METROPOLITAN SPORTS FACILITIES COMMISSION*

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1993

* The Metropolitan Sports Facilities Commission is a component unit of the Metropolitan Council.

MAY 1994

Financial Audit Division
Office of the Legislative Auditor
State of Minnesota

94-23

Centennial Office Building, Saint Paul, MN 55155 ● 612/296-4708

METROPOLITAN SPORTS FACILITIES COMMISSION

AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1993

Public Release Date: May 16, 1994 No. 94-23

Audit Scope

The Metropolitan Sports Facilities Commission is a component unit of the Metropolitan Council. As required by Minn. Stat. Section 473.595, Subd. 5, we have conducted an audit of the commission's financial statements for the year ended December 31, 1993. Based on our examination, we have concluded that the commission's financial statements are fairly stated in compliance with generally accepted accounting principles.

Subsequent Decline in Market Value of Investments

Due to concerns about commission investments, publication of these financial statements has been delayed for two weeks. As of December 31, 1993, the financial statements show commission investments at a value of $30,339,218. The commission's investments experienced a subsequent decline in market value, as explained in note 9 to the financial statements:

> Between December 31, 1993 and the close of business on April 29, 1994, the Commission liquidated two of its investments for an aggregate loss of $1,750,241 and experienced a $413,500 decline in the aggregate market value of its remaining investments. Of the decline experienced, the portion related to investments with trustee was an unrealized loss of $279,000. The decline in value is primarily attributable to the sharp rise in interest rates during the months of March and April 1994 and its effect upon the U.S. Government securities market.

Because of its concerns with these losses, the commission is conducting a study of its investment management practices. It intends to complete the study shortly. We have decided to defer publishing our management letter pending completion of the commission's study. We expect to release the management letter next month.

Other Financial Statement Highlights

The financial statements show total commission assets of over $105 million as of December 31, 1993. Nearly $73 million of property and equipment comprises the largest portion of commission assets; investments accounted for most of its other assets. The commission owed total liabilities of about $43 million, with $42 million representing principal and accrued interest on its long-term debt.

The financial statements show that the commission has equity of over $62 million: $17 million in contributed capital, $12 million restricted according to its bond covenants, almost $14 million designated by the commission for capital improvement projects and operating reserves, and $19 million of unrestricted retained earnings. Its equity was increased by net income of over $6 million for calendar year 1993. However, $5 million of the net income resulted from a one-time accounting adjustment from the Hockey Playing and Metropolitan Sports Area Use Agreement being terminated. This extraordinary gain is further explained in footnote 4 to the financial statements.

Contact the Financial Audit Division for additional information.
296-1730

FINANCIAL AUDIT DIVISION

STATE OF MINNESOTA
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JAMES R. NOBLES, LEGISLATIVE AUDITOR

Independent Auditor's Report

Senator Phil Riveness, Chair
Legislative Audit Commission

Members of the Legislative Audit Commission

William Lester, Executive Director
Metropolitan Sports Facilities Commission

We have audited the accompanying balance sheets of the Metropolitan Sports Facilities Commission as of December 31, 1993 and 1992, and the related statements of income, retained earnings, and cash flows for the years then ended. These financial statements are the responsibility of the commission's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide 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, 1993 and 1992, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Our examination was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of investments included on page 18, which is the responsibility of the commission's management, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the examination of the basic financial statements, and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

James R. Nobles
Legislative Auditor

John Asmussen, CPA
Deputy Legislative Auditor

April 1, 1994, except for footnotes 8 and 9, as to which the date is April 29, 1994

