MINNESOTA SPORTS FACILITIES AUTHORITY • MINNEAPOLIS, MINNESOTA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

— A COMPONENT UNIT OF THE STATE OF MINNESOTA —

MINNESOTA
SPORTS FACILITIES
AUTHORITY

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FINANCE DEPARTMENT
1005 FOURTH STREET SOUTH
MINNEAPOLIS, MINNESOTA 55415-1752

MINNESOTA
SPORTS FACILITIES
AUTHORITY

TABLE OF CONTENTS

MINNESOTA
SPORTS FACILITIES
AUTHORITY

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, the organization chart, and the Certificate of Achievement for Excellence in Financial Reporting, awarded by the Government Finance Officers Association. It is the highest form of recognition in governmental financial reporting.

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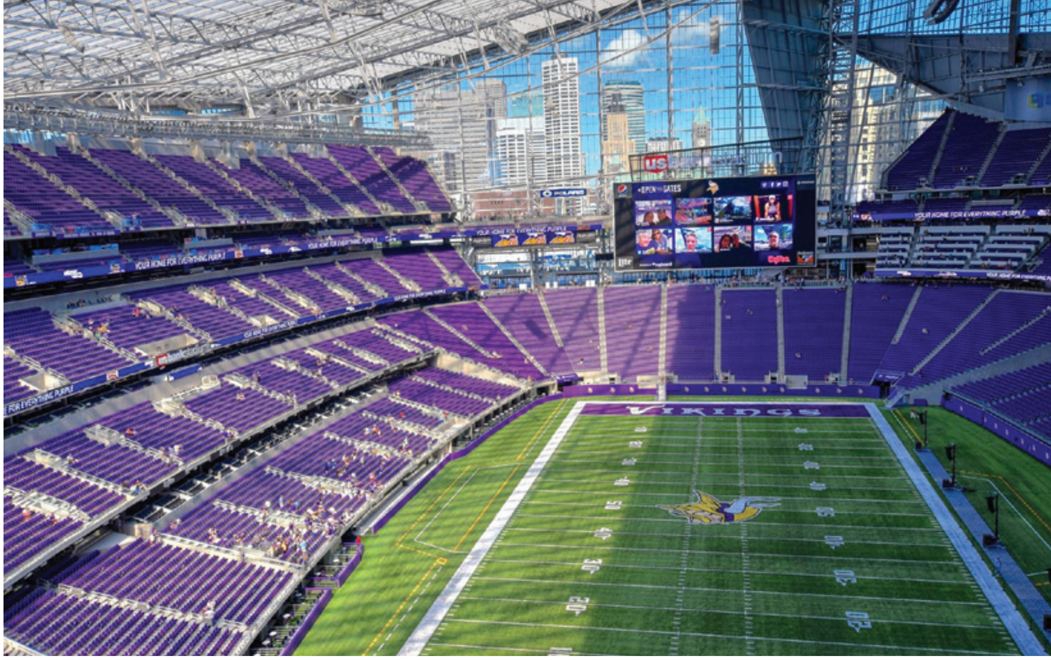
VIKINGS

MINNESOTA VIKINGS
VIKINGS

BLACK PEARL

usbank stadium

CARLSON
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TREADWELL
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Minnesota Sports Facilities Authority
1005 4th Street South, Suite 401, Minneapolis, MN 55415-1752

November 26, 2018

To the Honorable Chairman and Commissioners of the Minnesota Sports Facilities Authority:

I am pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of the Minnesota Sports Facilities Authority (Authority) for the fiscal year ended June 30, 2018. 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 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.

Minnesota Statutes 473J.07, subd.7, requires the Minnesota Office of the Legislative Auditor (Legislative Auditor) to conduct an annual audit of the financial statements of the Authority. The Legislative Auditor delegated this responsibility to CliftonLarsonAllen LLP (CLA) for the current audit. CLA issued an independent auditors' report which 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 fiscal year ended June 30, 2018, 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. CLA issued an unmodified ("clean") opinion on the Authority's financial statements for the fiscal year ended June 30, 2018.

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.

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PROFILE OF THE AUTHORITY

In May 2012, the Minnesota legislature established the Authority as a public body and political subdivision of the state. Per Minnesota Statutes, 473J.07, Subd. 2 the Authority is comprised of five members, the governor of the state of Minnesota appoints the chair and two additional members, and the mayor of the city of Minneapolis appoints two members. The members serve four-year terms.

Governor Mark Dayton appointed Michael Vekich as the Chair effective July 22, 2017. Mr. Vekich replaced Kathleen Blatz who served as the Interim Chair from March 9, 2017 until July 21, 2017. The Authority appointed Richard Evans as its Executive Director effective March 13, 2017. Richard Evans resigned effective December 31, 2017. The Authority executed a contract with James Farstad for Interim Executive Director services beginning on January 1, 2018. An executive search was conducted and Mr. Farstad was hired as the Authority's Executive Director effective May 18, 2018. The governing body sets policy for the administration of the Authority and the Executive Director directs the Authority's operations and carries out the policies established by the board.

The Authority's mission is to provide for the construction, financing, and long-term use of U.S. Bank Stadium and the related stadium infrastructure as a venue for professional football and a broad range of other civic, community, athletic, educational, cultural, and commercial activities.

An annual operating budget is adopted on a basis consistent with generally accepted accounting principles. Discussion and preparation of the fiscal year 2018-2019 annual operating and capital budgets began in March 2018 The Authority then approved and adopted the 2018-2019 operating and capital budgets in June 2018. This budget process will be followed for adoption of the 2019-2020 budget. Per Minnesota Statutes 3.8842, the Legislative Commission on Minnesota Sports Facilities (Legislative Commission) is required to oversee the Authority's operating and capital budgets. An annual report is presented to the Legislative Commission. Also, staff presents quarterly budget reports to the Authority.

ECONOMIC CONDITION and OUTLOOK

Local Economy

U.S. Bank Stadium, home field for the Minnesota Vikings football team, is located in the East Town neighborhood of Minneapolis in Minnesota. East Town has been the epicenter of development for Minneapolis for several years with the construction of a number of high-profile office buildings, apartment buildings, and hotel development projects. Minneapolis is known for its professional baseball, basketball and football sports teams, an abundance of arts, music and theatre organizations, and diverse restaurant options that make it a magnet for entertainment. Guests from the Minneapolis-St. Paul metropolitan area, greater Minnesota, and from other states attend events in the stadium.

Employment growth, consumer purchases, and household finances are important economic indicators for the sports and entertainment industry as they influence stadium event attendance, ticket revenues, food and beverage revenues, and event space rental revenues. Minnesota has a stable and business-friendly environment. It ranks ninth nationwide in the number of Fortune 500 companies with 19 Fortune 500 companies headquartered in the state. According to a 2017 report by WalletHub, Minnesota ranked as the sixth best state for jobs. This study analyzed all 50 states and considered 24 metrics including job-market strength, economic vitality, and opportunity.

Both the national and the local economy are projected to continue on a steady growth path. The Bureau of Economic Analysis estimates that U.S. real gross domestic product (GDP) grew at an annual rate of 4.2 percent in the second quarter of 2018 and they forecast that the GDP will remain strong in the second half of 2018. Growth in real consumer spending remains the largest contributor to real GDP growth.

Local economic indicators point toward a steady rate of growth for Minnesota. A tight labor market, the addition of jobs at a steady pace and a declining unemployment rate together with the high demand for labor continues to support growth in Minnesota. Minnesota's unemployment rate dropped to 2.5 percent as of August 2018 which is a decrease of .8 percent from the August 2017 rate, this is the lowest rate in years. This rate is well below the national unemployment rate of 3.9 percent.

The Consumer Price Index (CPI) for All Urban Consumers in the Midwest Region of the United States increased 1.9 percent from September 2017 to September 2018 as reported by the U.S. Bureau of Labor Statistics. The CPI is a measure of the average change in prices over time in a fixed market basket of goods and services.

Total compensation costs for private industry workers increased 3.2 percent in the Minneapolis-St. Paul metropolitan area for the year ended June 2018 per the U. S. Bureau of Labor Statistics. Compensation costs include wages, salaries and employers' costs for employee benefits. During this period wages and salaries, the largest component of total compensation costs, rose 3.1 percent. Nationwide, total compensation costs and wages and salaries increased 2.9 percent, over the same one-year period.

Minnesota employment gains continue to be broad-based. Minnesota has added jobs in nine of the eleven major industry sections, with the largest gains in education and health services, construction, trade, transportation and utilities, and professional and business services. Total wage and salary income are forecast to grow 5.5 percent in 2019. This is larger than the forecasted wage growth of 5.3 percent for the U.S. in 2019.

MAJOR INITIATIVES AND ACCOMPLISHMENTS

Stadium Operator

SMG, LLP was hired as the operator of U.S. Bank Stadium in August 2014 and is responsible for event promotions, event sales and marketing, event services, stadium security, and stadium management and operations. The operations of U.S. Bank Stadium are included in the Authority's financial statements. The first year of operation was hugely successful and SMG kicked off its second year of operations with a robust event schedule. SMG continues to aggressively market the stadium for future events and has booked a wide variety of events in U.S. Bank Stadium for its third year of operations. Following are a few highlights of the stadium:

Minnesota Vikings Football, Concerts, Motorsports events, and Other events

The 2017 Minnesota Vikings football season hosted ten home football games in the stadium from August 2017 through December 2017, and then on January 14, 2018 the team played the first NFL Divisional Playoff game in the stadium. Four major concerts took to the stage at U.S. Bank Stadium with music for all ages and all genres: Guns N' Roses' *Not in this Lifetime Tour!* was held on July 20, 2017, Coldplay's *Head Full of Dreams Tour* was held on August 12, 2017, U2's *2017 Joshua Tree Tour* was held on September 8, 2017, and Kenny Chesney's *Trip Around the Sun Tour* was held on May 5, 2018. Monster Jam motorsport shows were held on December 2, 2017 and April 7, 2018. Monster Energy AMA Supercross was held on April 14, 2018. Minneapolis X Games 2017's first stadium event was held from July 13, to 16, 2017. There were also 80 collegiate baseball games including the University of Minnesota Dairy Queen Classic. The Minnesota High School League also hosted soccer and football championship games at the stadium.

Super Bowl LII

Months and months of planning and preparations went into making Super Bowl LII a significant and successful event. Super Bowl LII was hosted on February 4, 2018, which was the coldest Super Bowl Sunday in history at 2°F. Attendance in the stadium reached 67,612, twenty-five countries were represented by the guests, and there were 5,800 credentialed media. "By nearly every measure, Super Bowl LII was a major success – from the live fan experience and satisfaction to the tremendous viewing audience; from the legacy left in the Minnesota community to the legacy impact on future Super Bowl planning" stated Peter O'Reilly, National Football League Senior Vice President, Events & Club Business Development.

