MINNESOTA BALLPARK AUTHORITY

Hennepin County, Minnesota

Annual Financial Report

December 31, 2012

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Minnesota Ballpark Authority Board of Commissioners

Steve Cramer, Chair

Martin Olav Sabo, Vice Chair

Barb Sykora, Secretary

Joan Campbell, Treasurer

Paul D. Williams

Executive Director, Daniel R. Kenney

Finance Coordinator, Brenda Juneau

Prepared by the Minnesota Ballpark Authority
Worldwide Web Address: http://www.ballparkauthority.com

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MINNESOTA BALLPARK AUTHORITY
Hennepin County, Minnesota

Minnesota Ballpark Authority
Hennepin County, Minnesota
2012 Annual Financial Report
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Hennepin County, Minnesota

Introductory Section

MINNESOTA BALLPARK AUTHORITY
Hennepin County, Minnesota

Target Field
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Minneapolis, MN 55403
612-659-3882
Fax: 612-659-3879
www.ballparkauthority.com

November 26, 2013

Honorable Members of the Minnesota Ballpark Authority Board:

Minnesota Statutes require all governmental agencies to issue an annual report on their financial position and activity prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants or the State Auditor. The Annual Financial Report for the Minnesota Ballpark Authority (MBA) is hereby submitted for the calendar year ended December 31, 2012.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The State of Minnesota Office of the State Auditor audited the MBA's financial statements and issued an unmodified ("clean") opinion on the MBA's financial statements for the calendar year ended December 31, 2012. The State Auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the State Auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A section is meant to complement this letter of transmittal and should be read in conjunction with the letter.

Profile of Governance

The MBA was established in 2006 as a public body and political subdivision of the State of Minnesota, for the purpose of overseeing the design, construction, operation, and maintenance of a ballpark for a Major League Baseball team in accordance with the powers and authorities granted in Laws of Minnesota Chapter 473. The MBA advised and participated with the Minnesota Twins, LLC (the Twins) in the design and construction of the ballpark. The MBA leases the stadium to the Twins, oversees its operations, and participates with the Twins in identifying and funding necessary future capital repairs to the structure.

The MBA is governed by a Board of five appointed Commissioners. Two members are appointed by the Governor of the State of Minnesota, two members are appointed by the Hennepin County Board of Commissioners (including the Chair), and one member is appointed by the governing body of the City of Minneapolis. The Board is responsible for, among other things, adopting an annual budget. Budgets are adopted on a basis consistent with GAAP. Beginning in approximately June of each year a budget is prepared and includes information on the past year, current year estimates, and requested appropriations. The Board must adopt and submit a proposed operating budget to Hennepin County by August of each calendar year. Any changes in the budget must be within the revenues and reserves estimated or changed by a vote of the Board. Budget to actual comparisons for the General Fund and the Capital Reserve Special Revenue Fund are presented in the Required Supplementary Information section of this report.

Ballpark History

The Minnesota Legislature approved legislation in 2006 to fund a new Minnesota Twins ballpark. The legislative action was the culmination of a 10-year effort to build an outdoor ballpark in Minnesota. The Legislature approved the bill on May 21, 2006, and Minnesota Governor Tim Pawlenty signed the bill into law five days later before a Twins home game against the Seattle Mariners at the Metrodome. The first meeting of the MBA Board was held on July 7, 2006.

Under terms of the 2006 legislation, the public contribution is $350,000,000: $90,000,000 for infrastructure and $260,000,000 for ballpark construction costs. The public contribution of $350,000,000 is financed with Hennepin County issued bonds. The bonds are repaid from a County-wide .15 percent general sales tax authorized in the legislation. Under the original agreement, the Minnesota Twins contribution is $130,000,000 for ballpark construction costs plus any ballpark cost overruns or enhancements. After the legislation was adopted, the Twins contributed an additional $19,500,000 for non-land infrastructure expenses and $45,491,694 for additional ballpark enhancements. That brought the Twins total contribution to $194,991,694. Another $10,025,000 was contributed from other sources, which included Target Corporation, the MBA, and the Minnesota Department of Transportation.

Construction of the ballpark began when ground was broken in May of 2007 with M.A. Mortenson Company serving as the construction manager for the project. The architects were Populous (formerly HOK Sport) and Hammel, Green & Abrahamson. In January 2010, Mortenson formally turned over the ballpark, on budget, and two months ahead of schedule. Minnesota's new ballpark opened in the spring of 2010 marking the Minnesota Twins' 50th season of playing baseball in the Upper Midwest. The Minnesota Twins played their first regular season game at the ballpark on April 12, 2010.

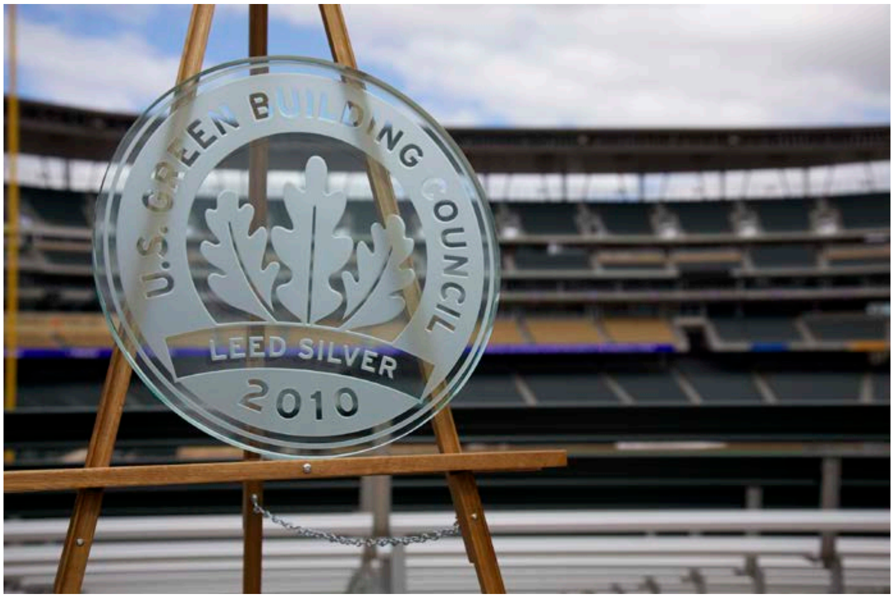
The land, land improvements and the ballpark itself are owned by the public through the MBA. Consistent with terms of the Ballpark Lease Agreement (Lease), between the MBA and Twins Ballpark, LLC, the Twins own a portion of discrete assets, such as seating and scoreboards, to the extent of their total investment.

The Twins and Target Corporation agreed to naming rights for Target Field and Target Plaza.

While the ballpark is owned by the MBA, it is leased and operated by the Twins under a thirty-year lease. The Twins are responsible for 100 percent of the annual ballpark operating expenses. In addition, the Twins make annual payments, initially $900,000 (with two-thirds of that amount indexed for inflation), for capital improvements, and $250,000 per year for youth activities and amateur sports. Hennepin County also contributes $1,100,000 annually (indexed for inflation) for future capital needs.