Balance Sheet
December 31, 1993 and 1992

Assets	1993	1992
Unrestricted assets (note 1)		
Cash (note 1)	$ 11,308	$ 60,777
Investments, lower of market or cost	15,991,393	16,705,965
Accounts receivable	1,560,644	1,813,241
Accrued interest receivable	400,329	357,283
Prepaid expenses and other assets	62,850	71,609
Total unrestricted assets	$ 18,026,524	$ 19,008,875
Restricted assets (note 1):		
Investments with trustee, lower of market or par	$ 9,051,821	$ 9,121,540
Investments, lower of market or cost	5,296,004	4,997,537
Prepaid expenses	22,725	22,725
Accounts receivable with trustee	160,689	50,980
Accrued interest receivable with trustee	189,177	189,891
Total restricted assets	$ 14,720,416	$ 14,382,673
Fixed assets (note 4):		
Domed stadium site	$ 8,700,000	$ 8,700,000
Domed stadium building and equipment	93,293,725	88,862,339
Less accumulated Metrodome depreciation	(36,825,331)	(32,716,574)
Met Sports Center site	2,357,830	2,357,830
Met Center property and equipment	12,322,919	0
Less accumulated Met Center depreciation	(7,148,716)	0
Total property and equipment	$ 72,700,427	$ 67,203,595
Met Center property and equipment subject to long-term use agreement (See offsetting reserve account) (note 4)	$ 0	$ 12,322,919
Less accumulated depreciation	0	(6,670,035)
Total Met Center property and equipment	$ 0	$ 5,652,884
Total fixed assets	$ 72,700,427	$ 72,856,479
Total Assets	$105,447,367	$106,248,027

Metropolitan Sports Facilities Commission

Balance Sheet
December 31, 1993 and 1992

	1993	1992
Liabilities and Equities		
Unrestricted current liabilities:		
Accounts payable	$ 571,223	$ 581,675
Accrued expenses	160,421	136,077
	$ 731,644	$ 717,752
Restricted current liabilities:		
Current portion of long-term debt (note 5)	$ 1,760,000	$ 1,295,000
Accounts payable	203,458	61,982
Accrued interest	567,487	962,540
	$ 2,530,945	$ 2,319,522
Long-term debt, less current portion (note 5)	$ 39,810,000	$ 41,570,000
Reserve for Met Center property and equipment subject to long-term use agreement (see offsetting asset account) (note 4)	$ 0	5,652,884
Total liabilities	$ 43,072,589	$ 50,260,158
Contributed capital	$ 17,069,238	$ 17,069,238
Retained earnings:		
Restricted:		
Debt service	$ 6,913,511	$ 7,053,891
Repair and replacement account	3,107,167	3,118,952
Concession reserve account	2,168,793	1,890,308
Total restricted retained earnings	$ 12,189,471	$ 12,063,151
Designated pursuant to Commission resolution:		
Operating reserve account	$ 3,929,250	$ 3,929,250
Capital improvement account (note 7)	10,000,000	10,000,000
Total designated pursuant to Commission resolution	$ 13,929,250	$ 13,929,250
Unrestricted (note 1)	$ 19,186,819	$ 12,926,230
Total retained earnings	$ 45,305,540	$ 38,918,631
Total equity	$ 62,374,778	$ 55,987,869
Total Liabilities and Equity	$105,447,367	$106,248,027

The notes are an integral part of the financial statements.

Statement of Revenues, Expenses and Changes in Retained Earnings
Years Ended December 31, 1993 and 1992

	1993	1992
Revenue:		
Stadium rents	$ 2,905,238	$ 2,562,042
Parking fees	318,424	539,624
Concession revenue (note 4)	12,902,575	15,840,091
Expenses reimbursed by tenants	1,427,621	1,809,868
Admission tax (note 1)	4,056,916	4,030,799
Interest income	1,473,879	1,094,761
Gain on sale of investments	149,500	0
Other	1,693,901	1,489,526
Total revenue	$ 24,928,054	$ 27,366,711
Expenses:		
Personal services	$ 2,220,070	$ 2,038,345
Concession operating costs	6,361,024	7,095,800
Tenants' share of concession receipts (note 4)	3,782,447	4,904,309
Technical consultants	526,687	400,574
Professional services	112,896	250,832
Contractual services	1,916,203	1,736,758
Metropolitan Council services (note 2)	12,081	9,012
Travel and meetings	51,216	55,776
Supplies, repairs, and maintenance	271,521	259,147
Utilities	1,609,999	1,407,528
Insurance	303,015	309,480
Communication	41,889	44,305
Writedown of unrestricted investments to lower of cost or market	393,157	62,993
Miscellaneous	425,795	1,349,216
Total expenses before depreciation and amortization	$ 18,028,000	$ 19,924,075
Operating income before depreciation and amortization and disposal of fixed assets	$ 6,900,054	$ 7,442,636
Depreciation and amortization	(4,330,681)	(3,839,330)
Gain (loss) on disposal of fixed assets	26,773	(12,625)
Operating income (loss)	$ 2,596,146	$ 3,590,681
Other income (expense), unrestricted:		
Net Met Center revenues	$ 37,880	$ 0
Net other income (loss) unrestricted	$ 37,880	$ 0