Tour Program

U.S. Bank Stadium was a popular tourist activity for guests to learn the facts and figures of the stadium's operations, view the beautiful artwork throughout the stadium, and experience the clubs and stadium's back-of-house operations. Over 45,600 guests from all fifty states and many countries toured the stadium from August 2017 through June 2018. There were 1,043 public tours, 285 group tours, and 606 event tours. A highlight of this year's program was the launch of the Education Tour. Customized educational tours were offered for elementary, middle school and high school students. Approximately 2,700 students participated in the two-hour education journey through the stadium which described the stadium's operations and linked it to what students are learning in the classroom.

Sustainability

A robust sustainability program was initiated in the stadium's first year of operations and the program continues to grow and expand. During fiscal year 2017-2018 U.S. Green Building Council awarded LEED (Leadership in Energy and Environmental Design) GOLD Certification for Design and Construction to U.S. Bank Stadium. Environmental sustainability continues to be a goal with implementation of green design elements including a waste diversion program and energy use reduction. A major achievement for this program occurred at Super Bowl LII, stadium staff were able to recycle, compost, donate, or reuse more than 91 percent of all fan generated waste and divert this waste from the trash-to-energy incinerator. More than 63 tons of waste were recycled, reused or recovered. This waste diversion initiative was so successful that it will continue to be used for future major events at the stadium. The program's second major initiative was a commitment to energy use reduction. This initiative gained a lot of yardage in the stadium's second year of operations. Stadium staff closely monitored and controlled the Heating Ventilation and Air Conditioning (HVAC) systems and the electrical system to reduce energy usage throughout the stadium and thereby reducing energy costs.

Stadium Concessionaire

Aramark Sports and Entertainment Services, LLC (Aramark), provides the food and beverage service, premium catering service, and concession services in U.S. Bank Stadium including the six clubs, the suites, the concession stands, and the various bars, portable carts, and vending locations. Aramark reported gross sales of $39.8 million for its second year of operations at U.S. Bank Stadium. Aramark paid commissions on certain food and beverage sales to the Minnesota Vikings for their events and the Authority reported food and beverage commission revenues of $4.6 million for the second year of operations for Authority events. The Authority also reported capital contributions of $963,083 from Aramark, which is 2.5 percent of gross food and beverage sales, for deposit into the Authority's concession capital reserve account.

Capital improvements

The following major capital and concession capital improvements were made to U.S. Bank Stadium during the fiscal year:

<u>Women's Locker Room Project</u>

A locker room was needed for female football coaching and training staff. Space on the event level of the stadium that had been used for pre-event staging was available for this project. This area was remodeled into a multi-purpose space which could be used as a locker room, a green room and/or a production room for other events. The cost for this project was $334,891.

<u>Hyundai Club Kitchen Project</u>

U.S. Bank Stadium's Hyundai Club had an east and west concession area. A kitchen preparation area and additional electrical services were needed in order to expand the premium food and beverage service options in the stadium. Kitchen equipment was added to the existing food preparation space within the east concession stand. The cost for this project was $576,726.

Video Production Room Cooling Project

The video rack room and the video production space have a large volume of video equipment that emits heat during use. The temperature in the rack room and the production spaces ranged from 80°F to 90°F during events. The maximum temperature of the room should not exceed 70°F to maximize usage of the equipment. In order to reduce the temperature in these rooms, additional cooling units were added. The cost for this project was $453,477.

Other projects

- Fiber and data cabling were added to expand the technology network in the stadium, the cost for this project was $350,000.
- Food service electrical power was added throughout the stadium due to the addition of food service equipment and video menu screens, the cost for this project was $261,303.
- The stadium's lighting controls were upgraded as an energy savings enhancement, the cost for this project was $252,475.
- Glass enclosures and railings were added around the stadium's super truss as a life safety measure, the cost for this project was $302,331.

Future Events

Planning is underway for future major events to be hosted at U.S. Bank Stadium. These events will bring tremendous economic benefits to the Minneapolis-St. Paul metropolitan area as thousands of visitors from all over the country will participate in the events. These events bring a multitude of opportunities for guests to be involved in the festivities and it will have a large economic impact on the community and the stadium. Following is a list of events planned to be hosted at U.S. Bank Stadium during its third year of operations:

- Ten NFL Minnesota Vikings home football games
- Five major concerts
- Three motorsports events
- Minneapolis X Games 2018
- NCAA Men's Basketball Final Four
- NCAA Basketball test event game
- Many tradeshows, galas, turf and club events
- High school and collegiate baseball and football games

NCAA Men's Basketball Final Four 2019

Minneapolis will host the 2019 National Collegiate Athletic Association (NCAA) Final Four Men's Basketball tournament on April 6 to 8, 2019. Three games, two semifinal games on Saturday and a championship game on Monday, will be played. The stadium will be transformed from a football field into a basketball court complete with court side seating and bleachers, a center hung scoreboard, and basketball hoops. There are several community events leading up to the championship games including Reese's Final Four Friday which is an open shoot-around that will be held at the stadium, a Final Four fan festival with autographs and interactives games, a children's basketball parade; plus three days of live music .The Authority and SMG staff continue to meet with the NCAA Final Four Host Committee to finalize event plans and preparations for this collegiate event.

Downtown East Parking Garage and Mills Fleet Farm Parking Garage
The Authority owns the Downtown East Parking Garage which has 455 parking spaces and is located beneath the stadium plaza on a site adjacent to the stadium. The Authority also owns the six-level Mills Fleet Farm Parking Garage which has 1,610 parking spaces and is connected via the stadium skyway to U.S. Bank Stadium. Beginning on December 31, 2015 Ryan Companies assumed operational responsibility for the ramps. Ryan Companies hired a parking management company to operate both parking facilities. All parking revenues belong to Ryan Companies during their management period and they are responsible for all parking expenses.

OTHER INFORMATION

Awards and Acknowledgements
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Authority for its CAFR for the 18-month fiscal period ended June 30, 2017. This was the fifth year that the Authority received this prestigious award. 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 Suzanne Arcand and Caryn Goettsch, RSM. They have my 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 Authority.

Respectfully submitted,

Mary Fox-Stroman

Mary Fox-Stroman, CPA
Director of Finance

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Minnesota Sports Facilities Authority

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrill

Executive Director/CEO

COMMISSIONERS and ADMINISTRATIVE OFFICIALS

COMMISSIONERS (left to right):

TONY SERTICH • LAURA BISHOP • MIKE VEKICH
BARBARA BUTTS WILLIAMS • BILL MCCARTHY

	TERM OF OFFICE:	
COMMISSIONERS:	**Appointed**	**End of Term**
MICHAEL VEKICH, *Chair*[1]	July 2017	January 2019
BARBARA BUTTS WILLIAMS, *Vice Chair*	June 2012	December 2019
TONY SERTICH, *Secretary & Treasurer*	August 2015	December 2019
LAURA BISHOP[2]	July 2017	December 2020
BILL MCCARTHY	June 2012	December 2020

Executive Director
JAMES FARSTAD

Director of Finance
MARY FOX-STROMAN, CPA

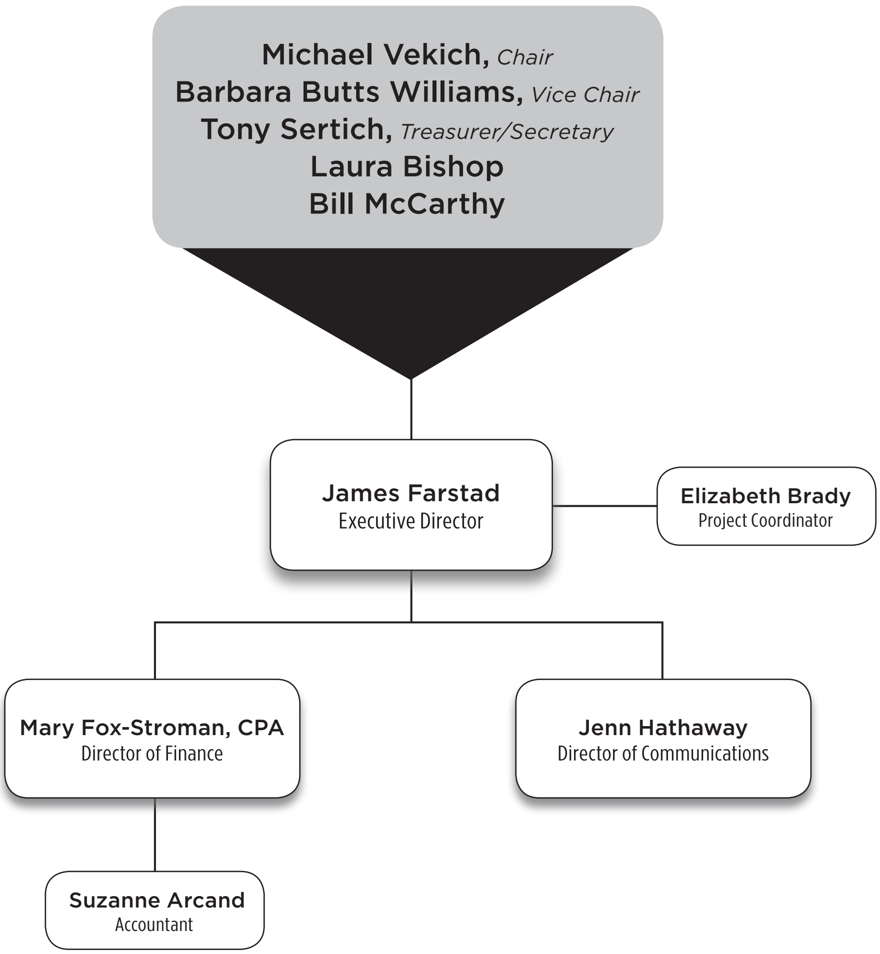
Director of Communications
JENN HATHAWAY

1 Mr. Michael Vekich was appointed Chair on July 22, 2017, he replaced Ms. Kathleen Blatz who served as Interim Chair from March 9, 2017 through July 21, 2017.

