affecting the Authority's ability to generate its own-source revenues. Only one table is presented in this section.

Table 2.1 User Fee Revenues by Source

### 3.0 DEMOGRAPHIC AND ECONOMIC INFORMATION

This information is intended to assist users in understanding the socioeconomic environment within which the Authority operates and to provide information that facilitates comparisons of financial statement information over time. There are two tables presented in this section.

Table 3.1 Demographic and Economic Statistics

Table 3.2 Principal Employers in Minnesota

### 4.0 OPERATING INFORMATION

This information is intended to provide contextual information about the Authority's operations and resources to assist readers in using financial statement information to understand and assess the Authority's economic condition. There are three tables presented in this section.

Table 4.1 Full-Time Employees by Department

Table 4.2 Stadium Event Attendance

Table 4.3 Metrodome Amenities

**MINNESOTA SPORTS FACILITIES AUTHORITY** **Table 1.1**

**Net Position by Component**

**For the Five Month Fiscal Period Ended December 31, 2012***

| | **2012** |
|---|---|
| Net investment in capital assets | $ 15,497,844 |
| Unrestricted | 12,080,223 |
| Total net position | $ 27,578,067 |

* The Authority began operations on August 1, 2012.

Unaudited

Source: Authority Finance department

**MINNESOTA SPORTS FACILITIES AUTHORITY** **Table 1.2**

**Changes in Net Position**

**For the Five Month Fiscal Period Ended December 31, 2012***

| | 2012 |
|---|---|
| Operating revenues: | |
| Concessions | $ 8,479,625 |
| Admission tax | 4,098,350 |
| Rent | 4,068,914 |
| Charges for services | 908,813 |
| Advertising | 81,000 |
| Other | 255,159 |
| Total operating revenues | 17,891,861 |
| Operating expenses: | |
| Concession costs | 4,101,323 |
| Tenants share of concession receipts | 1,309,240 |
| Facilities cost credit | 3,704,030 |
| Personal services | 1,085,418 |
| Professional services | 922,956 |
| Contractual services | 1,137,579 |
| Supplies, repairs and maintenance | 470,478 |
| Utilities | 1,436,919 |
| Insurance | 367,127 |
| Event costs | 388,508 |
| Miscellaneous | 303,098 |
| Depreciation | 1,898,121 |
| Total operating expenses | 17,124,797 |
| Total operating income (loss) | 767,064 |
| Nonoperating revenues (expenses): | |
| Investment earnings | 70,645 |
| Other contribution from Minnesota Vikings | 833,181 |
| Stadium project expenses | (833,181) |
| Total nonoperating revenues (expenses) | 70,645 |
| Income before contribution | 837,709 |
| Capital contribution | 2,546,938 |
| Change in net position | $ 3,384,647 |

* The Authority began operations on August 1, 2012.

Unaudited

Source: Authority Finance department

# MINNESOTA SPORTS FACILITIES AUTHORITY

**Table 2.1**

## User Fee Revenues by Source

## For the Five Month Fiscal Period Ended December 31, 2012*

| Fiscal Period | Concessions (1) | Admission Tax (2) | Rent (3) | Charges for Services | Advertising | Other |
|---|---|---|---|---|---|---|
| 2012 | $ 8,479,625 | $ 4,098,350 | $ 4,068,914 | $ 908,813 | $ 81,000 | $ 255,159 |

* The Authority began operations on August 1, 2012.

1) Various prices are charged for food and beverage concessions.
2) A 10% admission tax is assessed on all ticket sales for Metrodome events.
3) A 9.5% rental fee is assessed on Minnesota Vikings ticket sales and a $500 hourly rental fee is charged for nonmajor Metrodome users.

Unaudited

Source: Authority Finance department

## MINNESOTA SPORTS FACILITIES AUTHORITY
**Table 3.1**
### Demographic and Economic Statistics
### Last Ten Calendar Years

| Fiscal Year | Population (1) | Personal Income (In Millions) (1) | Per Capita Income (1) | Unemployment Rate (2) |
|---|---|---|---|---|
| 2003 | 2,740,985 | 119,741 | 38,836 | 4.6% |
| 2004 | 2,771,030 | 127,365 | 40,915 | 4.5% |
| 2005 | 2,810,179 | 132,708 | 42,377 | 3.8% |
| 2006 | 2,821,779 | 140,158 | 44,295 | 3.8% |
| 2007 | 2,849,003 | 149,496 | 46,752 | 4.3% |
| 2008 | 2,870,250 | 154,421 | 48,207 | 5.1% |
| 2009 | 2,881,812 | 149,795 | 45,262 | 7.9% |
| 2010 | 2,849,567 | 154,479 | 46,819 | 7.2% |
| 2011 | 2,873,444 | 161,468 | 48,657 | 6.4% |
| 2012 | 2,873,444 | 161,468 | 48,657 | 5.5% |