A Leader in Environmental Sustainability

The MBA and the Twins have been, and continue to be, committed to environmental sustainability. In 2010 the ballpark was not only awarded LEED Silver Certification for Construction, but was also awarded Green Project of the Year by the Recycling Association of Minnesota.



In 2011 the Twins applied for, and were awarded, Silver certification in LEED for green facility operations and maintenance. Target Field is the first professional sports facility in the United States to receive LEED certification in both construction and facility operations.

Some of the ballpark's green design elements include:

- ◊ Energy use reduction – achieved through high-efficiency field lighting, interior lighting and heating/cooling and ventilation equipment.
- ◊ Water use reduction – achieved through water-saving fixtures such as low-flow urinals and dual-flush toilets as well as a specially designed rain water filter system used to capture runoff, filter it and use it both to wash down the seating bowl and for irrigation.
- ◊ Game Day Recycling – Recyclable collection points stationed conveniently around Target Field keep an estimated 400 cubic yards of material over the course of a three-game home stand out of the solid waste stream. The Twins reported that more than 956 tons of waste was recycled at Target Field between 2011 and 2012.
- ◊ Public transportation access – Target Field was built to include a public transportation hub where commuter and light rail lines connect, adjacent to a major bus hub, as well as convenient access by bike or on foot.
- ◊ Recycled Materials – More than 30 percent of all installed materials are made up of recycled content, including the canopy structure, masonry blocks, the carpet and the foul poles.

The playing field is designed to capture rain water and recycle it. In 2011 and 2012 the Twins captured, purified and reused more than 1,846,322 gallons of rainwater, reducing municipal water usage at Target Field. Most of the recycled water was used to wash down the seating bowl on the main concourse.

The Twins and their concession partner, Delaware North Companies Sportservice, began donating unused food to local charities in 2011. In partnership with Rock and Wrap It Up! Inc., more than 6 tons of prepared but untouched meals at Target Field were donated to local charities during the 2012 season.

Ballpark Future

The MBA and the Twins have worked hard to make sure Target Field is one of the most transit-friendly sports facilities in the country. Target Field Station is now the service hub for the Blue Line and the Northstar Commuter Rail line. For walkers and bikers, the Cedar Lake Trail provides both pedestrian and bicycle access to the ballpark.

The MBA is committed to creating an urban landmark that will facilitate new development and continue to provide improved transportation options.

The MBA continues to partner with other interested transportation stakeholders to ensure the creation of great public spaces and amenities that serve both the ballpark and this emerging area of downtown. In 2011 the MBA Board formally agreed to become a Cooperating Agency with Hennepin County Regional Railroad Authority, for the design and construction of the Interchange.

The Interchange, recently named Target Field Station, is scheduled to open in Spring 2014, in advance of the Green Line beginning revenue operations. The project will serve as a multi-modal transportation hub and community gathering place adjacent to the Ballpark, and will provide an expanded area for fans utilizing public transportation to the games. The public plaza and parking facility will also provide opportunities for other non-game day activities.

Economic and Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the MBA operates.

Local economy. Hennepin and Ramsey Counties, the geographic area in which the MBA is established, enjoys a favorable economic environment relative to the national economy. The region has a varied medical, manufacturing and industrial base that adds to the stability of the area and is a contributing factor to an unemployment rate that is below national averages.

Major industries with headquarters or divisions located within the government's boundaries or in close proximity include healthcare, medical device manufacturing, retail sales, manufacturing, professional services, several banking, financial and insurance institutions, and five professional sports teams.

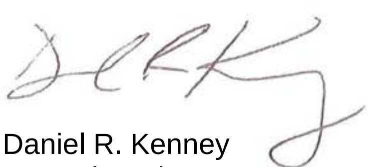
Long-term financial planning. The MBA has planned for financial stability on a long-term basis through the execution of several agreements with other parties, including the Twins and Hennepin County. The MBA has entered into a Grant Agreement with Hennepin County which provides for County grants for both operating expenses and future ballpark capital costs. In addition, the MBA has entered into a thirty-year lease with the Twins, with two ten-year renewal options.

Cash management policies and practices. With the exception of a small percentage of funds held in trust in US Treasuries or money market funds, cash held by the County for the MBA is invested in AAA-rated or AA+-rated obligations of U.S. government sponsored enterprises and repurchase agreements with primary dealers. The County manages its exposure to fair value losses arising from market conditions by limiting its effective duration to six years or less, and by ensuring that it could hold investments to maturity if necessary. On December 31, 2012, the County's investment portfolio had an effective duration of 1.54 years and a 12-month average investment yield of 1.10%. To manage credit risk, the County's general investment policy is to apply the prudent investor rule: investments are made as a prudent investor would be expected to act.

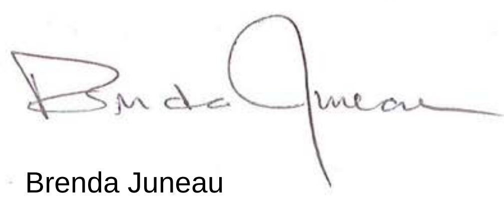
The MBA's restricted cash and investments in the Capital Projects Fund are deposited in a joint custodial account with U.S. Bank, National Association and subject to an agreement between the MBA and the Twins to provide for future owner controlled insurance program reimbursements.

The preparation of this report includes the dedication of all MBA staff. We would like to express our appreciation of all office staff for their contributions to this report. We also want to thank the MBA Board for their support and continued dedication to responsible management of MBA financial reporting.