2 Ms. Laura Bishop was appointed on July 13, 2017, her position was vacant from January 1, 2017 until her appointment.

ORGANIZATION CHART

MSFA BOARD



FINANCIAL SECTION

The Financial Section includes the independent auditors' report, management's discussion and analysis, and the basic financial statements including the notes to the financial statements, and required supplementary information.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OCTOBER 20TH, 2018



MATT BLAIR
AS SEEN THROUGH THE LENS

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Minnesota Sports Facilities Authority
Minneapolis, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the Minnesota Sports Facilities Authority, a component unit of the State of Minnesota, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Minnesota Sports Facilities Authority's basic financial statements as listed in the table of contents.

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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position the Minnesota Sports Facilities Authority as of June 30, 2018, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of the Authority's share of the net pension liability – State Employees Retirement Fund, and the schedule of the Authority's contributions – State Employees Retirement Fund, as listed in the table of contents 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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Minnesota Sports Facilities Authority's basic financial statements. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. They have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2018, 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 solely 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 effectiveness of Minnesota Sports Facilities Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Minnesota Sports Facilities Authority's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
November 26, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Minnesota Sports Facilities Authority (Authority) Comprehensive Annual Financial Report (CAFR) presents a narrative overview and analysis of the Authority's financial performance for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the Authority's financial performance as a whole. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

Financial Highlights

The basic financial statements report information about the Authority using the economic resources measurement focus and accrual basis of accounting. Key financial highlights for the Authority's fiscal year ended June 30, 2018 are as follows:

- Overall, the Authority's net position decreased by $42,426,904, from $1,092,266,317 as of June 30, 2017 to $1,049,839,413 as of June 30, 2018.
- Operating expenses of $95,451,522 exceeded operating revenues of $44,896,992 which resulted in an operating loss of $50,554,530 for the fiscal year ended June 30, 2018. The operating loss is primarily due to depreciation expense of $50,459,104 which was the largest operating expense during this fiscal year.
- Total capital assets increased by $4,358,148 from $1,142,499,482 as of June 30, 2017 to $1,146,857,630 as of June 30, 2018. This increase is due to capital and concession capital improvements, building, building equipment, and equipment purchases.

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 report consists of:

(1) Independent Auditors' 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

This report also includes other required supplementary information in addition to the basic 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, deferred outflows of resources, liabilities, deferred inflows of resources and net position and show how net position has changed during the year. These financial statements and explanatory notes are prepared in conformance with generally accepted governmental accounting principles, and are reported using the accrual basis of accounting.

Statement of net position

The statement of net position presents information on the financial resources and obligations of the Authority on June 30, 2018. The difference between the sum of total assets and deferred outflows of resources and the sum of total liabilities and deferred inflows of resources is 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.

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 fiscal year ended June 30, 2018. All of the fiscal year's revenues and expenses are accounted for in this statement, regardless of when cash is received or paid.

Statement of cash flows

The statement of cash flows reports cash and cash equivalent activities for the fiscal year ended June 30, 2018 as a result of operating, noncapital financing, capital and investing activities.

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.

Required Supplementary Information

The required supplementary information consists of two schedules, Schedule of the Authority's Share of Net Pension Liability State Employees Retirement Fund and Schedule of Authority's Contributions State Employees Retirement Fund.

Financial Analysis

Net position

The Authority's net position decreased 3.9 percent to $1,049,839,413. The components of net position are either restricted as to the purpose they can be used for or are invested in capital assets. The largest portion of the Authority's net position (99.5%) at June 30, 2018 reflects its investment in capital assets of $1,044,474,586. These assets are comprised of land, construction in progress, buildings, building equipment, land improvements, and equipment of U.S. Bank Stadium, Mills Fleet Farm Parking Garage, and the Downtown East Parking Garage. Accordingly, these assets are not available for future spending. The unrestricted component of net position showed a $628,667 deficit at the end of this year. This deficit does not mean that the Authority does not have resources available to pay its bills next year. Rather, it is the result of having long-term commitments that are greater than currently available resources.

The deficit in unrestricted net position was adversely affected by two particular features of the Authority's financial activity:

- During the past two years, the Authority incurred costs related to construction completion that were not funded by the project.
- The Authority incurred event costs related to Super Bowl LII.

Following is a table that presents the Authority's Statement of Net Position as of June 30, 2018 and 2017:

Statement of Net Position at June 30, 2018 and 2017

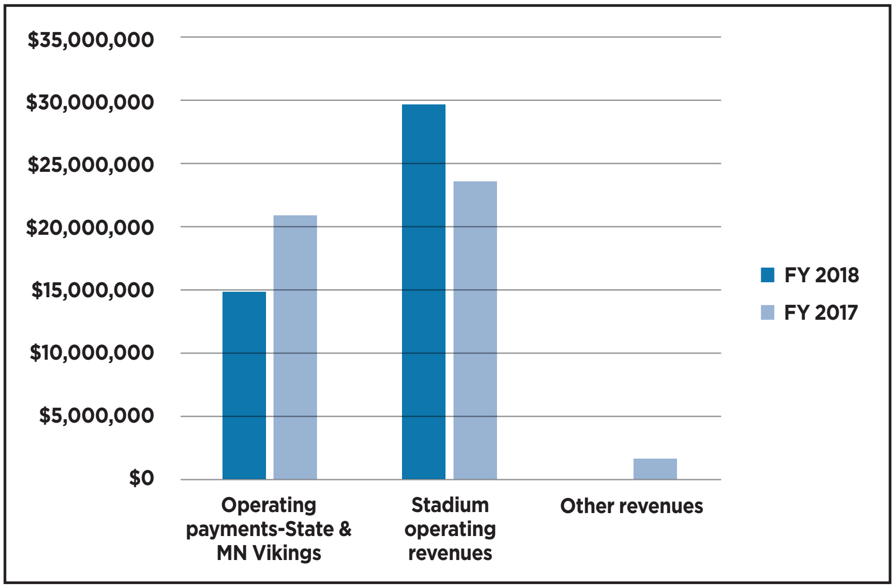
	June 30, 2018	June 30, 2017	Increase/ (decrease)
ASSETS:			
Current and other assets	$36,239,958	$34,458,931	$1,781,027
Capital assets (net of accumulated depreciation)	1,044,474,586	1,090,575,542	(46,100,956)
Noncurrent assets	8,452,625	8,078,731	373,894
Total assets	**1,089,167,169**	**1,133,113,204**	**(43,946,035)**
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred outflows of resources related to pensions	881,804	1,726,047	(844,243)
LIABILITIES:			
Current liabilities	28,702,479	28,723,448	(20,969)
Noncurrent liabilities	10,224,082	13,147,859	(2,923,777)
Total liabilities	**38,926,561**	**41,871,307**	**(2,944,746)**
DEFERRED INFLOWS OF RESOURCES:			
Deferred inflows of resources related to pensions	1,282,999	701,627	581,372
NET POSITION:			
Investment in capital assets	1,044,474,586	1,090,575,542	(46,100,956)
Restricted	5,993,494	-	5,993,494
Unrestricted	(628,667)	1,690,775	(2,319,442)
Total net position	**$1,049,839,413**	**$1,092,266,317**	**$(42,426,904)**

Changes in net position

Operating revenues which included operating payments from the state of Minnesota and Minnesota Vikings, stadium operating revenues, and other revenues decreased 3 percent to $44,896,992 and operating expenses increased 4.4 percent to $95,451,522 as shown in the table on page 25. Factors contributing to these results included:

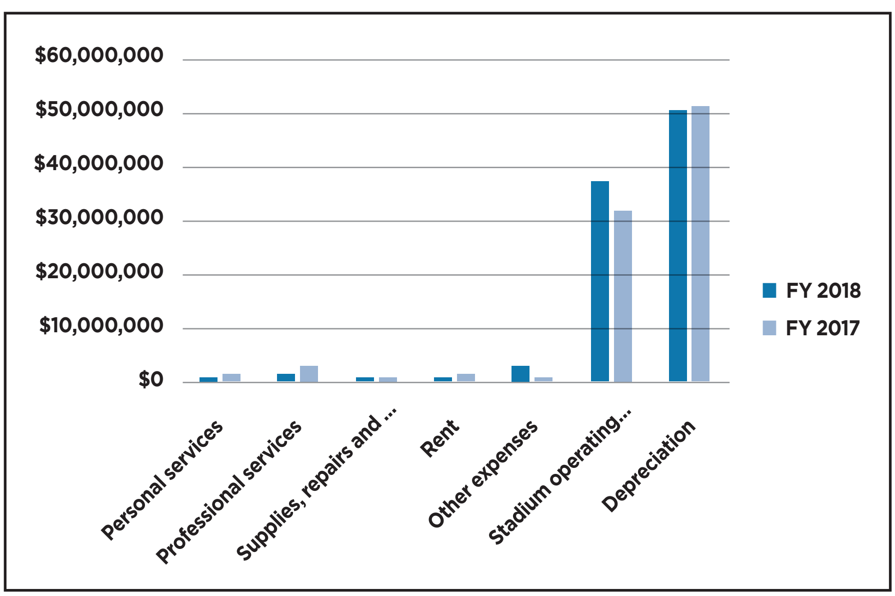
- A 27.6 percent decrease in operating payments from state of Minnesota and Minnesota Vikings for the fiscal year ended June 30, 2018. This decrease of $5,763,909 is primarily due to the Authority receiving only one payment from the state of Minnesota in the current year however two operating payments were received from the state of Minnesota in the prior 18-month fiscal period ended June 30, 2017.
- Stadium operating revenues increased by $6,067,282 (25.7%) primarily due to an increase in event service revenues of $6,131,902. Event service revenues include costs charged to users for hosting events at U.S. Bank Stadium.
- Other revenues decreased $1,684,955 (94.7%) due to the Authority not receiving certain miscellaneous revenues in the current year.

Comparison of Operating Revenues



- The largest change in operating expenses was a 16.4% increase in stadium operating expenses which increased by $5,274,452 from the prior fiscal year end. Included in stadium operating expense are service expenses which increased $4,920,313 (32.3%). Service expenses included event security, guest experience personnel and other event support costs. These costs increased primarily as a result of hosting additional major events at U.S. Bank Stadium during the current fiscal year including Super Bowl LII on February 4, 2018, a National Football League Divisional Playoff game, and ESPN X-Games Minneapolis 2017.
- Capital contributions for construction of U.S. Bank Stadium decreased $217,582,617 as compared to the prior fiscal period as construction of U.S. Bank Stadium was substantially completed during the prior fiscal period. Current year's capital contributions of $6,462,962 were used to fund stadium project completion costs.

Comparison of Operating Expenses



The following table presents the changes in net position for the fiscal year ended June 30, 2018 and the 18-month fiscal period ended June 30, 2017.