Unaudited

Sources:
1) Metropolitan Council Comprehensive Annual Financial Report - U.S. Commerce Department, Bureau of Economic Analysis for the Minneapolis-St. Paul Metropolitan Statistical Area. Other years updated by Metropolitan Council (2003-2012).
2) Metropolitan Council Comprehensive Annual Financial Report - State of Minnesota, Department of Employment and Economic Development (seven county area).

## MINNESOTA SPORTS FACILITIES AUTHORITY
**Table 3.2**
### Principal Employers in Minnesota
### Current Year and Nine Years Ago

| | *Number of Minnesota Only Employees in thousands (except percentage)* | | | | | |
|---|---|---|---|---|---|---|
| | 2012 | | | 2003* | | |
| Employer | Employees | Rank | Percentage of Total Employment | Employees | Rank | Percentage of Total Employment |
| State of Minnesota | 54 | 1 | 3.07% | 56 | 1 | 3.25% |
| United States Federal Gov't | 45 | 2 | 2.56% | 35 | 2 | 2.03% |
| Mayo Clinic | 33 | 3 | 1.88% | 25 | 5 | 1.45% |
| Target Corporation | 31 | 4 | 1.76% | 32 | 3 | 1.86% |
| University of Minnesota | 25 | 5 | 1.42% | 31 | 4 | 1.80% |
| Allina Health System | 24 | 6 | 1.37% | 22 | 6 | 1.28% |
| Wal-Mart Stores Inc. | 21 | 7 | 1.20% | - | - | - |
| Wells Fargo Minnesota | 20 | 8 | 1.14% | 15 | 10 | 0.87% |
| Fairview Health Services | 20 | 9 | 1.14% | 18 | 8 | 1.05% |
| United health Group, Inc. | 18 | 10 | 1.02% | - | - | - |
| Northwest Airlines Corp | - | - | | 18 | 9 | 1.05% |
| 3M Co. | - | - | | 19 | 7 | 1.10% |
| Total | 291 | | 16.56% | 271 | | 15.74% |

Unaudited

Source: Metropolitan Council Comprehensive Annual Financial Report-Twin Cities Business B.I.G. Book, 2013 and City Business-The Business Journal Book of Lists 2001-02.

Note: Available list covers employment for entire State of Minnesota.
2001 list was used due to unavailabilty of 2003 list.

## MINNESOTA SPORTS FACILITIES AUTHORITY

**Table 4.1**

**Full-Time Employees by Department**

**For the Five Month Fiscal Period Ended December 31, 2012***

| Fiscal Period | Administrative | Building Maintenance | Security | Total |
|---|---|---|---|---|
| 2012* | 7 | 11 | 2 | 20 |

Unaudited

Source: Authority Finance department

* The Authority began operations on August 1, 2012.

## MINNESOTA SPORTS FACILITIES AUTHORITY

**Table 4.2**

**Stadium Event Attendance**

**For the Five Month Fiscal Period Ended December 31, 2012***

| Fiscal Period* | Metrodome Attendance |
|---|---|
| 2012 | 750,111 |

Unaudited

Source: Authority Finance department
* The Authority began operations on August 1, 2012.

## MINNESOTA SPORTS FACILITIES AUTHORITY
## Metrodome Amenities
## December 31, 2012

**Table 4.3**

| | |
|---|---|
| **Date of Establishment** | June 2012 |
| **Number of primary users** | 1 |
| **Number of employees** | |
| Full-time | 20 |
| **Seating capacity** | 64,100 |
| **Number of private suites** | 100 |
| **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 |
| Height above playing field | 195 feet |
| Total dome area | 415,000 sq. feet (9.5 acres) |

Unaudited

Source: Authority Finance department

MINNESOTA
SPORTS FACILITIES
AUTHORITY

MINNESOTA
SPORTS FACILITIES
AUTHORITY