Respectfully submitted,



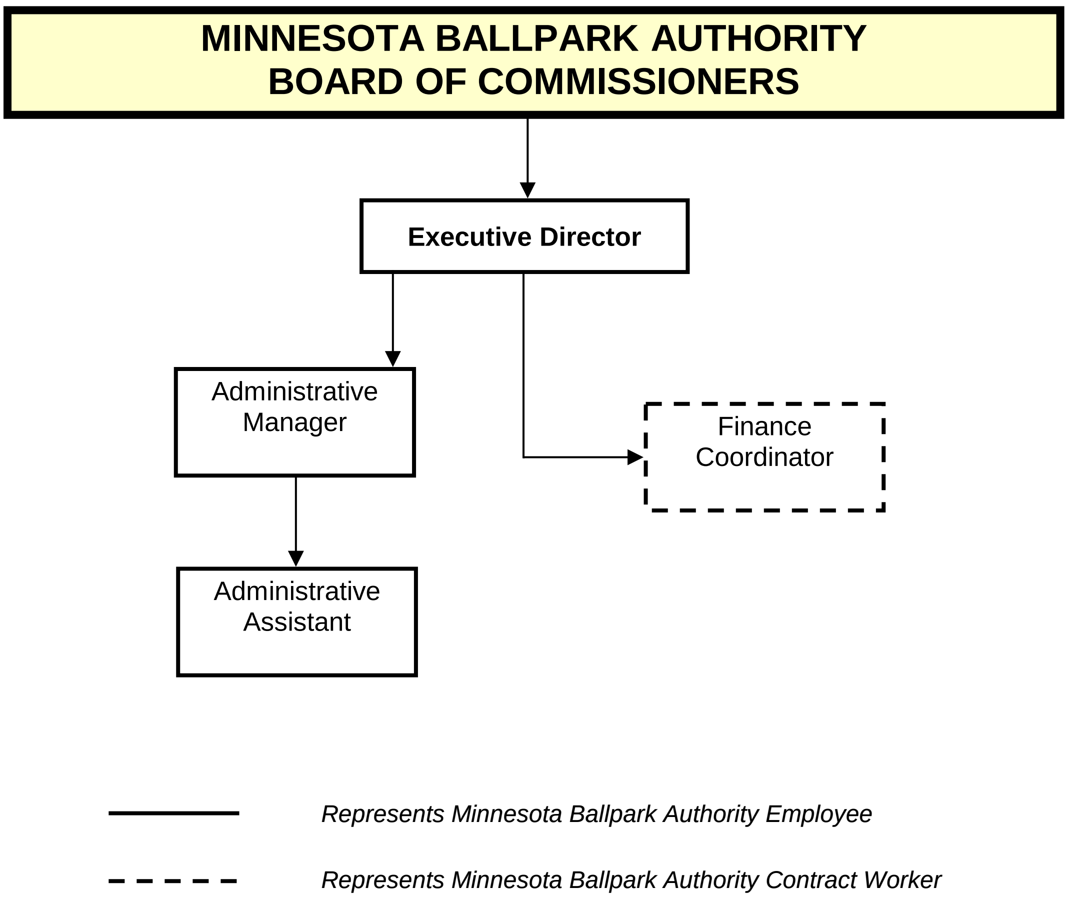
Daniel R. Kenney
Executive Director



Brenda Juneau
Finance Coordinator

Minnesota Ballpark Authority
Hennepin County, Minnesota

Organization Chart



Minnesota Ballpark Authority
Hennepin County, Minnesota
Principal Officials 2012

Board of Commissioners:

Steve Cramer, Chair

Martin Olav Sabo, Vice Chair

Barb Sykora, Secretary

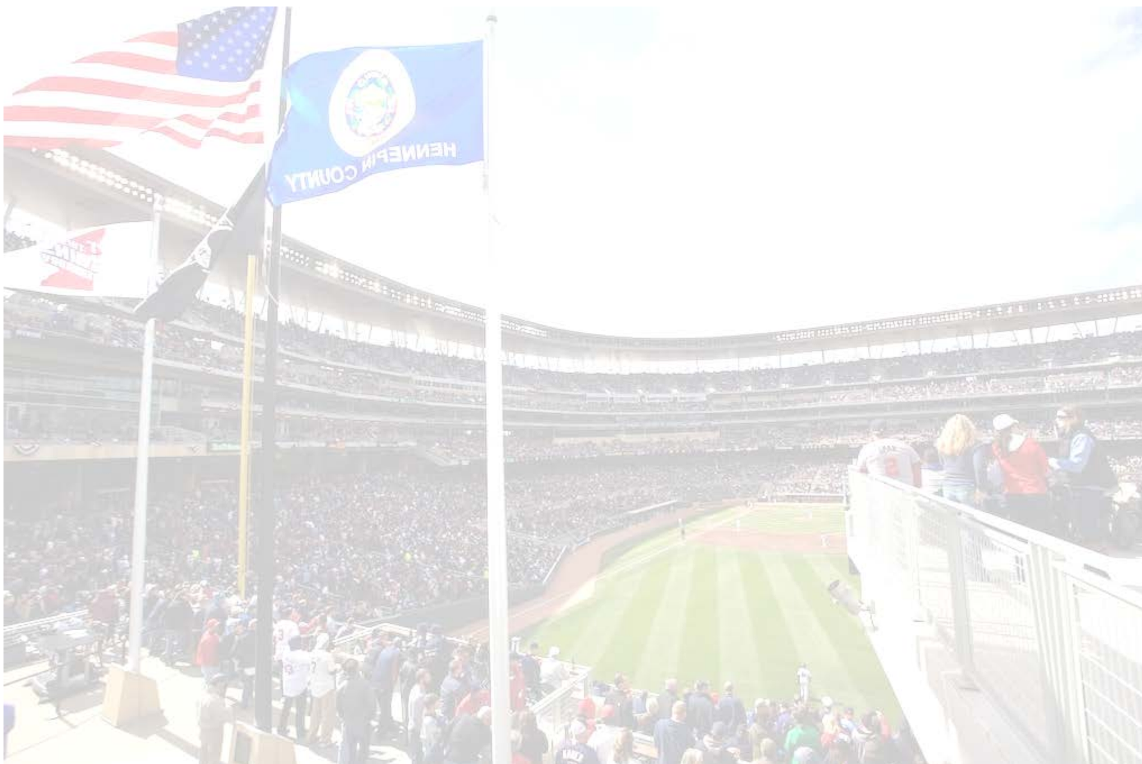
Joan Campbell, Treasurer

Paul D. Williams

From L. to R.: Paul D. Williams. Joan Campbell, Steve Cramer, Barb Sykora, and Martin Olav Sabo

Executive Director:

Daniel R. Kenney



MINNESOTA BALLPARK AUTHORITY
Hennepin County, Minnesota

Financial Section

MINNESOTA BALLPARK AUTHORITY
Hennepin County, Minnesota

STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

REBECCA OTTO
STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Minnesota Ballpark Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Minnesota Ballpark Authority as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the 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.

Auditor's 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Minnesota Ballpark Authority'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 Authority'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 of the governmental activities and each major fund of the Minnesota Ballpark Authority as of December 31, 2012, and the respective changes in financial position 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 and Required Supplementary Information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not 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 Ballpark Authority's basic financial statements. The introductory section listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The introductory section has 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, 2013, on our consideration of the Minnesota Ballpark Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Minnesota Ballpark Authority's internal control over financial reporting and compliance.

REBECCA OTTO
STATE AUDITOR

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

November 26, 2013

This discussion and analysis is intended to provide financial statement readers with a financial overview and narrative analysis of the financial position and activities of the Minnesota Ballpark Authority (MBA), a local government unit in Hennepin County for the year ended December 31, 2012. This information should be considered in conjunction with the information contained in the financial statements, which follow this section, and the transmittal letter, found on page 1.

FINANCIAL HIGHLIGHTS

Government-Wide

- At December 31, 2012, the assets of the MBA exceeded its liabilities by $417,616,607. Of the total net position, $401,072,469 was the net investment in capital assets and $8,184,880 was restricted by specific statutory requirements or external commitments. The remainder consisted of unrestricted net position of $8,359,258. Restricted assets are limited to costs relating to future capital improvements of the new Minnesota Twins Ballpark and district enhancements.