Changes in Net Position

	June 30, 2018	June 30, 2017	Increase/ (decrease)
Operating revenues	$44,896,992	$46,278,574	$(1,381,582)
Operating expenses	(95,451,522)	(91,455,388)	(3,996,134)
Total operating income or (loss)	**(50,554,530)**	**(45,176,814)**	**(5,377,716)**
Nonoperating revenues (expenses):			
Nonoperating revenues	6,539,620	22,022,307	(15,482,687)
Nonoperating expenses	(4,874,956)	(23,675,235)	18,800,279
Total nonoperating revenues (expenses)	1,664,664	(1,652,928)	3,317,592
Income (loss) before capital contributions	**(48,889,866)**	**(46,829,742)**	**(2,060,124)**
Capital contributions	6,462,962	224,045,579	(217,582,617)
Changes in net position	**(42,426,904)**	**177,215,837**	**(219,642,741)**
Total net position-beginning of year	1,092,266,317	915,050,480	177,215,837
Total net position-end of year	**$1,049,839,413**	**$1,092,266,317**	**$(42,426,904)**

Capital Assets

The Authority's investment in capital assets as of June 30, 2018 was $1,044,474,586 (net of accumulated depreciation) and consists of land, construction in progress, buildings, building equipment, land improvements, and equipment of U.S. Bank Stadium, Mills Fleet Farm Parking Garage, and Downtown East Parking Garage. The total increase in capital assets for the current fiscal year was approximately 3.8 percent.

Additional information on the Authority's capital assets can be found in the notes to the financial statements, see note I.C.5 and note II.C.

The following table compares the Authority's capital assets as of June 30, 2018 and 2017 net of accumulated depreciation:

Capital Assets

	June 30, 2018	June 30, 2017	Increase/ (decrease)
CAPITAL ASSETS: (net of depreciation):			
Non-depreciable-			
Land	$31,983,174	$31,983,174	-
Construction in progress	232,463	-	$232,463
Depreciable-			
Buildings	794,943,290	822,416,725	(27,473,435)
Building equipment	85,929,055	91,347,284	(5,418,229)
Land improvements	29,633,884	31,267,595	(1,633,711)
Equipment	101,752,720	113,560,764	(11,808,044)
Total capital assets	**$1,044,474,586**	**$1,090,575,542**	**$(46,100,956)**

Major capital asset events during the current fiscal year included the following:
- Additional design services for U.S. Bank Stadium $301,741
- Additional fiber and data cabling installed at U.S. Bank Stadium $350,000
- Additional food service electrical power at U.S. Bank Stadium $261,303
- U.S. Bank Stadium's Hyundai concession kitchen and equipment modifications $576,726
- Lighting controls upgrade at U.S. Bank Stadium $252,475
- U.S. Bank Stadium's super truss glass railing modifications $302,331
- U.S. Bank Stadium's video production room cooling modifications $453,477
- U.S. Bank Stadium's women's locker room modifications $334,891

Next Year's Budget

The Authority considered the following factors when setting the 2018-2019 budget and fees that will be charged for use of U.S. Bank Stadium:
- Stadium event schedule
- Number and type of stadium events
- Stadium event attendance
- Stadium rental pricing
- Product pricing

A major revenue source for the Authority's 2018-2019 budget is stadium operating payments from the state of Minnesota of $6,484,384 and the Minnesota Vikings of $9,017,650 for a combined total of $15,502,034. These payments are required by Minnesota Statutes and include an annual adjustment or inflation factor. Also included in the Authority's 2018-2019 operating budget are the stadium operating revenues of $32,667,250, NCAA Final Four concessions of $1,800,000, and miscellaneous revenues of $64,200. Operating expenses of $51,978,777 includes personal services, professional services supplies and network administration, leases, insurance, miscellaneous, NCAA Final Four event expense, and stadium operating expenses.

The Authority's 2018-2019 operating budget for the fiscal year from July 1, 2018, through June 30, 2019, includes an operating loss of $1,945,293 as operating expenses of $51,978,777 are budgeted to exceed operating revenues of $50,033,484. The expected loss is primarily due to expenses of $6,492,588 for the NCAA Men's Basketball Final Four 2019 event. This is a one-time cost to host this national event at U.S. Bank Stadium. The Authority plans to use existing resources to fund the budgeted operating loss.

In addition to the 2018-2019 operating budget, the capital and concession capital budget includes capital expenses of $8,912,963 and concession capital expenses of $1,085,055. These expenses will be funded by capital revenues from the state of Minnesota and the Minnesota Vikings of $5,076,080 and the 2.5 percent concession capital reserve payment of $850,000. In addition the Authority plans to transfer $1,000,000 from the operating account and use existing capital and concession capital resources to fund the capital and concession capital expenses.

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, 1005 Fourth Street South, Minneapolis, Minnesota 55415. This report may also be found on the Authority's website at www.msfa.com.

MINNESOTA SPORTS FACILITIES AUTHORITY
STATEMENT OF NET POSITION
June 30, 2018

ASSETS	
Current assets:	
Cash and cash equivalents	$20,086,708
Restricted cash and cash equivalents	365,237
Investments	2,052,501
Receivables:	
Accounts and other receivables	9,390,718
Construction contributions receivable	3,477,692
Prepaid items	867,102
Total current assets	36,239,958
Noncurrent assets:	
Restricted investments	8,119,697
Capital assets:	
Non-depreciable:	
Land	31,983,174
Construction in progress	232,463
Depreciable:	
Buildings	853,193,720
Building equipment	100,008,995
Land improvements	32,916,971
Equipment	128,522,307
Accumulated depreciation	(102,383,044)
Total capital assets (net of accumulated depreciation)	1,044,474,586
Prepaid project insurance	332,928
Total noncurrent assets	1,052,927,211
Total assets	1,089,167,169
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions	881,804
LIABILITIES	
Current liabilities:	
Salaries and compensated absences payable	446,338
Accounts and other payables	3,663,871
Construction accounts and retainages payable	1,616,241
Advanced ticket sales and deposits	19,674,298
Restricted stadium builders licenses liability	123,176
Revenue sharing distribution payable	311,529
Unearned revenue	2,867,026
Total current liabilities	28,702,479
Noncurrent liabilities:	
Compensated absences payable	45,435
Net pension liability	1,038,507
Unearned revenue	9,140,140
Total liabilities	38,926,561
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	1,282,999
NET POSITION	
Investment in capital assets	1,044,474,586
Restricted for capital projects	5,993,494
Unrestricted	(628,667)
Total net position	$1,049,839,413

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

MINNESOTA SPORTS FACILITIES AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2018

Operating revenues:	
Operating payments from State of Minnesota and Minnesota Vikings	$15,146,301
Stadium operating revenues	29,656,584
Other revenues	94,107
Total operating revenues	44,896,992
Operating expenses:	
Personal services	560,909
Professional services	1,795,052
Supplies, repairs and maintenance	1,268,687
Rent	746,505
Other expenses	3,203,500
Stadium operating expenses	37,417,765
Depreciation	50,459,104
Total operating expenses	95,451,522
Total operating (loss)	(50,554,530)
Nonoperating revenues (expenses):	
Investment earnings	129,911
Other contributions for stadium project	934,788
Stadium builders licenses revenues	3,253,735
Sales tax revenues	1,833,336
Commemorative brick revenues	387,850
Stadium project expenses	(3,288,443)
Stadium builders licenses expenses	(1,392,284)
Commemorative brick expenses	(194,229)
Total nonoperating revenues	1,664,664
(Loss) before capital contributions	(48,889,866)
Capital contributions	6,462,962
Change in net position	(42,426,904)
Total net position, July 1, 2017	1,092,266,317
Total net position, June 30, 2018	$1,049,839,413

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

MINNESOTA SPORTS FACILITIES AUTHORITY
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from State of Minnesota and Minnesota Vikings	$15,790,758
Receipts from events	20,765,836
Receipts from food and beverage commissions	4,663,662
Receipts from others	92,334
Payments for employee services	(10,519,317)
Payments to suppliers and others	(21,256,707)
Payments for event and stadium operations	(14,380,800)
Net cash used for operating activities	(4,844,234)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Sales taxes received from State of Minnesota	1,854,554
Other contributions received for stadium project	1,446,755
Payments for stadium project	(3,330,983)
Net cash (used for) noncapital financing activities	(29,674)
CASH FLOWS FROM CAPITAL ACTIVITIES	
Capital contributions received	7,078,301
Receipts from commemorative bricks	117,511
Acquisition and construction of assets	(4,545,385)
Payments for commemorative bricks	(99,700)
Net cash provided by capital activities	2,550,727
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales and maturities of investments	29,084,877
Purchase of investments	(33,090,396)
Interest on investments	115,763
Net cash (used for) investing activities	(3,889,756)
Net (decrease) in cash and cash equivalents	(6,212,937)
Cash and cash equivalents, July 1, 2017	26,664,882
Cash and cash equivalents, June 30, 2018	$20,451,945

Reconciliation of operating (loss) to net cash provided by (used for) operating activities:	
Operating (loss)	$(50,554,530)
Adjustments to reconcile operating loss to net cash (used for) operating activities:	
Depreciation expense	50,459,104
Pension income	(139,643)
Change in assets and liabilities:	
(Increase) in accounts receivable	(6,104,383)
(Increase) in prepaid items	(120,074)
Increase in salaries and compensated absences payable and accounts and other payables	2,539,161
(Decrease) in revenue sharing distribution payable	(241,222)
(Decrease) in unearned revenues	(75,185)
(Decrease) in advanced ticket sales and deposits	(607,462)
Total adjustments	45,710,296
Net cash (used for) operating activities	$(4,844,234)
Noncash investing, capital and financing activities:	
Increase in fair value of investments	$23,813
Accrued capital contributions	$1,626,297
Accrued construction in progress costs	$(1,616,241)

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

I. Summary of significant accounting policies

A. Organization and reporting entity

1. Organization

In May 2012, the Minnesota legislature enacted 2012 Minnesota Laws, Chapter 299 (codified at Minnesota Statutes Chapter 473J) to establish the Minnesota Sports Facilities Authority (Authority). The Authority is comprised of five board members: the chair and two members appointed by the governor of Minnesota and two members appointed by the mayor of the city of Minneapolis. Members serve four-year terms 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 an executive director to act as the administrative head of the Authority. The 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 Authority was created to provide for the construction, financing, and long-term operation of U.S. Bank Stadium and the related stadium infrastructure as a venue for professional football and a broad range of other civic, community, athletic, educational, cultural and commercial activities.