Statement of Revenues, Expenses and Changes in Retained Earnings
Years Ended December 31, 1993 and 1992

	1993	1992
Other income (expense), restricted:		
Interest income, investments with trustee	$ 594,561	$ 814,069
Interest expense on domed stadium revenue bonds	(2,300,052)	(3,280,998)
Gain on sale of investments	0	1,257,438
Revaluation of restricted investments to lower of market or par	83,125	(78,155)
Net other income (loss) restricted	($1,622,366)	($ 1,287,646)
Income before extraordinary items:	$1,011,660	$ 2,303,035
Met Center property (note 4)	5,375,249	0
Call premium 1979 bonds (note 5)	0	(428,650)
Net income	$ 6,386,909	$ 1,874,385
Retained earnings, January 1	38,918,631	37,044,246
Retained earnings, December 31	$45,305,540	$38,918,631

The notes are an integral part of the financial statements.

Metropolitan Sports Facilities Commission

Statements of Cash Flows
Years ended December 31, 1993 and 1992

	1993	1992
Cash flows from operating activities:		
Operating income (loss)	$2,596,146	$ 3,590,681
Adjustments to reconcile operating income to net cash flows provided by operating activities:		
Depreciation and amortization	4,330,681	3,839,330
Met Center revenues	37,880	0
Interest income	(1,473,879)	(1,094,761)
Loss (gain) on sale of investments	(149,500)	0
Writedown of unrestricted investments	393,157	62,993
Loss (gain) on disposal of fixed assets	26,773	12,625
Changes in unrestricted assets and liabilities:		
Decrease (increase)in accounts receivable	252,596	1,383,912
Decrease (increase) in prepaid expenses	8,758	86,935
Increase (decrease) in accounts payable	21,317	(203,317)
Increase (decrease) in salaries payable	24,344	8,156
Net cash provided by operating activities	$6,068,273	$ 7,686,554
Cash flows from investing activities:		
Net sales (purchases) of investments	$ 416,099	($ 6,571,175)
Interest and gains on investments	1,187,175	969,627
Interest on investments with trustee	678,400	648,160
Net change in investments with trustee	44,245	4,737,168
Net cash for investing activities	$2,325,919	($ 216,220)
Cash flows from capital and related financing activities:		
Proceeds from sale of bonds	$ 0	$42,865,000
Refunding of series 1979 bonds	0	(42,073,999)
Bond issuance costs	0	(791,001)
Principal paid on bonds	(1,295,000)	(1,525,000)
Interest paid on bonds	(2,695,105)	(3,280,998)
Acquisition of capital assets	(4,483,986)	(2,639,260)
Proceeds from sale of capital assets	30,430	4,177
Net cash used for capital and related financing activities	($8,443,661)	($7,441,081)
Net increase (decrease) in cash	($ 49,469)	$29,253
Cash and cash equivalents at beginning of year	60,777	31,524
Cash and cash equivalents at end of year	$ 11,308	$ 60,777

Noncash investing, capital and financing activities:
Pursuant to bond covenants, investments with trustee were revalued to lower of par or market at the end of 1992 and 1993. The amount of the writedown in 1992 was $78,155 and the writeup in 1993 was $83,125. Unrestricted investments were written down to the lower cost or market at the end of 1992 and 1993. The amount of the writedowns at the end of 1992 and 1993 were $62,993 and $393,157, respectively.

The notes are an integral part of the financial statements.

Notes to Financial Statements
December 31, 1993 and 1992

(1) Organization and Significant Accounting Policies

Authorizing Legislation

The Metropolitan Sports Facilities Commission (the Commission) was established under Chapter 89 (the Stadium Act) of Minnesota Laws of 1977 and operates under Minnesota Statutes Chapter 473, as amended. The primary responsibility of the Commission is the operation of the Metropolitan Sports Center (Met Center) and the Hubert H. Humphrey Metrodome sports facility (Domed Stadium).