- The MBA total net position, as reported in the Statement of Activities, decreased by $9,854,100 during 2012. This decrease is a result of capital asset depreciation.

Fund Level

- At the end of the fiscal year 2012, the MBA's governmental funds reported total ending fund balances of $16,513,993, an increase of $696,890 from the prior year balance of $15,817,103.

- At the end of this same period, unassigned fund balance for the General Fund was $1,069,943, which is relatively unchanged from the previous year balance of $1,069,196.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's discussion and analysis is intended to serve as an introduction to the MBA basic financial statements, which are comprised of two components: 1) combined government-wide and fund financial statements, and 2) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of MBA finances, in a manner similar to a private-sector business. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information about the MBA as a whole using the *economic resources measurement focus* and the *accrual basis of accounting*. The economic resources measurement focus results in the reporting of all inflows, outflows, and balances affecting or reflecting MBA net position. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. There are two government-wide statements.

- *The Statement of Net Position* presents information on all MBA assets and liabilities, with the difference between the two reported as *net position.* Over time, increases or decreases in net position may serve as an indicator of whether the financial position of the MBA is improving or deteriorating.

- *The Statement of Activities* presents information showing how the MBA net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

In both statements, MBA activities are reported as *governmental activities*, which are defined as functions that are principally supported by taxes, intergovernmental and non-exchange revenues.

Fund Financial Statements

The fund financial statements provide detailed information about the MBA's funds. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. MBA activity is reported in three major governmental funds, the General Fund, Capital Reserve Fund (a Special Revenue Fund) and the Capital Projects Fund. Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources.* This approach is known as using the flow of current financial resources measurement focus and the modified accrual basis of accounting. The fund statements provide a detailed short-term view of MBA finances that assists in determining whether there will be adequate financial resources available to meet current needs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the MBA's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds and governmental activities.* Reconciliations are presented in the adjustments column in each of the basic financial statements.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The Notes can be found on pages 18 to 29 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position serves over time as an indicator of a government's financial position. In 2012 the MBA assets exceeded liabilities by $417,616,607. The Statement of Net Position presents all of the MBA's assets and liabilities, with the difference between the two reported as "net position".

Summary of Net Position

	2012	2011
Current assets	$ 16,636,499	$ 16,925,376
Noncurrent assets	401,072,469	411,621,492
Total assets	417,708,968	428,546,868
Total liabilities	92,361	1,076,161
Net investment in capital assets	401,072,469	411,621,492
Restricted	8,184,880	8,903,117
Unrestricted	8,359,258	6,946,098
Total net position	$ 417,616,607	$ 427,470,707

The largest portion of MBA net position, $401,072,469, or 96%, reflects the net investment in capital assets (e.g., land, land improvements, and ballpark structure). The MBA uses these capital assets to provide recreational services to citizens; consequently, these assets are *not* available for future spending. An additional portion of the MBA's net position, $8,184,880, represents resources that are subject to external restrictions on how they may be used. These restrictions are contained in the legislation establishing the MBA and also in various agreements with external parties partnering with the MBA on the capital improvements to the new ballpark and surrounding infrastructure. The remainder consists of unrestricted net position of $8,359,258.

In 2012 net position for the MBA decreased by $9,854,100. This decrease is a result of accumulated depreciation in 2012.

The following condensed financial information was derived from the government-wide Statement of Activities and reflects the nature of the MBA's change in net position during the fiscal year 2012, compared to the prior year.

Changes in Net Position

Governmental Activities:	2012	2011
Revenues:		
Program revenues:		
Tenant rent	$ 925,018	$ 903,539
Intergovernmental contributions	1,145,866	1,106,488
Investment earnings	63,901	38,518
Donations	-	20,400
Event revenue	169,501	229,411
General revenues:		
Intergovernmental	750,000	1,400,000
Investment earnings	118,398	58,776
Other	229	152
Total revenues	3,172,913	3,757,284
Expenses:		
Current		
Culture and recreation:		
MBA operating expenses	767,888	1,103,791
Depreciation	10,566,889	10,566,531
Refund to Twins	1,692,236	-
Total expenses	13,027,013	11,670,322
Change in net position	(9,854,100)	(7,913,038)
Net position – beginning	427,470,707	435,383,745
Net position – ending	$ 417,616,607	$ 427,470,707

FUND FINANCIAL ANALYSIS

Changes in Fund Balance

The focus of the *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing MBA financing requirements. In particular, *total fund balance* may serve as a useful measure of net resources available for spending at the end of the fiscal year.

As of the end of the 2012 fiscal year, MBA governmental funds reported combined ending fund balances of $16,513,993, an increase of $696,890 from the prior year. Of this total amount, 6.5% or $1,069,943 constitutes unassigned fund balance. These resources are available for meeting ongoing operational responsibilities in the General Fund. Another $7,259,170 is assigned to indicate the MBA's intention to spend funds on district area enhancements, and $8,184,880, or 49.6%, is restricted.

The Capital Reserve Fund was established in 2010, as a Special Revenue Fund, consistent with provisions in the Ballpark Lease Agreement between the MBA and the Minnesota Twins. Hennepin County and the Twins contribute to this fund annually, per the Lease Agreement. The first of these contributions began in 2010, and the 2012 year end fund balance is $6,184,880. The balance in this fund is restricted to payment of capital modifications, and replacements or additions to the Ballpark, referred to as "CapEx Work" and defined in the Ballpark Lease Agreement.

Budgetary Highlights

At year-end, General Fund revenue was less than the budgeted amount, and revenue exceeded expenditures by $747. Expenditures of $765,921 were $414,079 less than the budget of $1,180,000. The difference is related to savings in legal and other contracted services that were less than expected. No amendments were made to the 2012 General Fund Budget. The MBA made a grant request of Hennepin County in November less than budgeted, considering the expenses for the year were projected lower than budget.

CAPITAL ASSETS

Capital Assets

MBA investment in capital assets as of December 31, 2012, amounts to $401,072,469 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, and ballpark structure. During the fiscal year 2012, the MBA's investment in capital assets decreased $10,549,023 from the prior year's balance, primarily as a result of depreciation.

Additional information on the MBA's capital assets can be found in note 6, on page 25 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The following factors were considered in preparing the MBA General Fund budget for 2013:

The 2013 General Fund budget was reduced from $1,180,000 in the 2012 budget to $1,085,000 primarily due to less dependence on consulting services. As the ballpark construction has been fully complete and land issues became finalized, there is less need for these types of services.

REQUESTS FOR INFORMATION

This financial report is designed to provide an overview for those interested in the MBA's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Minnesota Ballpark Authority, Target Field, 1 Twins Way, Suite 300, Minneapolis, Minnesota 55403.