2. Financial reporting entity

As defined by U.S. generally accepted accounting principles (GAAP), the financial reporting entity consists of a primary government, as well as its component units, which are legally separate organizations for which the officials of the primary government are financially accountable. Financial accountability is defined as:

a. Appointment of a voting majority of the component unit's board and either (1) the ability to impose will by the primary government or (2) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or
b. Fiscal dependency on the primary government.

Based upon the application of these criteria, the Authority has no component units. However, the Authority is a component unit of the state of Minnesota because the governor appoints three of the five board members and the state of Minnesota is responsible for the debt incurred for the Authority's share of the cost of construction of the stadium and stadium infrastructure.

B. Basis of presentation and measurement focus

1. Basis of presentation

The financial statements of the Authority have been prepared in conformity with 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

I. Summary of significant accounting policies (continued)

accounting and financial reporting principles. Significant accounting policies of the Authority are described below.

The Authority reports its activities as a business-type activity. The operations of the Authority are accounted for in an enterprise fund which is a set of self-balancing accounts comprised of assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, and expenses. The fund is used to account for the construction and operation of U.S. Bank Stadium and related stadium infrastructure. The financial statements include a statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows. All assets, deferred outflows of resources, liabilities (whether current or noncurrent), and deferred inflows of resources are included on the statement of net position. Reported net position is segregated into three categories: investment in capital assets, restricted, and unrestricted. The statement of revenues, expenses, and changes in net position presents increases (revenues) and decreases (expenses) in total net position.

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

C. Assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position

1. Cash, cash equivalents and investments

The Authority has defined cash and cash equivalents as cash on hand, cash on deposit in demand deposit accounts, commercial paper, 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 $3 million. The letter of credit is irrevocable, unconditional, and nontransferable. Certain accounts are segregated and classified as restricted and may not be used except in accordance with contractual terms.

The Authority may invest funds as authorized by Minnesota Statutes, Chapter 118A, and the Authority's internal investment policy. Investments are reported at fair value and are based on quoted market prices.

2. Receivables
   a. Accounts and other receivables

I. Summary of significant accounting policies (continued)

Accounts and other receivables consist of estimates of amounts due for sales tax revenues, operating payment from the Minnesota Vikings, commissions from the concessionaire, event revenues from promoters, and ticket revenues and rebates.

b. Construction contributions receivable

Construction contributions receivable consist of amounts due to fund construction expenses that were incurred prior to June 30, 2018.

3. Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statement. Prepaid items include software and maintenance agreement costs and insurance costs. The cost of prepaid items is recorded as an expense when consumed rather than when purchased.

4. Prepaid project insurance

Prepaid project insurance consists of the prefunded loss reserve fund that was established at construction inception. The insurance carrier for the owner controlled insurance program maintains the loss reserve fund. Insurance costs are expensed when incurred.

5. Capital assets

Capital assets include land, construction in progress, buildings, building equipment, land improvements, and equipment. Capital assets are defined by the Authority as assets with an individual or system 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 acquisition 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.

Capital assets are depreciated over their estimated useful lives using the straight-line method. Land and construction in progress are not depreciated. Estimated useful lives are as follows:

Capital assets	Useful life
Buildings	20 - 30 years
Building equipment	5 - 20 years
Land improvements	20 - 30 years
Equipment	3 - 30 years

6. Liabilities

a. Salaries and compensated absences payable

Salaries and compensated absences payable includes salaries and benefits incurred and unpaid as of June 30, 2018. The Authority accrues vacation and sick leave when earned. Certain employees qualify for a vacation leave and a sick leave benefit paid at termination or retirement.

I. Summary of significant accounting policies (continued)

The pay rate in effect at the end of the fiscal year and the employer's share of social security contributions are used to calculate compensated absences accruals at June 30.

b. Construction accounts and retainages payable
Construction accounts and retainages payable consist of costs incurred as of June 30, 2018 for stadium construction. Construction retainages are released upon completion of the contractor's work.

c. Advanced ticket sales and deposits
Revenues related to advance ticket sales for events that have not yet occurred are deferred until the event has been held at U.S. Bank Stadium. U.S. Bank Stadium box office sells tickets through box office sales, Ticketmaster sales, and consignment sales. Consignment sales consist of tickets pulled in advance for the promoter. Consignment sales are considered advance ticket sales, as the promoter is obligated to pay for the tickets at settlement which is after the event has occurred. Deposits represent payments received from event organizers in advance of an event.

d. Restricted stadium builders licenses liability
Restricted stadium builders licenses liability consists of funds held at June 30, 2018 for the stadium builders licenses program.

e. Revenue sharing distribution payable
As defined in the Management and Pre-Opening Agreement between the Authority and SMG, SMG is entitled to share in U.S. Bank Stadium's net operating income for the second year of operations that exceeds $6,885,000. The revenue sharing amount accrued for the second year of operations was $311,529. As of June 30, 2018 the revenue sharing distribution was unpaid.

f. Unearned revenues
Unearned revenues primarily consist of the unamortized amount of the capital investments from Aramark, Minnesota Vikings, and SMG and revenues received from the Minnesota Vikings in advance of the contractual time period.

7. Deferred outflows/inflows of resources
In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (an expense) until then. The amount recognized as deferred outflows of resources is related to pensions.

In addition to liabilities, the Statement of Net Position also reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources

I. Summary of significant accounting policies (continued)

(revenue) until that time. The amount recognized as deferred inflows of resources is related to pensions.

8. Net position
Net position represents the sum of total assets and deferred outflows of resources less the sum of total liabilities and deferred inflows of resources. At June 30, 2018 the Authority had three categories of net position, investment in capital assets, restricted and unrestricted.

- Investment in capital assets is the amount of net position representing capital assets net of accumulated depreciation.
- Restricted net position represents resources that have external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments or restrictions imposed by law through constitutional provisions or enabling legislation. This category represents resources that are restricted for future capital purchases.
- Unrestricted net position is the amount of net position that does not meet the definition of restricted or investment in capital assets.

9. Revenues and expenses
  a. Operating and nonoperating revenues and expenses
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: operating payments from the state of Minnesota and Minnesota Vikings, stadium operating revenues, and other revenues. Stadium operating revenues include: rent, service revenues, food and beverage, advertising, ticket rebates and facility fees, suite ticket sales, merchandise sales, and other revenues.

Operating expenses include personal services, professional services, supplies, repairs and maintenance, rent, other expenses, stadium operating expenses, and depreciation on capital assets. Stadium operating expenses include operating and event expenses incurred by SMG to manage U.S. Bank Stadium including service expenses, compensation and benefits, contract services, general and administrative, operations, repairs and maintenance, insurance, utilities, and other expenses. All revenues and expenses not meeting this definition and certain construction related activities are reported as nonoperating revenues and expenses.

  b. Other contributions for stadium project
Amounts reported as other contributions for the stadium project include contributions from the Minnesota Vikings and private contributions. These contributions funded the non-capitalized stadium construction expenses and are reported as nonoperating revenues.

I. Summary of significant accounting policies (continued)

c. Stadium builders licenses revenues

Effective July 31, 2014, the Authority entered into an Amended and Restated Purchase and Sale Agreement with Minnesota Stadium Funding Trust whereby the Authority agreed to sell its interest in stadium builders licenses (SBL) tranches of SBL revenues to Minnesota Stadium Funding Trust pursuant to SBL contracts. SBLs entitle the holder to buy season tickets to certain Minnesota Vikings games held at U.S. Bank Stadium and for a certain seat in the stadium. The Authority has recognized a receivable and revenue in accordance with GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfer of Assets and Future Revenues," as the transaction qualifies as a sale of receivables. Revenue was recognized as proceeds were received for the purpose of funding stadium construction costs and for costs associated with the sales of SBLs.

The total SBL tranches to be sold based on the SBL program as stated in the agreement is $125 million. As of June 30, 2018 SBL tranches of $125 million had been sold, of that amount $100 million was used to fund stadium construction project costs and $25 million was used to fund other expenses. These revenues are reported as nonoperating revenues.

d. Sales tax revenues

In accordance with Minnesota Statutes, 16A.726(b) and 297A.994, Subd.4.(5)(i) and (ii), a portion of the city of Minneapolis sales tax collections, are for the benefit of the Authority. Amounts are recognized as revenue by the Authority in the year the sales taxes are imposed on the underlying exchange transaction by the city of Minneapolis. The state of Minnesota withholds a portion of the Minneapolis sales tax disbursement to the city and issues the payment to the Authority. These revenues are reported as nonoperating revenues.

II. Detailed notes

A. Cash deposits with financial institutions

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, 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 June 30, 2018, the carrying amount of the Authority's combined demand deposit bank accounts was $18,501,081. Bank balances were $19,471,068 of which $19,464,558 was invested in commercial paper, and $6,510 was covered by federal depository insurance. At June 30, 2018 the balance in the money markets account was $567,493 and the balance in the trust accounts was $1,013,310.

II. Detailed notes (continued)

At June 30, 2018, the carrying amount of the Authority's restricted cash demand deposit accounts was $365,237. Bank balances were $365,237 which was partially covered by federal depository insurance and the balance was collateralized by the letter of credit described in the above paragraph. The difference between carrying amount and bank balance generally results from checks outstanding and deposits in transit at June 30, 2018.

B. Cash equivalent 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. Although the Authority does not have a formal specific duration investment risk policy, it does have a formal investment policy by which the Authority manages its exposure to declines in fair value. 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. The Authority's investments in commercial paper have a maturity not to exceed 270 days.

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. 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. The Authority's investments in commercial paper were in a U.S. corporation that was rated in the highest quality category and had maturities of less than 270 days.

Concentration of credit risk. Concentration of credit risk is the risk associated with investing a significant portion of investments in the securities of a single issuer, excluding U.S. Guaranteed investments, investment pools, and mutual funds. The Authority's investments in commercial paper are in a single U.S. corporation.

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

II. Detailed notes (continued)

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. Minnesota Statutes, Chapter 118A, require that deposits be secured by depository insurance or a combination of depository insurance and collateral securities held in the Authority's name. Throughout the current fiscal year, the combined depository insurance and collateral was sufficient to meet legal requirements and secure all Authority deposits, thus eliminating exposure to custodial credit risk.

The Authority had no foreign currency exposure at June 30, 2018.

Following is a summary of the carrying amount of cash and cash equivalents and investments at June 30, 2018:

Security Type	Credit Risk	Custodial Credit Risk	Maturities	Carrying Amount	% of Total Portfolio
Cash and cash equivalents	(a)	(b)(c)	n/a	$20,451,945	66.8%
U.S. Treasury Bills	AAA	(c)	9/13/2018	10,172,198	33.2%
Total				$30,624,143	100.0%

(a) Cash and cash equivalents include Commercial paper which has a AAA credit rating.
(b) 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 $3 million.
(c) Commercial paper and securities held in custody are in the Authority's name.