Admission Tax

The Commission is required to impose a 10 percent admission tax on all admissions to events conducted at the Domed Stadium. The admission tax is intended for use by the Commission as a source of revenue to pay current operating expenses and, to the extent available, debt service.

Liquor Tax and Hotel-Motel Tax

As provided for in the Stadium Act, the Commission has entered into a Hotel-Motel and Liquor Tax agreement with the City of Minneapolis. On or before October 15 of each year, the Metropolitan Council is required to establish the "City Tax Requirement" for the next succeeding calendar year. The City Tax Requirement is the revenues determined by the Metropolitan Council from year to year to be required, together with revenues available to the Commission, to pay when due all debt service on bonds and all expenses of operation, administration and maintenance of the Domed Stadium, including reserves for debt service and expenses. Once the determination of the dollar amount of the City Tax Requirement is made, the City is required to set the rate or rates of the Liquor Tax or the Hotel-Motel Tax, or both, so that the estimated net tax proceeds from such sales taxes will equal the City Tax Requirement. There has been no City Tax Requirement since December 31, 1984.

Basis of Accounting

The financial activities of the Commission are accounted for as an enterprise fund, and accordingly, the accompanying financial statements are presented on the accrual basis. Enterprise funds account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body had decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Commission's accounting policies conform to generally accepted accounting principles as prescribed by the Government Accounting Standards Board.

Cash

The Commission cash balance includes only deposits in bank.

Deposits

At December 31, 1993, the Commission's bank balance for cash was $426,155 and the book balance was $11,008. Minn. Stat. Section 118.01 requires that deposits by municipalities, including public commissions, be secured by depository insurance or a combination of depository insurance and collateral security. The statue further requires the total collateral computed at its fair market value shall be at least 10 percent more than the amount on deposit in excess of any insured portion at the close of the business day. During 1993, the combined insured amount and collateral fell short of the legal requirement on 37 days. The average uncollateralized balance on those days was $441,901.

Investments

Commission investments consist principally of debt securities. Investments with the trustee are valued at lower of market or par. Other investments are valued at the lower of cost or market.

In accordance with generally accepted accounting principles, investments are categorized as to credit risk. Credit risk category 1 includes investments that are insured or registered, or for which the securities are held by the Commission or its agent in the Commission's name. Credit risk category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the Commission's name. Credit risk category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer or by its trust department or agent but not in the Commission's name.

All Commission investments are included in credit risk category 1, except approximately $18,883,656 which is invested in several U. S. government mutual funds. The credit risk categories do not apply to mutual funds since they are not evidenced by distinct securities that exist in physical or book entry form.

The Indenture of Trust for the Sports Facilities Revenue Refunding Bonds relating to the Domed Stadium specifies that all revenues of the Commission from the Domed Stadium and Met Center are pledged for the payment of the Sports Facilities Revenue Refunding Bonds. The Indenture of Trust establishes various funds and accounts, which may only be used for certain purposes as specified in the Indenture of Trust (See Note 3).

Investments classified as "restricted assets" are those investments held in certain funds and accounts under the Indenture where the Indenture prescribes the amount, or imposes a formula for determining the amount, required to be held in such fund or account. Investments classified as "unrestricted assets" designates those investments held in certain funds and accounts under the Indenture where the Commission has some discretion as to the amount to be held. Pursuant to Minn. Stat. Section 473.551 - 473.595 and the Indenture, all revenues and investments of the Commission are pledged for the payment of the Sports Facilities Revenue Refunding Bonds.

Property and Equipment

Property, building improvements, and equipment are recorded at cost and depreciated using the straight-line method over the estimated useful lives of the related assets. Estimated useful lives are as follows:

Buildings	15 to 30 years, or bond life, or the year 2009
Building Improvements	10 to 30 years, or bond life, or the year 2009
Equipment	5 to 10 years

Depreciation expense, including amounts relating to the Met Center for the latter part of 1993, is reflected in the statement of income. Depreciation on the Met Center property and equipment up until the latter part of 1993 was recorded as a charge against the related balance sheet reserve account (note 4).

Reclassification

The 1992 financial statements have been reclassified to conform with the presentation used in 1993. These reclassifications had no impact on 1992 net income or total equity as previously reported.