Minnesota Ballpark Authority
Hennepin County, Minnesota
Governmental Funds Balance Sheet and Statement of Net Position
December 31, 2012

	General Fund	Capital Reserve Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
ASSETS						
Current assets:						
Cash and investments	$ 1,123,165	$ 6,184,880	$ 8,589,669	$ 15,897,714	$ -	$ 15,897,714
Restricted cash and investments	-	-	500,000	500,000	-	500,000
Accounts receivable	-	-	169,501	169,501	-	169,501
Prepaid items	-	-	-	-	69,284	69,284
Total current assets	1,123,165	6,184,880	9,259,170	16,567,215	69,284	16,636,499
Noncurrent assets:						
Capital assets:						
Land	-	-	-	-	40,475,894	40,475,894
Buildings	-	-	-	-	301,757,027	301,757,027
Land improvements	-	-	-	-	90,479,683	90,479,683
Furniture and equipment	-	-	-	-	23,293	23,293
Total capital assets	-	-	-	-	432,735,897	432,735,897
Less accumulated depreciation	-	-	-	-	(31,663,428)	(31,663,428)
Net capital assets	-	-	-	-	401,072,469	401,072,469
Total noncurrent assets	-	-	-	-	401,072,469	401,072,469
Total assets	$ 1,123,165	$ 6,184,880	$ 9,259,170	$ 16,567,215	$ 401,141,753	$ 417,708,968
LIABILITIES						
Current liabilities:						
Accounts and contracts payable	$ 38,537	$ -	$ -	$ 38,537	$ -	$ 38,537
Accrued liabilities	14,685	-	-	14,685	39,139	53,824
Total current liabilities	53,222	-	-	53,222	39,139	92,361
FUND BALANCES/NET POSITION						
Fund balances:						
Restricted for:						
Ballpark Capital	-	6,184,880	500,000	6,684,880	(6,684,880)	-
Interchange	-	-	1,500,000	1,500,000	(1,500,000)	-
Assigned to:						
District Enhancements	-	-	7,259,170	7,259,170	(7,259,170)	-
Unassigned	1,069,943	-	-	1,069,943	(1,069,943)	-
Total fund balances	1,069,943	6,184,880	9,259,170	16,513,993	(16,513,993)	-
Total liabilities and fund balances	$ 1,123,165	$ 6,184,880	$ 9,259,170	$ 16,567,215		
Net position:						
Net investment in capital assets					401,072,469	401,072,469
Restricted for:						
Ballpark Capital					8,184,880	8,184,880
Unrestricted					8,359,258	8,359,258
Total net position					$ 417,616,607	$ 417,616,607

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

Minnesota Ballpark Authority
Hennepin County, Minnesota
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
December 31, 2012

Total Governmental Fund Balances	**$**	**16,513,993**
Total net position reported for governmental activities are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the funds.		401,072,469
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		(39,139)
Other long term assets that provide benefit for future periods are expensed in governmental funds.		69,284
Net Position - Governmental Activities	**$**	**417,616,607**

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

Minnesota Ballpark Authority
Hennepin County, Minnesota
Statement of Governmental Funds Revenues, Expenditures, and Changes in Fund Balances and Statement of Activities
For the Year Ended December 31, 2012

	General Fund	Capital Reserve Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
REVENUES						
Program revenues:						
Intergovernmental contributions	$ -	$ 1,145,866	$ -	$ 1,145,866	$ -	$ 1,145,866
Investment earnings	-	63,901	-	63,901	-	63,901
Event revenue	-	-	169,501	169,501	-	169,501
Tenant rent	-	925,018	-	925,018	-	925,018
General revenues:						
Intergovernmental	750,000	-	-	750,000	-	750,000
Investment earnings	16,439	-	101,959	118,398	-	118,398
Other	229	-	-	229	-	229
Total revenues	766,668	2,134,785	271,460	3,172,913	-	3,172,913
EXPENDITURES/EXPENSES						
Current						
Culture and recreation						
Personal services	342,420	-	-	342,420	2,115	344,535
Commodities	3,144	-	-	3,144	-	3,144
Contractual services	329,662	-	-	329,662	-	329,662
Depreciation	-	-	-	-	10,566,889	10,566,889
Other	90,695	-	1,692,236	1,782,931	(148)	1,782,783
Capital outlay	-	-	17,866	17,866	(17,866)	-
Total expenditures/expenses	765,921	-	1,710,102	2,476,023	10,550,990	13,027,013
Net change in fund balances/net position	747	2,134,785	(1,438,642)	696,890	(10,550,990)	(9,854,100)
FUND BALANCES/NET POSITION						
Beginning	1,069,196	4,050,095	10,697,812	15,817,103	411,653,604	427,470,707
Ending	$ 1,069,943	$ 6,184,880	$ 9,259,170	$ 16,513,993	$ 401,102,614	$ 417,616,607

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

Minnesota Ballpark Authority
Hennepin County, Minnesota
Reconciliation of Statement of Governmental Funds Revenues, Expenditures, and Changes in Fund Balances and Statement of Activities
For the Year Ended December 31, 2012

Net change in governmental fund balances	**$**	**696,890**
Amounts reported for governmental activities in the statement of activities are different because:		
Expenses reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in governmental funds. This is the change in compensated absences.		(2,115)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Expenditures for general capital assets, infrastructure and other related capital assets adjustments		17,866
Less current year depreciation		(10,566,889)
Some expenses reported in the statement of activities did not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Change in prepaid items		148
Change in Net Position - Governmental Activities	**$**	**(9,854,100)**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Reporting Entity

The Minnesota Ballpark Authority (MBA) is a public body that was created by Minnesota state legislation in May 2006, to oversee the design, construction, and operation of a new ballpark for the Minnesota Twins, LLC. The MBA is governed by a Board of five Commissioners who are appointed as follows: two, including the Chair, are appointed by the Hennepin County Board, two are appointed by the Governor of Minnesota, and one is appointed by the Minneapolis City Council. The MBA owns the ballpark and the site on behalf of the public.

In determining the rights, powers, and duties of the MBA, it is considered a political subdivision of the State of Minnesota. In addition, the MBA is subject to various agreements with other parties that define the parameters within which the ballpark was constructed and is now operated.

The financial statements of the MBA have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as established for governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of significant accounting policies.

Measurement Focus, Basis of Accounting and Basis of Presentation

The annual financial report includes two separate types of statements, the government-wide financial statements and the fund financial statements. The measurement focus, basis of accounting and basis of presentation differs between the government-wide financial statements and the fund financial statements. These differences, along with an explanation of the differing purposes and information provided by these separate financial statements, are described in the sections below.

As a special-purpose government engaged in a single governmental program, the government-wide statements and the fund financial statements have been combined into one statement. An adjustments column reflects the following differences between the two types of statements:

- Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

- The adjustments column represents the recording of long-term liabilities and the related effect of these transactions on the Statement of Activities. Long-term liabilities, including accrued leave, are not due and payable in the current period and, therefore, are not reported in the fund financial statements.