Fair value reporting: The Authority's investments that are not recorded at amortized cost or using the equity method are recorded at fair value as of June 30, 2018. GASB Statement No. 72, *"Fair Value Measurement and Application,"* defines fair value as the price that would be received to sell an asset between market participants at the measure date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the market place. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the hierarchy of inputs used to measure fair value and primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

Level 1: Investment values are based on quoted prices (unadjusted) for identical assets (liabilities) in active markets that a government can access at measurement date.

Level 2: Investments have inputs, other than quoted prices within Level 1 that are observable for an asset (liability), either directly or indirectly.

Level 3: Investments classified as Level 3 have unobservable inputs for an asset (liability) and may require a degree of professional judgment.

The following table summarizes the Authority's investments within the fair value hierarchy at June 30, 2018:

Security Type	Level 1	Level 2	Level 3	Total
U.S. Treasury Bills.	$ -	$10,172,198	$ -	$10,172,198
Total	$ -	$10,172,198	$ -	$10,172,198

II. Detailed notes (continued)

U.S. government obligations classified in Level 2 are valued using either bid evaluations or a matrix based pricing technique. Bid evaluations are typically based on market quotations, yields, maturities, call features and ratings. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

C. Capital assets

Capital asset activity for the year ended June 30, 2018 was as follows:

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
Capital assets, not being depreciated:				
Land	$31,983,174	$ -	$ -	$ 31,983,174
Construction in progress	-	232,463	-	232,463
Total capital assets, not being depreciated	31,983,174	232,463	-	32,215,637
Capital assets, being depreciated:				
Buildings	852,241,351	952,369	-	853,193,720
Building equipment	98,374,811	1,634,184	-	100,008,995
Land improvements	32,916,971	-	-	32,916,971
Equipment	126,983,175	1,539,132	-	128,522,307
Total capital assets, being depreciated	1,110,516,308	4,125,685	-	1,114,641,993
Less: accumulated depreciation for:				
Buildings	(29,824,626)	(28,425,804)	-	(58,250,430)
Building equipment	(7,027,527)	(7,052,413)	-	(14,079,940)
Land improvements	(1,649,376)	(1,633,711)	-	(3,283,087)
Equipment	(13,422,411)	(13,347,176)	-	(26,769,587)
Total accumulated depreciation	(51,923,940)	(50,459,104)	-	(102,383,044)
Total capital assets, being depreciated, net	1,058,592,368	(46,333,419)	-	1,012,258,949
Total capital assets, net	$1,090,575,542	($46,100,956)	$ -	$1,044,474,586

III. Other information

A. Retirement plans

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

1. Minnesota State Retirement System-State Employees Retirement Fund (SERF)
   a. Plan Description

SERF is administered by the Minnesota State Retirement System (MSRS), and is established and administered in accordance with Minnesota Statutes, Chapters 352. SERF includes the General Employees Retirement Plan (General Plan), a multiple-employer, cost-sharing defined benefit plan.

III. Other information (Continued)

Certain employees of the Authority are covered by the General Plan. The General Plan provides retirement, disability, and death benefits to plan members and their beneficiaries.

Minnesota Statutes, Section 352.04 requires that eligible employees contribute 5.5 percent of their total compensation to the fund. Participating employers are also required to contribute 5.5 percent to this fund. The Authority's contribution to the General Plan for the year ended June 30, 2018 was $20,216. These contributions were equal to the contractually required contributions for each year as set by state statute. All active and deferred members are fully vested to the extent of their contributions plus interest at a rate of 6.0 percent through June 30, 2011, and 4.0 percent thereafter. For monthly retirement benefits, members hired before July 1, 2010, are vested after three years of covered service; members hired after June 30, 2010, are vested after five years of covered service. MSRS issues a publicly available financial report that may be obtained at www.msrs.state.mn.us/financial-information; by writing to Minnesota State Retirement System, 60 Empire Drive, #300, St Paul, Minnesota 55103 or by calling (651) 296-2761 or 1-800-657-5757.

b. Benefits provided

Retirement benefits can be computed using one of two methods: the Step formula and the Level formula. Members hired before July 1, 1989, may use the Step or Level formula, whichever is greater. Members hired on or after July 1, 1989, must use the Level formula. Each formula converts years and months of service to a certain percentage. Under the Step formula, members receive 1.2 percent of the high-five average salary for each of the first 10 years of covered service, plus 1.7 percent for each year thereafter. It also includes full benefits under the Rule of 90 (age plus years of allowable service equals 90). In contrast, the Level formula does not include the Rule of 90. Under the Level formula, members receive 1.7 percent of the high-five average salary for all years of covered service, and full benefits are available at normal retirement age.

Annuitants receive post-retirement increases of 2.0 percent each year. When the SERF reaches or exceeds a 90 percent funded ratio for two consecutive years (determined on a market value of assets basis), the post-retirement adjustment will increase to 2.5 percent each year. If, after reverting to a 2.5 percent increase, the funded ratio declines to less than 80 percent for the most recent actuarial valuation year, or 85 percent for two consecutive years, the post-retirement benefit increase will return to 2.0 percent. The funding status of the SERF is actuarially calculated on an annual basis.

c. Pension liabilities, pension expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the Authority reported a liability of $1,038,507 for its proportionate share of MSRS' net pension liability. The net pension liability was measured at June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on the contributions received by MSRS during the measurement period July 1, 2016, through June 30, 2017, relative to the total employer contributions received from all of MSRS' participating employers. At June 30, 2017 the Authority's

III. Other information (continued)

proportion was .014 percent, which was a decrease of .007 percent from its proportion measured as of June 30, 2016. There were no changes in benefit provisions since the prior measurement date.

The following changes were made to the actuarial assumptions since the prior measurement date. The combined service annuity loads were changed from 1.2 percent for active members and 40 percent for deferred members, to 0 percent for active members, 4 percent for vested deferred members, and 5 percent for non-vested deferred members. The single discount rate changed from 4.17 percent to 5.42 percent. The only change to plan provisions was the actuarial equivalent factors were updated to reflect current mortality and interest assumptions, effective January 1, 2017.

For the year ended June 30, 2018, the Authority recognized pension income of $139,643 for its proportionate share of the MSRS-SERF pension expense. At June 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$8,235	$69,593
Changes of assumptions	1,248,825	676,097
Difference between projected and actual investment earnings	-	34,526
Changes in proportion and differences between actual contributions and proportionate share of contributions	(395,472)	502,783
Contributions paid to MSRS subsequent to the measurement date	20,216	-
Total	$881,804	$1,282,999

Amounts reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense/(income) as follows:

Year ended June 30:	Pension Expense/(Income)
2018	($211,813)
2019	26,231
2020	91,286
2021	(327,115)
Net pension expense/(income)	($421,411)

III. Other information (continued)

d. Actuarial Assumptions

The Authority's net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent per year
Active Member Payroll Growth	3.25 percent per year
Investment Rate of Return	7.50 percent per year

Salary increases were based on service related rates. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2014 generational mortality tables projected with mortality improvement scale MP-2015 from a base year of 2014. Benefit increases for retirees are assumed to be 2.0 percent every January 1st.

Actuarial assumptions used in the June 30, 2017, valuation were based on the results of actuarial experience studies for the period July 1, 2008, through June 30, 2014.

The Minnesota State Board of Investment (SBI) invests all state funds and manages the investments of MSRS. The SBI's long-term expected rate of return was determined using a building-block method. Best estimates of expected future real rates of return were developed for each major asset class using both long-term historical returns and long-term capital market expectations from a number of investment management and consulting organizations. The asset class estimates and target allocations were then combined to produce a geometric, long-term expected real rate of return for the portfolio. Inflation expectations were applied to derive the nominal rate of return for the portfolio. SBI target asset allocations and long-term expected real rate of returns are summarized in the following table:

Asset Class	Target Allocation	SBI's Long-term Expected Real Rate of Return (Geometric Mean)
Domestic Stocks	39%	5.10%
International Stocks	19%	5.30%
Private Markets	20%	5.90%
Domestic Bonds	20%	0.75%
Cash	2%	0.00%
Total	100%	

e. Single discount rate

Projected benefit payments are discounted to their actuarial present values using a single discount rate. The single discount rate reflects (1) the long-term expected rate of return on pension plan investments for the period in which assets are projected to be available to pay benefits, and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligations bonds. The fiduciary net position

III. Other information (continued)

of SERF was projected to be insufficient to finance the projected future benefit payments of current plan members. Therefore, a single discount rate was applied, which blends the long-term expected rate of return of 7.5 percent on pension plan investments with the tax-exempt general obligation bond rate of 3.56 percent. This single discount rate was applied to all periods of projected benefit payments to determine the total pension liability. The long-term expected rate of return was used to project benefit payments through fiscal year 2049 and the municipal bond rate was used in all of the following years, resulting in the single blended rate of 5.42 percent. This is a change from the previous fiscal year, when the singled blended rate was 4.17 percent.

f. Sensitivity of the Authority's proportionate share of the net pension liability to changes in the discount rate

The following presents the Authority's proportionate share of the net pension liability, calculated using the discount rate of 5.42 percent, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (4.42 percent) or 1 percentage point higher (6.42 percent) than these percentages:

	1% Decrease in Discount Rate (4.42%)	Current Discount Rate (5.42%)	1% Increase in Discount Rate (6.42%)
Authority's proportionate share of the net pension liability	$1,455,073	$1,038,507	$698,114

Additional information related to the plan is presented in Required Supplementary Information (RSI) following the Notes to the Financial Statements.

2. Minnesota State Retirement System-Unclassified Employees Retirement Fund (UER)
   a. Plan description and contributions

The MSRS-UER is a tax-deferred, defined contribution fund entirely composed of a single, multiple-employer defined contribution plan. Participation is limited to certain specified employees. Minnesota Statutes, Section 352D.01, authorized creation of this plan. The Authority's Executive Director participated in the plan.

It is considered a money purchase plan, with participants vesting only to the extent of the value of their accounts (employee and employer contributions plus/minus investment gains/losses, less administrative expenses), but functions as a hybrid between a defined contribution plan and a defined benefit plan.

Minnesota Statutes, Section 352D.04, subdivision 2, requires a contribution rate of 5.5 percent of salary from participating employees. The employer contribution rate is 6.0 percent of salary. Employees of this plan also contribute to Social Security.