Retained Earnings

Although the Commission presents certain retained earnings as "unrestricted," Minn. Stat. Sections 473.551 - 473.595 and the Indenture provides that all revenues and investments of the Commission are pledged for the payment of the Sports Facilities Revenue Refunding Bonds.

The presentation of retained earnings follows the classification of the Commission's assets and liabilities as either "restricted" or "unrestricted." The Commission, by resolution, has designated certain "unrestricted" amounts to be held in the Operating Reserve Account and the Capital Improvement Account. The designated amounts are presented as a separate category. The remainder of $19,186,819 of "unrestricted" retained earnings at December 31, 1993 represents primarily fixed assets net of long-term debt and contributed capital.

(2) Relationship with the Metropolitan Council

The Stadium Act gives the Metropolitan Council ("Council") the following powers and duties relating to the Commission.

Debt Issuance

-- To provide funds for the acquisition or betterment of sports facilities governed by the Commission.

-- To refund bonds authorized or assumed under the Stadium Act.

-- To fund judgments entered by any court against the Commission, or against the Council in matters relating to the Commission's functions.

Budget Approval

Budgets prepared by the Commission are subject to Council review and approval. Additionally, the Council provides the Commission with other services such as review of the liquor tax/hotel-motel tax and legal council regarding the bond indenture.

Component Unit

The Metropolitan Sports Facilities Commission is considered to be a component unit of the Metropolitan Council for the year ended December 31, 1993.

(3) Special Funds Under the Sports Facilities Revenue Bond Trust Indenture

Special funds and accounts, which may only be used for certain specified purposes, are established under the Indenture of Trust between the Metropolitan Council, the Commission, and the Trustee covering the issuance of the Sports Facilities Revenue Refunding Bonds.

The following special funds and accounts therein are established by the trust indenture:

(a) A Tax Receipts Fund, to be held and administered as a trust fund by the Trustee.

(b) A Bond Fund, to be held and administered as a trust fund by the Trustee, with the following accounts therein:

(i) a Debt Service Account;
(ii) a Prepayment and Purchase Account; and
(iii) a Debt Service Reserve Account.

(c) A Revenue Fund, to be held and administered as a trust fund by the Commission, with the following accounts therein:

(i) a Revenue Receipts Account;
(ii) an Operating Account;
(iii) an Operating Reserve Account

(iv) a Repair and Replacement Account
(v) a Capital Improvement Account
(vi) a Concession Account; and
(vii) a Subordinated Debt Account

(d) A Rebate Fund, to be held and administered by the Trustee.

(e) A Property Insurance and Award Fund, to be held and administered as a trust fund by the Trustee.

These funds and accounts, where applicable, have been reflected on the Commission's financial statements. Inactive accounts and clearing accounts are not reflected in the financial statements.

The City of Minneapolis has agreed with the Metropolitan Council and the Commission that the City will impose a sales tax supplement on liquor and hotel-motel sales (City Tax Requirement) if necessary. There has been no City Tax Requirement since December 31, 1984. These sales tax supplement receipts are to deposited in the Tax Receipts Fund. Thereafter, the Trustee shall allocate all amounts in this fund on a monthly basis in predetermined amounts to the Debt Service Account, the Debt Service Reserve account and the Operating Account. The amounts to be allocated are determined once the decision has been made to impose the Minneapolis tax requirement.

(4) Operation of the Domed Stadium and Met Center

The Commission has entered into use agreements with the Minnesota Twins, Inc., the Minnesota Vikings Football Club, and the University of Minnesota. These agreements contain provisions for, among other things, rental rates, exclusive use space, payment of event-related costs and expenses, private boxes, and sharing of concession revenue. Special events are also held in the Domed Stadium.

The Commission owns the concessions in the Domed Stadium. It has a ten year agreement with a management company to operate the concessions which is effective until 1996. The management company is responsible for handling receipts and paying operating costs, including the payment of five percent of gross receipts to the Concession Reserve accounts as required by the concession services agreement. The current agreement allows the management company to retain 5 percent of net operating profits whereas the prior agreement had allowed a 10 percent retainage. The remainder is remitted to the Commission which distributes amounts to the major tenants based upon their respective use agreements.