- Also included in the adjustments column are certain payments to vendors which reflect costs applicable to future accounting periods and which are recorded as prepaid items in government-wide financial statements.

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the government entity using the *economic resources measurement focus* and the *accrual basis of accounting*. The economic resources measurement focus results in the reporting of all inflows, outflows, and balances affecting or reflecting the

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

MBA's net position. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of interfund activity, if any, has been eliminated from the government-wide financial statements. The structure of the two government-wide financial statements (the statement of net position and the statement of activities) is described in the following two paragraphs.

Statement of Net Position – This statement is designed to display the financial position of the MBA. The MBA reports all capital assets, including infrastructure, and long-term liabilities, such as accrued leave. The net position of the MBA is broken down into three categories: 1) net investment in capital assets 2) restricted for ballpark capital; and 3) unrestricted. Restrictions shown are those imposed by parties outside the MBA, such as creditors, grantors, contributors, laws and regulations of other governments. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as they are needed.

Statement of Activities – This statement demonstrates the degree to which expenses of a given function or segment are offset by program revenues. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. During 2012, the MBA received program revenues in the form of contributions to be used for the capital improvement of the ballpark. Other items not properly included among program revenues are reported as general revenues. Just as the statement of net position includes all capital assets, the statement of activities includes depreciation expense.

Fund Financial Statements

The accounts of the MBA are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. All individual funds are considered major and are reported as separate columns in the fund financial statements.

Governmental Funds are used to account for the MBA's activities. Governmental fund types use the current financial resources measurement focus and the modified accrual basis of accounting. The current financial resources measurement focus results in the reporting of only near-term (current) inflows, outflows, and balances of expendable (spendable) financial resources. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The MBA considers revenues to be available if they are collected within 60 days after year-end. In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: investment earnings and intergovernmental revenue when eligibility requirements are met. Changes in the fair value of investments are recognized in interest revenues at the end of each year. Expenditures are recorded when the related fund liability is incurred, except for compensated absences.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

The MBA reports the following major governmental funds:

- The *General Fund* is the MBA's primary operating fund. It accounts for all financial resources of the general government except those required to be accounted for in another fund.

- The *Capital Projects Fund* accounts for the activity relating to continued ballpark enhancements.

  Special revenue funds are governmental funds that account for revenue sources that are legally restricted (by parties outside the MBA as well as those imposed by the MBA) to expenditures for specific purposes other than major capital projects. The MBA reports on one special revenue fund.

- The *Capital Reserve Fund* is used to account for the inflow of cash from the Twins and Hennepin County and for payment of capital modifications, replacements or additions to the Ballpark, referred to as "CapEx Work" and defined in the Ballpark Lease Agreement.

Cash and Investments

The MBA's cash in the General Fund, Special Revenue Fund and majority of the Capital Projects Fund is deposited in pooled accounts with Hennepin County. Cash is invested by Hennepin County. Investment earnings, including gains and losses on sales of securities, are allocated to the MBA on the basis of average monthly cash balances.

Hennepin County obtains collateral to cover deposits in excess of insurance coverage. Investments are stated at fair value. The fair value of investments is determined annually and is based on quoted market prices. State law authorizes Hennepin County to invest in the following instruments:

- United States Treasury obligations
- Federal agency issues
- Government-sponsored enterprises
- Repurchase agreements
- Reverse repurchase agreements
- Certificates of deposit
- General obligations of state, local, and housing finance agencies that are rated "A" or better by a national bond rating service
- Revenue obligations of any state or local government that are rated "AA" or better by a national bond rating service
- Bankers acceptances
- Commercial paper
- Futures contracts
- Guaranteed investment contracts
- Options
- Shares of certain investment companies

The MBA and the Minnesota Twins, LLC authorized a joint custodial account with U.S. Bank, National Association for the exclusive use of future reimbursement liabilities, as they become due, under the owner controlled insurance program (OCIP). The account is a non-interest bearing account.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Receivables and Payables

Certain receivables result from activities relating to the ballpark project cash flows. These are short-term in nature and generally repaid within the same operating cycle. The portion of all receivables not included and not collected within 60 days is offset by deferred - unavailable revenue in the governmental fund financial statements.

Accrued liabilities result from employee payroll related obligations due at the end of the period.

Prepaid Items

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

Capital Assets

Capital assets are reported in the government-wide financial statements. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated, or contributed, capital assets are recorded at their estimated fair value at the date of donation. MBA's capitalization threshold is $500,000 for buildings and infrastructure and $5,000 for equipment and improvements. During construction of the ballpark, all project costs are capitalized as part of the ballpark land and structure. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Capital assets of the MBA are depreciated using the straight-line method. Estimated life assigned to land improvements and buildings is 20-50 years. Estimated life assigned to furniture and fixtures is 3 to 10 years.

Employee Compensated Absences

It is the MBA's policy to allow employees to accrue earned but unused compensated absences. Under certain conditions, employees are compensated upon termination of employment for their accumulated unpaid vacation and paid time off up to a maximum number of hours.

Accumulated leave time is reported as an expense and an accrued liability as the benefits accrue to employees in the government-wide financial statements. The MBA records this liability under the first in, first out method of accounting. All amounts accrued at December 31 are expected to be used in the following year.

Fund Balance and Net Position

In the governmental fund financial statements, fund balance is displayed in the following classifications that are based on the spending limitations imposed upon the use of the resources. The classifications are as follows:

- Nonspendable – amounts that cannot be spent because they are not in spendable form (such as pre-paid insurance) or legally or contractually required to be maintained intact. Funds in this category are not expected to be converted to cash.
- Restricted – accounts for fund balance which has constraints externally imposed on the use of funds either by creditors, grantors, contributors, or laws and regulations of other governments, or by law through constitutional provisions or enabling legislation.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

- Committed – amounts constrained to specific purposes by the MBA Board as imposed by formal action.
- Assigned – amounts constrained by the MBA's intent to be used for specific purposes, but do not meet criteria to be classified as restricted or committed.
- Unassigned – residual classification for the General Fund that have not been restricted, committed, or assigned to specific purposes.

The MBA applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposed for which amounts in any of the unrestricted fund balance classifications could be used.

In the government-wide financial statements, the net investment in capital assets portion of net position is reported separately. Restricted net position is reported for amounts that are legally restricted by outside parties to be used for a specific purpose or imposed by law through enabling legislation.

Comparative Data and Reclassifications

Comparative totals data for the prior year has been presented in selected sections of the accompanying financial statements and footnotes in order to provide an understanding of the changes in the MBA's financial position and operations. Also, certain amounts presented in the prior year data may have been reclassified in order to be consistent with the current year's presentation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from these estimates.