III. Other information (continued)

Participants in this plan are eligible to apply for the balance in their account after termination of public service. There is no minimum employment requirement to qualify for this lump-sum payment. Since contributions made to this plan are not taxed, participants pay taxes when funds are withdrawn and may be subject to a ten percent penalty if funds are withdrawn in a lump sum before the member reaches age 59 ½. Monthly benefits are available to terminated participants at age 55 or later, regardless of the individual's length of service. Participants age 55 or older may also apply for a portion of their account balance as a lump-sum payment and the remainder in lifetime, monthly benefits.

Retirement and disability benefits are available to some participants through conversion, at the participant's option, to the General Plan provided the employee has at least 10 years of allowable service in this plan and/or the General Plan if hired prior to July 1, 2010, or has no more than seven years of service if hired after June 30, 2010.

Employer contributions to MSRS-UEP which equaled the required contributions are:

Year	Contributions
2015	$17,355
2017*	$22,791
2018	$6,143

* The required contribution is for the 18-month fiscal period.

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: general liability ($1,000 per claim for employee benefits only), excess liability (none), automobile/garage keepers liability ($1,000 per auto), crime insurance ($10,000), workers compensation (none), public officials and employee liability insurance ($10,000), and cyber/privacy liability ($15,000 per claim).

The Authority had an Owner Controlled Insurance Program (OCIP) during construction of the stadium whereby the construction manager, all subcontractors and all direct contractors enrolled in this program for liability insurance coverage. This policy has a prefunded insurance loss reserve for claim and service fee expenses.

Within the past three fiscal years, settled claims have not exceeded commercial coverage.

C. Operating leases

The Authority entered into two separate agreements to lease a total of 1,085 parking spaces for each of the ten Minnesota Vikings home games. The lease periods were from July 1, 2017 to June 30, 2018. Total rent expense for the parking spaces was $557,982.

III. Other information (continued)

On November 20, 2015, the Authority entered into a lease agreement to lease 35,860 square feet of space at a location adjacent to U.S. Bank Stadium plaza area. The lease period began March 1, 2016 and will expire upon the expiration of the stadium use agreement. The lease agreement requires an annual base rent amount of $282,398, and provides for a fair market adjustment of the base rent on March 31, 2031, March 31, 2036, March 31, 2041, and March 31, 2046, subject to the terms of the agreement and agreement of the Authority. Rent expenses were $188,523 for the year ended June 30, 2018.

Future rent expense for the lease agreement is as follows:

Fiscal Year(s)	Rent Expense
2019	$282,398
2020	$282,398
2021	$282,398
2022	$282,398
2023	$282,398
2024 - 2028	$1,411,988
2029 - 2033	$1,411,988
2034 - 2038	$1,411,988
2039 – 2043	$1,411,988
2044 – 2046	$752,803

In accordance with the lease agreement, the landlord has the option to terminate the lease on the annual anniversary of the commencement date, March 1, 2016. If the landlord elects to terminate the lease, the landlord must reimburse the Authority for unamortized improvement costs, as defined by the lease agreement.

D. Agreements

1. Use agreement and football playing agreement

Effective November 22, 2013 the Authority and Minnesota Vikings Football Stadium, LLC entered into a long-term amended and restated stadium use agreement that grants the Team the right to use the stadium. The initial term of the agreement was from date of substantial completion of the stadium to the 30th National Football League (NFL) football season played by the Team in the stadium. As payment for its occupancy and use of the stadium, the Team is obligated to pay a use fee (operating payment) as defined in the agreement. This agreement also requires the Authority to have sole responsibility for the operation, direction, maintenance, supervision, and management of the stadium and stadium infrastructure.

On February 19, 2016 the Authority entered into the Second Amended and Restated Stadium Use Agreement to incorporate the amendments into this agreement. This amended and restated use agreement superseded and replaced the prior agreements.

III. Other information (continued)

In addition to the use agreement the Authority and the Team entered into a long-term agreement, football playing agreement, concerning the use of the stadium whereby the Team agreed to play home games during the NFL season at the stadium. This agreement terminates in conjunction with the termination of the amended and restated use agreement.

2. Parking agreement
On February 10, 2014 the Authority entered into a parking agreement with Ryan Companies US, Inc. (Ryan) and the city of Minneapolis whereby the Authority owns the Downtown East Parking Garage and the Mills Fleet Farm Parking Garage and Ryan operates the parking facilities for the first ten years. Since December 31, 2015 Ryan has managed both parking facilities. The revenues and expenses from the parking operation are not included in the Authority's statement of revenues, expenses and changes in net position.

3. Management and pre-opening services agreement
Effective August 22, 2014 the Authority entered into a management and pre-opening services agreement with a third party management company, SMG, who is responsible for managing, operating, maintaining and marketing U.S. Bank Stadium for ten years commencing with the stadium opening (operating period). The Authority has the option to extend the agreement for an additional five years. SMG is required to operate in accordance with certain policies of the Authority.

The agreement required SMG to pay the Authority $2,750,000 for capital investment costs by April 1, 2016. On June 30, 2017 SMG contributed an additional $250,000 for event marketing. The unamortized capital investment will be paid to SMG upon early termination of the agreement. The capital investment amount was deferred and will be recognized as revenue over the term of the agreement. The unamortized capital investment balance at June 30, 2018 was $2,354,946.

The agreement also required SMG to guarantee $6,750,000, increased by 2 percent each year, of net operating income (NOI) to the Authority for the first year of operations. In addition to the NOI guarantee of $6,750,000, the Authority is entitled to a pro rata share of NOI above $7,250,000, as defined by the agreement. The agreement assigns SMG agent rights to certain bank accounts held by the Authority in relation to stadium operations and payroll. All stadium operating revenues are required to be deposited to the stadium operating bank account.

4. Food and beverage, catering and concession agreement
The Authority entered into a food and beverage, catering and concession agreement with Aramark Sports and Entertainment Services, LLC for the provision of premium food and beverage operations, catering services and concession services in the suites, the clubs, and the concession stands in the

III. Other information (continued)

concourses and on the plaza. The ten-year agreement has a designated commission option which established the commission rates that would be paid by Aramark and it provided an option for the Minnesota Vikings to contribute to the required $10 million capital investment. The Minnesota Vikings chose the option to contribute $6.5 million to the capital investment, Aramark then contributed $3.5 million in February 2016 to the capital investment. This capital investment was a stadium project funding source for the purchase of concession equipment. The total capital investment of $10 million was deferred and will be recognized as revenue over the 10-year term of the agreement. The unamortized capital investment will be paid to the Minnesota Vikings and Aramark upon early termination of this agreement. The unamortized capital investment balance at June 30, 2018 was $8,088,710.

In addition to payment of commissions for food and beverage, catering and concession sales, Aramark is required to pay 2.5 percent of gross receipts to the Authority for deposit into the concession capital reserve account for future purchases.

5. Commemorative bricks agreement

The Authority entered into an agreement with Fund Raisers, Ltd. (Fund Raisers) whereby they managed the sales and manufacture of commemorative bricks and the shipment of specially engraved commemorative bricks, replications of commemorative bricks, and display cases. The Authority was responsible for the installation of the commemorative bricks and maintenance and cleaning of the commemorative bricks after installation.

A second selling phase began November 17, 2016 and continued through March 31, 2017. The Authority recognizes revenues and expenses in accordance with GASB Statement No. 33, *"Accounting and Financial Reporting for Nonexchange Transactions,"* as the transactions qualify as voluntary nonexchange transactions. Revenues and costs for the sale of the commemorative bricks were recognized when installation was completed at which point the contingency criterion was met. Revenues and costs related to the sale of replication commemorative bricks and display cases are recognized in the month the product is shipped to the customer. These revenues and expenses are reported as nonoperating.

The first $1,600,000 of net proceeds from the sale of commemorative bricks has been restricted by the stadium development agreement for plaza improvements. Any net proceeds from the sale of commemorative bricks in excess of $1,600,000 are designated to the stadium plaza improvements budget. Based on this restriction, cash related to the sale of commemorative bricks is shown as restricted assets on the statement of net position for the year ended June 30, 2018.

III. Other information (continued)

E. Construction commitments and contingencies

Construction on the stadium project began in 2013 and continued until June 17, 2016, the date of substantial completion of U.S. Bank Stadium. Since that date construction closeout tasks have continued through June 30, 2018.

The Authority had two construction contracts that had commitments at June 30, 2018:

	Spent to Date	Remaining Commitment
Architectural and engineering services	$ 41,926,321	$ 97,505
Construction management services	$898,169,913	$11,452,487

The Authority did not accrue a liability for the outstanding issues and claims related to the design and construction of U.S. Bank Stadium as it is not probable that a liability had been incurred as of June 30, 2018 and the amount of the liability could not be reasonably estimated.

The Authority is contingently liable with respect to lawsuits and other claims that arise in the ordinary course of its operations. Although the outcome of these matters is not presently determinable, in the opinion of the Authority's management, the resolution of these matters will not have a material adverse effect on the Authority's financial condition.

MINNESOTA SPORTS FACILITIES AUTHORITY
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
Last 10 Years[1]

Schedule of the Authority's Share of Net Pension Liability
State Employees Retirement Fund

	2014	2015	2016	2017
Authority's Proportion of the Net Pension Liability	0.051%	0.033%	0.021%	0.014%
Authority's Proportionate Share of the Net Pension Liability	$ 827,002	$ 507,998	$2,603,765	$1,038,507
Authority's Covered Payroll	$1,303,478	$ 874,171	$ 563,727	$ 383,628
Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	63.45%	58.11%	461.88%	270.71%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.64%	88.32%	47.51%	62.73%

The measurement date is June 30 of each year.