A financial summary of the concession operations for the years ending December 31, 1993 and 1992 follows:

Summary of Concession Operations
Years Ended December 31, 1993 and 1992

	1993	1992
Gross receipts	$12,902,575	$15,840,091
Less: Cost of goods sold and concessionaire's operating expenses	5,805,211	6,478,786
Payment to concession reserve accounts	645,128	792,005
Net Operating Profit	$ 6,452,236	$ 8,569,300
Distribution of Net operating Profits:		
Payments to tenants:		
Minnesota Twins - Regular	$ 3,194,105	$ 4,277,230
Minnesota Vikings - Regular	290,575	262,863
University of Minnesota	219,600	200,091
Others	78,167	164,126
Tenant's share of concession net operating profits	$ 3,782,447	$ 4,904,310
Payment to concession management company	322,612	428,465
Commission share	2,347,177	3,236,525
Total Distribution - Net Operating Profit	$ 6,452,236	$ 8,569,300

The Commission has an agreement with the City of Minneapolis concerning parking receipts whereby the Commission has been guaranteed certain minimum amounts to be paid by the City to the Commission. Such amounts relate to the increased parking near the Domed Stadium. This agreement will be satisfied as of December 31, 1993 except for $75,000 for parking meters. This will be received in perpetuity.

The Met Center Facility was built by the North Star Financial Corporation (North Star) with ownership of the facility being transferred at no cost to the Commission. During 1984 and previously, the Commission's participation in the revenues and receipts of the Met Center was limited to the annual sum of $ 4,800. While receiving this fixed annual sum, the Commission did not pay the operating and maintenance expenses of the Met Center. The Amendment to Hockey Playing and Metropolitan Sports Area Use Agreement effective January 16, 1985, provided that beginning August 1, 1985 the North Star pay the Commission a percentage of receipts each agreement year for consideration, and also pay all operating, maintenance, managing, and insurance costs each year. Lease payments received from the North Star totaled $244,065 in 1992. The Agreement further provided that the North Star would have the option to purchase the Met Center for its fair market value at a specific time during the term of the agreement. Since the Met Center assets were subject to the long-term use agreement in 1992, the assets were recorded on the balance sheet in memorandum form with a related reserve established.

With the departure of the Minnesota North Stars, the Met Center has hosted a reduced number of events at the end of 1993 and only youth skating in 1994. Ticketing Operations and Production, Inc. (TOP) was hired as a management team to represent the Metropolitan Sports Facilities

Commission, overseeing Met Center, from August 1, 1993 through March 1, 1994. Since March 1, 1994, the facility has been "mothballed." The Commission is currently in the process of drafting a Request for Proposals to begin the process of disposing of the facility and land in Bloomington. The sale or lease of the property may require eight to twelve months before a final decision is made. Under current state law and the Indenture of Trust governing Metrodome bonds, the proceeds of any sale are pledged to the prepayment and purchase of Metrodome debt.

The total Met Center fixed assets recorded by the Commission through 1988 is $12,322,919, depreciation accumulated to December 31, 1993 totals $7,148,716, leaving a net book value of $5,174,203. Met Center Building and equipment fixed assets were last recorded by the Commission in 1988. If there were any new additions between the years 1988 and 1993, the Commission has been unable to verify such acquisitions. It is unknown or uncertain as to the value of any new additional assets that may have been acquired by the Minnesota North Stars since 1988. This Minnesota North Stars information has not been made available to the Commission despite various requests.

(5) Long -Term Debt

On August 27, 1992, the Commission issued $42,865,000 in Sports Facilities Revenue Refunding Bonds with an average interest rate of 5.7009 percent to refund $42,865,000 of outstanding 1979 Series bonds with an average interest rate of 7.4861 percent. The net proceeds were used to call and redeem the 1979 Series outstanding bonds.

The refunding resulted in the recognition of an accounting loss of $428,650 for the year ended December 31, 1992, due to a one percent call premium paid by the Commission on the 1979 series bonds. The Commission refunded the 1979 Series bonds to reduce its total debt service payments by almost $4.1 million over the next 17 years and obtained an economic gain (difference between the present values of the old and new debt service payments) of $4.15 million.