2. RECONCILIATION OF GOVERNMENT-WIDE AND GOVERNMENTAL FUND FINANCIAL STATEMENTS

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position:

The basic financial statements include a reconciliation of the governmental fund balance sheet to the statement of net position. One element of that reconciliation relates to capital assets, which consists of the following:

		2012
Governmental fund capital assets	$	432,735,897
Governmental fund accumulated depreciation		(31,663,428)
Total Capital Assets Reconciliation Item	$	401,072,469

2. RECONCILIATION OF GOVERNMENT-WIDE AND GOVERNMENTAL FUND FINANCIAL STATEMENTS - CONTINUED

Other elements relate to the accrual at the government-wide level of certain prepaid expenditures and liabilities due to a difference in measurement focus. These consist of the following:

	2012
Compensated absences - Expenses reported in the statement of activities that do not require the use of current financial resources	$ (39,139)
Prepaid items represent governmental fund insurance premiums which benefit future periods	$ 69,284

3. DEPOSITS AND INVESTMENTS

Deposits

As of December 31, 2012, the MBA had $15,897,714 on deposit with Hennepin County. It is Hennepin County's policy to follow Minnesota Statute 118A.03, which states that to the extent that funds deposited are in excess of available federal deposit insurance, the County must require the financial institution to furnish collateral security or a corporate surety bond. All collateral must be placed in safekeeping in a restricted account at a Federal Reserve Bank, or in an account at a trust department of a commercial bank or other financial institution not owned or controlled by the financial institution furnishing the collateral.

Custodial credit risk for deposits is the risk that, in the event of a financial institution failure, the MBA's deposits may not be returned to it. The MBA does not have a deposit policy for custodial credit risk outside of deposit policies developed by and adhered to by Hennepin County.

Investments

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. At December 31, 2012, none of the MBA's investments were subject to custodial credit risk.

3. DEPOSITS AND INVESTMENTS - CONTINUED

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. At December 31, 2012, none of the MBA's investments were subject to interest rate risk.

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. At December 31, 2012, none of the MBA's investments were subject to credit risk.

For deposit and investment purposes, the MBA's funds are all pooled with Hennepin County. Hennepin County's Office of Budget and Finance is responsible for the treasury function of all of the County's deposits and investments held by its funds. Cash from all funds is pooled for deposit and investment purposes. As of December 31, 2012, the County had 82% of investments invested in U.S. government and agency issues, 7% in municipal securities, 10% in repurchase agreements, and 1% invested in money market funds. Detailed information about the County's deposits with financial institutions, repurchase agreements, interest rate risk, credit risk, concentration of credit risk, and custodial credit risk can be obtained directly from the County's 2012 financial statements. Investment earnings are allocated based on average monthly cash balances. The realized and unrealized components of the 2012 MBA investment earnings are presented below.

	2012
Investment income and realized gains and losses	$ 108,920
Net increase in the fair value of investments	73,379
Total Investment Earnings	$ 182,299

4. LONG-TERM OBLIGATIONS

Changes in long-term obligations for the year ended December 31, 2012, are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Compensated Absences	$37,024	$39,139	$37,024	$39,139	$39,139

5. COMMITMENTS

Interchange Project

In 2010 the MBA Board authorized an agreement with Hennepin County Regional Railroad Authority outlining details for the MBA contribution of $1.5 million to the Interchange Project. The Interchange Project is a multi-model transportation hub that includes a public plaza which is located just outside of Target Field's left field gate. The MBA is committed to improving pedestrian and transit access to Target Field.

6. CHANGES IN PROPERTY AND EQUIPMENT

Capital asset activity for the year ended December 31, 2012, was as follows:

	ASSETS			
	Balance January 1, 2012	Additions and Transfers In	Retirements and Transfers Out	Balance December 31, 2012
Capital assets not being depreciated:				
Land	$ 40,475,894	$ -	$ -	$ 40,475,894
Construction in progress - building	-	17,866	(17,866)	-
Total capital assets not depreciated	40,475,894	17,866	(17,866)	40,475,894
Capital assets depreciated:				
Buildings	301,739,161	17,866	-	301,757,027
Furniture and equipment	23,293	-	-	23,293
Land improvements	90,479,683	-	-	90,479,683
Total capital assets depreciated	392,242,137	17,866	-	392,260,003
Less accumulated depreciation for:				
Buildings	(12,037,378)	(6,035,141)	-	(18,072,519)
Furniture and equipment	(15,528)	(7,764)	-	(23,292)
Land improvements	(9,043,633)	(4,523,984)	-	(13,567,617)
Total accumulated depreciation	(21,096,539)	(10,566,889)	-	(31,663,428)
Total capital assets being depreciated, net	371,145,598	(10,549,023)	-	360,596,575
Total Capital Assets, Net	$ 411,621,492	$ (10,531,157)	$ (17,866)	$ 401,072,469

7. ASSIGNED FUND BALANCE

Assigned fund balance represents tentative management plans that are subject to change. In 2011, the MBA Board authorized assigning unrestricted funds in the Capital Project Fund, from MBA resources, for the purpose of District Enhancements and Public Infrastructure needs around the ballpark

8. RESTRICTED FUND BALANCE/NET POSITION

The use of restricted fund balance/net position is subject to constraints that are externally imposed by creditors, grantors, contributors, laws, or regulations. Restrictions indicate that the net position may only be used for a specific purpose that is narrower than the purpose of the reporting unit. Restricted net position is reduced by liabilities related to those assets. Restricted net position that is reported in the Statement of Net Position may differ from the restricted fund balance shown in the Governmental Funds Balance Sheet. Government-wide restricted net position at December 31, 2012, total $8,184,880.

9. RISK MANAGEMENT

The MBA is exposed to various risks of loss related to general and professional liability torts; and theft of, damage to, and destruction of assets. Commercial property insurance is purchased by the MBA to cover the MBA's buildings, money, and securities, subject to deductible amounts. Settled claims from insured losses for the MBA have not exceeded commercial insurance coverage for the past three years.

In order to manage the project's construction risk, the Minnesota Twins and the MBA agreed to use an owner controlled insurance program. In this program, the project owner purchased insurance for all subcontractors in the project and required these subcontractors to reduce their bid price by the amount of their insurance costs.

10. LEASE

The terms of Minnesota Laws 2006, Chapter 257 requires the MBA to enter into a long-term lease or use agreement with the Twins. To meet those terms, the MBA and the Twins have entered into a Lease Agreement to provide for the management, operation, maintenance and use of the Ballpark. The MBA leases to the Twins for an initial term of 30 years, and two potential renewal terms of 10 years each. The Twins shall pay fixed rent of $600,000 per year, due on November 1st (subject to Consumer Price Index (CPI) increases), and additional rent of $300,000 per year (not subject to CPI increases). The first rent payment was paid November 1, 2010. The total value of rent income due from the initial term of the lease is $27,000,000. This revenue is deposited into the Capital Reserve Fund and used for capital improvements to the structure.