1 This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

2 The amounts presented for each fiscal year were determined as of June 30.

Schedule of Authority's Contributions
State Employees Retirement Fund

	2014	2015	2017	2018
Contractually Required Contribution	$ 48,519	$ 40,403	$ 36,066	$ 20,216
Contributions in Relation to the Contractually Required Contribution	$ 48,519	$ 40,403	$ 36,066	$ 20,216
Contribution Deficiency (excess)	$ -	$ -	$ -	$ -
Authority's Covered Payroll	$928,080	$ 735,734	$ 638,223	$ 367,562
Contributions as a Percentage of Covered Payroll	5.23%	5.49%	5.65%	5.50%

1 This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

2 The amounts presented for 2014 and 2015 were determined as of December 31.

3 The amounts presented for 2017 are for the 18-month fiscal period from January 1, 2016 through June 30, 2017.

4 The amounts presented for 2018 were determined as of June 30.

MINNESOTA
SPORTS FACILITIES
AUTHORITY

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.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MONSTER ENERGY
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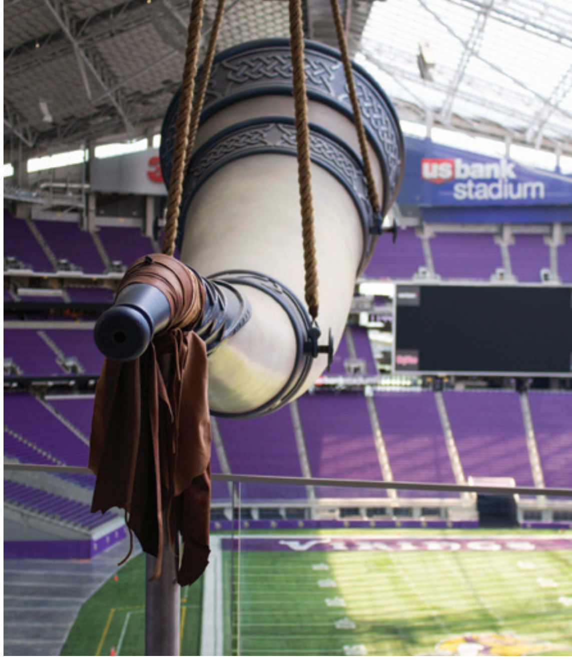
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KIRK COUSINS
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LIST OF STATISTICAL TABLES

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.

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.

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.

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 employment. There is one table presented in this section.

MINNESOTA SPORTS FACILITIES AUTHORITY **Table 1.1**
Net Position by Component
Last Six Fiscal Years

	2018	2017	2015	2014	2013	2012
Investment in capital assets	$1,044,474,586	$1,090,575,542	$907,139,710	$389,507,399	$52,256,276	$15,497,844
Restricted	5,993,494	-	-	-	-	-
Unrestricted	(628,667)	1,690,775	7,910,770	16,692,006	24,144,345	12,080,223
Total net position	$1,049,839,413	$1,092,266,317	$915,050,480	$406,199,405	$76,400,621	$27,578,067

1 The Authority began operations on August 1, 2012 and net position for 2012 is reported as of December 31, 2012, for the five-month period then ended.

2 Net position for 2013, 2014, and 2015 is reported as of December 31 of each year.

3 The Authority changed its year-end from December 31 to June 30 and net position for 2017 is reported as of June 30, 2017, for the 18-month fiscal period then ended.

Unaudited
Source: Authority Finance department

MINNESOTA SPORTS FACILITIES AUTHORITY **Table 1.2**
Changes in Net Position
For the Last Six Fiscal Years

	2018	2017	2015	2014	2013	2012
Operating Revenues:						
Operating payments from State of Minnesota and Minnesota Vikings	$15,146,301	$20,910,210	$-	$-	$-	$-
Stadium operating revenues	29,656,584	23,589,302	-	-	-	-
Concessions	-	-	-	-	9,438,927	8,479,625
Admission tax	-	-	-	-	4,276,114	4,098,350
Rent	-	-	-	-	4,810,944	4,068,914
Charges for services	-	-	-	13,067	1,501,944	908,813
Other	94,107	1,779,062	44,993	45,816	516,027	336,159
Parking operations and related revenues	-	-	524,455	405,166	-	-
Total operating revenues	44,896,992	46,278,574	569,448	464,049	20,543,956	17,891,861
Operating expenses:						
Concession costs	-	-	-	221,220	5,072,396	4,101,323
Tenants share of concession receipts	-	-	-	-	1,244,224	1,309,240
Facilities cost credit	-	-	-	-	3,653,703	3,704,030
Personal services	560,909	1,611,570	1,057,640	1,841,609	2,623,548	1,085,418
Professional services	1,795,052	2,797,081	865,679	616,112	981,614	922,956
Contractual services	-	-	-	68,521	1,711,276	1,137,579
Supplies, repairs and maintenance	1,268,687	1,256,214	273,015	214,056	685,645	470,478
Utilities	-	-	-	96,842	3,148,122	1,436,919
Rent	746,505	1,432,607	171,462	172,210	-	-
Insurance	-	-	58,518	113,373	856,543	367,127
Parking operations	-	-	235,013	719,573	-	-
Event costs	-	-	-	-	673,132	388,508
Miscellaneous/other	3,203,500	901,419	294,954	203,832	327,711	303,098
Stadium operating expenses	37,417,765	32,143,313	-	-	-	-
Depreciation	50,459,104	51,313,184	318,463	292,293	4,250,905	1,898,121
Total operating expenses	95,451,522	91,455,388	3,274,744	4,559,641	25,228,819	17,124,797
Total operating income (loss)	(50,554,530)	(45,176,814)	(2,705,296)	(4,095,592)	(4,684,863)	767,064
Nonoperating revenues (expenses)	1,664,664	(1,652,928)	(327,314)	1,765,515	993,582	70,645
Income (loss) before capital contributions	(48,889,866)	(46,829,742)	(3,032,610)	(2,330,077)	(3,691,281)	837,709
Capital contributions	6,462,962	224,045,579	511,883,685	334,047,793	52,513,835	2,546,938
Change in net position	$(42,426,904)	$177,215,837	$508,851,075	$331,717,716	$48,822,554	$3,384,647

1 The Authority began operations on August 1, 2012 and net position for 2012 is reported as of December 31, 2012, for the five-month period then ended.

2 Net position for 2013, 2014, and 2015 is reported as of December 31 of each year.

3 The Authority changed its year-end from December 31 to June 30 and net position for 2017 is reported as of June 30, 2017, for the 18-month fiscal period then ended.

Unaudited

Source: Authority Finance department

MINNESOTA SPORTS FACILITIES AUTHORITY **Table 2.1**

User Fee Revenues by Source

For the Last Six Fiscal Years

Fiscal Period	Operating Payments	Stadium Operating Revenues	Concessions	Admission Tax	Rent	Parking Operations	Charges for Services	Other
2018	$15,146,301	$29,656,584	$-	$-	$-	$-	$-	$94,107
2017	20,910,210	23,589,302	-	-	-	-	-	1,779,062
2015	-	-	-	-	-	524,455	-	44,993
2014	-	-	-	-	-	405,166	13,067	45,816
2013	-	-	9,438,927	4,276,114	4,810,944	-	1,501,944	516,027
2012	-	-	8,479,625	4,098,350	4,068,914	-	908,813	336,159

1 The Authority began operations on August 1, 2012 and revenues by source for 2012 are reported as of December 31, 2012, for the five-month period then ended.

2 Revenues by source for 2013, 2014, and 2015 are reported as of December 31 of each year.

3 The Authority changed its year-end from December 31 to June 30 and revenues by source for 2017 are reported as of June 30, 2017, for the 18-month fiscal period then ended.

4 Operating payments include payments from the State of Minnesota and the Minnesota Vikings for U.S. Bank Stadium

5 Stadium operating revenues include all revenues from U.S. Bank Stadium operations

6 Concessions include Metrodome food and beverage concession revenues

7 Admission tax includes 10% tax assessed on all ticket sales at Metrodome

8 Rent includes 9.5% rental fee on Minnesota Vikings ticket sales and $500 hourly rental fees for other Metrodome events

Unaudited

Source: Authority Finance department

MINNESOTA SPORTS FACILITIES AUTHORITY
Demographic and Economic Statistics
Last Ten Calendar Years

Table 3.1

Fiscal Year	Population (1,3)	Personal Income (In Millions) (1,3)	Per Capita Income (1,3)	Unemployment Rate (2)
2008	3,301,252	$156,511	$47,410	5.2%
2009	3,330,508	147,914	44,412	8.2%
2010	3,355,763	153,074	45,615	7.3%
2011	3,389,448	163,306	48,181	6.7%
2012	3,422,542	173,992	50,837	5.8%
2013	3,458,513	175,414	50,719	5.1%
2014	3,491,838	186,385	53,377	4.1%
2015	3,518,252	195,613	55,599	3.7%
2016	3,551,036	201,427	56,723	3.7%
2017	3,551,036	201,427	56,723	3.5%

Unaudited

Sources:
1) Bureau of Economic Analysis for the Minneapolis-St. Paul Metropolitan Statistical Area.
2) State of Minnesota, Department of Employment and Economic Development- Metropolitan Statistical Area for the month of June of each year. The unemployment rate as of June 2018 was 2.8%.
3) 2017 data not available at time of report.

MINNESOTA SPORTS FACILITIES AUTHORITY
Principal Employers in Minnesota
Current Year and Nine Years Ago

Table 3.2

Number of Minnesota Only Employees in thousands (except percentage)

	2017			2008		
Employer	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
State of Minnesota	57	1	2.98%	56	1	3.20%
Mayo Clinic	42	2	2.19%	37	2	2.11%
United States Federal Gov't	32	3	1.67%	32	3	1.83%
Allina Health System	28	4	1.46%	24	5	1.37%
University of Minnesota	26	5	1.36%	19	9	1.09%
Target Corporation	26	6	1.36%	28	4	1.60%
Fairview Health Services	24	7	1.25%	20	7	1.14%
HealthPartners Inc.	23	8	1.20%	-	-	-
Wells Fargo Minnesota	20	9	1.04%	21	6	1.20%
United Health Group, Inc.	17	10	0.89%	-	-	-
3M Co.	-	-	-	16	10	0.91%
Wal-Mart stores, Inc.	-	-	-	20	8	1.14%
Total	295		15.40%	273		15.59%

Unaudited

Source: Metropolitan Council Comprehensive Annual Financial Report 12/31/2017-Minneapolis/St. Paul Business Journal July 14, 2017 and Business Journal Book of Lists, December 28, 2008.

Note: Available list covers employment for entire State of Minnesota. Walmart was not included because it declined to provide data for 2017.

MINNESOTA SPORTS FACILITIES AUTHORITY **Table 4.1**
Full-Time Employees by Department
Last Five Fiscal Years

Fiscal Year	Administrative	Building Maintenance	Security	Total
2018	5	-	-	5
2017	5	-	-	5
2015	8	-	-	8
2014	10	-	-	10
2013	8	11	2	21
2012	7	11	2	20

1 The Authority began operations on August 1, 2012 and full-time employees by department for 2012 are reported as of December 31, 2012, for the five-month period then ended.

2 Employees by department for 2013, 2014, and 2015 are reported as of December 31 of each year.

3 The Authority changed its year end from December 31 to June 30 and employees by department for 2017 are reported as of June 30, 2017 for the 18-month fiscal period then ended.

Unaudited

Source: Authority Finance department

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