The annual requirements to amortize all outstanding Sports Facilities Revenue Bonds as of December 31, 1993, including interest payments, are as follows:

Year Ending December 31	Principal Sports Facilities Revenue Refunding Bonds	Interest Sports Facilities Revenue Refunding Bonds	Total Debt Service Requirement
1994	1,760,000	2,269,948	4,029,948
1995	1,825,000	2,203,948	4,028,948
1996	1,905,000	2,126,386	4,031,386
1997	1,990,000	2,040,660	4,030,660
1998	2,085,000	1,944,144	4,029,144
1999	2,190,000	1,838,852	4,028,852
2000	2,305,000	1,726,066	4,031,066
2001	2,425,000	1,603,900	4,028,900
2002	2,560,000	1,472,950	4,032,950
2003	2,700,000	1,332,150	4,032,150
2004	2,850,000	1,180,950	4,030,950
2005	3,010,000	1,018,500	4,028,500
2006	3,195,000	837,900	4,032,900
2007	3,385,000	646,200	4,031,200
2008	3,585,000	443,100	4,028,100
2009	3,800,000	228,000	4,028,000
	$41,570,000	$22,913,654	$64,483,654

Under the Indenture of Trust, the Sports Facilities Revenue Refunding Bonds bear interest ranging from 3.1 percent to 6.0 percent annually with interest payable semiannually on April 1 and October 1 of each year.

The Commission requested and received from the Trustee an extension of the date specified under the Indenture of Trust by which the Commission's audited financial statements and certain related documents otherwise would have been required to be filed with the Trustee (i.e., 120 days following the end of the Commission's fiscal year, or April 30).

(6) Pension Plan

Plan description

All employees are covered by the Minnesota State Retirement System (MSRS) multiple employer cost sharing pension plan except for those employees previously covered by the Public Employees Retirement Association (PERA) who have elected to remain covered under that plan. The payroll for employees covered by MSRS plans for the year ended December 31 was $1,356,274.35 for 1993 and $1,171,265 for 1992. The payroll for employees covered by PERA plans for the year ended December 31 was $93,294.30 for 1993 and $85,721.41 for 1992. Total Commission payroll was $2,220,070 for 1993 and $2,038,345 for 1992.

MSRS provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by state statute and vest after three years of credited service. The defined retirement benefits are based on a member's average salary from the five highest successive years of covered salary, age, and length of service at termination of service.

Two methods are used to compute benefits, the Step formula and the Level formula. Under the Step formula the annual accrual is 1 percent of average salary for the first 10 years of service and 1.5 percent for each remaining year. Under the Level formula, the annual accrual amount is 1.5 percent for each year of service. For MSRS members whose annuity is calculated with the Step formula, a full annuity is available when age plus years of service equals 90.

There are two types of annuities available to members upon retirement. The Single-life annuity is a lifetime annuity that ceases on the death of a member. The Optional annuity provides joint and survivor annuity options that reduce monthly annuity payments because the annuity is payable over joint lives. Members may also leave their contributions in the fund upon termination of public service in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available to members who leave public service, but before retirement benefits begin.

Contributions Required and Contributions Made

Minnesota Statutes, Chapter 352 sets the rate for employee and employer contributions. Contributions are made to the fund by employees and the Commission based on a percentage of gross salary. The actuarially determined required contribution rates were 8.93 percent for 1993 and 7.86 percent for 1992. The current rates are 4.07 percent for employees and 4.20 percent for the Commission for a total of 8.27 percent. The total employer contributions for the Commission were $67,869 for 1993 and $60,912 for 1992.

Funding Status and Progress

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess MSRS's funding status on an ongoing basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among Minnesota Retirement Systems and among employers.

The pension benefit obligations of the MSRS for the State Employees Plan as of July 1, 1993 and 1992 are as shown below:

	(in thousands) 1993	1992
Total pension benefit obligations	$3,057,914	$2,744,923
Net assets available for benefits (cost basis)	$2,846,117	$2,576,920
Unfunded (assets in excess of) pension benefit obligations	$ 211,797	$ 168,003

Ten-Year Historical Trend Information

Ten year historical trend information is presented in MSRS's Component Unit Financial Report for the year ended June 30, 1993. This information is useful in assessing the pension plans accumulation of sufficient assets to pay pension benefits as they become due.

Related Party Investments

As of December 31, 1993, and for the fiscal year then ended, MSRS held no securities issued by the Commission or other related parties.

Deferred Compensation

All Commission full-time employees are eligible to participate in a Deferred Compensation Plan offered through Aetna Insurance Company. Deferred compensation is a plan that allows employees to place a portion of their earnings into a tax deferred investment program for long term savings to supplement retirement and other benefits.

(7) Expansion Planning

Per an analysis conducted by the Commission and audited by Coopers & Lybrand in July, 1993, the Commission projected that it could have up to approximately $17 million in the aggregate available for capital improvements expenditures over the next four years. As in the past, construction would occur as funds become available. The July, 1993, projections have not been revised to reflect realized or unrealized investment losses at the end of 1993 (or thereafter as described in Note 9), nor did the projections take into account the effect of any sale proceeds from the Met Center property in Bloomington.

(8) Target Center

With representatives of the City of Minneapolis and the Governor of the State of Minnesota, the Commission has undertaken preliminary negotiations with the owners of the Target Center in downtown Minneapolis concerning the potential acquisition of the Target Center arena. At April 29, 1994, legislation authorizing the Commission's acquisition of the Arena had cleared the requisite committees of the Minnesota Senate and House of Representatives and was pending floor action by each of the respective bodies. See Senate File No. 2725 and House File No. 3041.

(9) Subsequent Decline in Market Value

Between December 31, 1993 and the close of business on April 29, 1994, the Commission liquidated two of its investments for an aggregate loss of $1,750,241 and experienced a $413,500 decline in the aggregate market value of its remaining investments. Of the decline experienced, the portion related to investments with trustee was an unrealized loss of $279,000. The decline in value is primarily attributable to the sharp rise in interest rates during the months of March and April 1994 and its effect upon the U.S. Government securities market.

Supplemental Schedule of Investments
as of December 31, 1993

Description	Holder of Investment	Carrying Value	Market/Par Value
Investments, lower of market or cost:			
CD, American National Bank	American National Bank	$100,000	$100,000
CD, First Deposit National Bank	First Bank	96,473	96,473
CD, Golden Gate Bank	First Bank	96,484	96,484
Government Fidelity Money Market	First Bank	61,255	61,255
FFCB	Piper Jaffray	110,250	110,250
FICO Strips	Piper Jaffray	37,851	37,851
FICO Strips	Piper Jaffray	43,999	43,999
FICO Strips	Piper Jaffray	179,331	179,331
FNMA Strips	Piper Jaffray	219,018	219,018
FNMA Strips	Piper Jaffray	790,470	790,470
FHLB Strips	Piper Jaffray	167,430	167,430
U.S. Treasury Coupons	Piper Jaffray	124,096	124,096
U.S. Treasury Coupons	Piper Jaffray	118,161	118,161
Treasury Receipts	Piper Jaffray	130,835	130,835
FNMA Cap Deb Strips	Piper Jaffray	38,485	38,485
FNMA Cap Deb Strips	Piper Jaffray	41,438	41,438
FNMA Cap Deb Strips	Piper Jaffray	554,444	554,444
TNE Adj. Rate U.S. Government Fund	Kidder Peabody	2,402,063	2,402,063
Fed. Nat'l Mortgage Assoc. Debentures	Marquette Bank	450,000	450,000
Federal Home Loan Bank Debentures	Marquette Bank	120,000	120,000
Institutional Government Income Portfolio	Piper Jaffray	7,778,511	7,778,511
U.S. Government Security Fund	Franklin Funds	968,277	968,277
Adjustable Rate Government Fund	Kidder Peabody	523,251	523,251
Overland U.S. Government Income Fund	Kidder Peabody	3,773,018	3,773,018
Fortress Adj. Rate U.S. Government Fund	Dain Bosworth	2,362,257	2,362,257
		21,287,397	21,287,397
Investments with trustee, lower of market or par:			
U.S. Treasury Notes (5.5%)	Norwest Bank	4,014,640	4,110,879
U.S. Treasury Notes (6.375%)	Norwest Bank	4,022,157	4,194,038
U.S. Government Fund	Norwest Bank	1,015,024	1,015,024
		9,051,821	9,319,941
Total		$30,339,218	$30,607,338