LEASE REVENUE

Year	Base Rent	Additional Rent	Total
2013	$600,000	$300,000	$900,000
2014	600,000	300,000	900,000
2015	600,000	300,000	900,000
2016	600,000	300,000	900,000
2017	600,000	300,000	900,000
2018 - 2022	3,000,000	1,500,000	4,500,000
2023 - 2027	3,000,000	1,500,000	4,500,000
2028 - 2032	3,000,000	1,500,000	4,500,000
2033 - 2037	3,000,000	1,500,000	4,500,000
2038 - 2039	1,200,000	600,000	1,800,000
Total	**$16,200,000**	**$8,100,000**	**$24,300,000**

11. EMPLOYEE RETIREMENT SYSTEMS

Employees are covered by a statewide, defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA).

11. EMPLOYEE RETIREMENT SYSTEMS - CONTINUED

Plan Description

All full-time employees of the MBA are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF), which is a cost-sharing, multiple-employer retirement plan. The plan is established and administered in accordance with Minnesota Statutes 353 and 356.

General Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security, and Basic Plan members are not. All new members must participate in the Coordinated Plan.

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefits are established by state statute and vest after three years of credited service (five years for those first eligible for membership after June 30, 2010). Defined retirement benefits are based on a member's average yearly salary for the five highest-paid consecutive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each year thereafter. For a Coordinated Plan member, the annuity accrual rate is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each successive year. Using Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service.

There are different types of annuities available to members upon retirement. For General Employees Retirement Fund members whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 65 for members hired prior to July 1, 1989, and is the age for unreduced social security benefits capped at age 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not yet receiving them are bound by the provisions in effect at the time they last terminated public service.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for the General Employees Retirement Fund. That report may be obtained on the Internet at www.mnpera.org; by writing to PERA at 60 Empire Drive, Suite 200, Saint Paul, Minnesota 55103-2088; or by calling 651-296-7460 or 1-800-652-9026.

Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minnesota Statutes 353. These statutes are established and amended by the State Legislature. The MBA makes annual contributions to the pension plans equal to the amount required by state statutes. General Employees Retirement Fund Basic Plan members and Coordinated Plan members are required to contribute 9.10 and 6.25 percent, respectively, of their annual covered salary.

11. EMPLOYEE RETIREMENT SYSTEMS - CONTINUED

The MBA is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan GERF members and 7.25% for Coordinated Plan GERF members. The MBA's contributions to GERF for the years ending December 31, 2012, 2011 and 2010, were:

	2012	2011	2010
General Employees Retirement Fund	$ 19,045	$ 18,239	$ 18,611

These contributions are equal to the contractually required contribution rates for each year as set by state statute.

12. NEW ACCOUNTING PRONOUNCEMENTS

Accounting Standards Adopted in the Current Year

The following GASB Statements were adopted in 2012 with no impact on the MBA's current financial reporting: GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements;* GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an Amendment of GASB Statements No. 14 and No. 34;* GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements;* GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position;* and GASB Statement No. 66, *Technical Corrections – 2012 – an Amendment of GASB Statements No. 10 and No. 62.*

Accounting Standards Not Yet Adopted

GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions* – an A*mendment of GASB Statement No. 53*, effective for periods beginning after June 15, 2012, clarifies whether an effective hedging relationship continues after the replacement of swap counterparty or a swap counterparty's credit support provider. The new requirements are not applicable to the MBA.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities,* will be effective for the MBA on January 1, 2013. This statement clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, will be effective for the MBA on January 1, 2015. This statement revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. Among other requirements, Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time and calls for immediate recognition of more pension expense than is currently required.

12. NEW ACCOUNTING PRONOUNCEMENTS - CONTINUED

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, will be effective for the MBA on January 1, 2014. This statement provides guidance for determining whether a specific government combination is a government merger, a government acquisition, or a transfer of operations, which will improve accounting for mergers and acquisitions among state and local governments.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, will be effective for the MBA on January 1, 2014. This statement provides guidance to governments that extend and receive nonexchange financial guarantees.

The MBA's management has not yet determined the effect these statements will have on the financial statements.

Minnesota Ballpark Authority
Hennepin County, Minnesota

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
General Fund

For the Year Ended December 31, 2012
With Comparative Actual Amounts for the Year Ended December 31, 2011

	2012				2011
	Budgeted Amounts			Variance with	
	Original	Final	Actual	Final Budget	Actual
REVENUES					
Contribution from Hennepin County	$ 1,168,000	$ 1,168,000	$ 750,000	$ (418,000)	$ 1,400,000
Investment earnings	12,000	12,000	16,439	4,439	11,313
Other	-	-	229	229	152
Total revenues	1,180,000	1,180,000	766,668	(413,332)	1,411,465
EXPENDITURES					
Current					
Culture and recreation					
Personal services	350,000	350,000	342,420	7,580	328,895
Commodities	8,000	8,000	3,144	4,856	3,816
Contractual services	674,000	674,000	329,662	344,338	665,227
Other	148,000	148,000	90,695	57,305	100,170
Total expenditures	1,180,000	1,180,000	765,921	414,079	1,098,108
Net change in fund balance	-	-	747	$ 747	313,357
Fund Balance - Beginning	1,069,196	1,069,196	1,069,196		755,839
Fund Balance - Ending	$ 1,069,196	$ 1,069,196	$ 1,069,943		$ 1,069,196

The notes to the required supplementary information are an integral part of these statements.

Minnesota Ballpark Authority
Hennepin County, Minnesota

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual

Capital Reserve Fund

For the Year Ended December 31, 2012
With Comparative Actual Amounts for the Year Ended December 31, 2011

	2012				
	Budgeted Amounts				
	Original	Final	Actual	Variance with Final Budget	2011 Actual
REVENUES					
Intergovernmental	$ 1,146,000	$ 1,146,000	$ 1,145,866	$ (134)	$ 1,106,488
Investment earnings	20,000	20,000	63,901	43,901	38,518
Tenant rent	925,000	925,000	925,018	18	903,539
Total revenues	2,091,000	2,091,000	2,134,785	43,785	2,048,545
EXPENDITURES					
Capital outlay	2,091,000	2,091,000	-	2,091,000	-
Total expenditures	2,091,000	2,091,000	-	2,091,000	-
Net change in fund balance	-	-	2,134,785	$ 2,134,785	2,048,545
Fund Balance - Beginning	4,050,095	4,050,095	4,050,095		2,001,550
Fund Balance - Ending	$ 4,050,095	$ 4,050,095	$ 6,184,880		$ 4,050,095

The notes to the required supplementary information are an integral part of these statements.

The Financial Reporting Entity

The MBA Board adopts annual appropriated budgets for the General Fund and Capital Reserve Special Revenue Fund in December of the previous year. All annual appropriations lapse at year-end to the extent that they have not been expended or encumbered. The MBA maintains a budgetary control system that compares actual revenues and expenditures to budgeted amounts.

In accordance with the Grant Agreement Regarding Ballpark Project, the MBA Board must adopt and submit a proposed budget to the Hennepin County Board by August of each calendar year. Any changes in the budget must be within the revenues and reserves estimated or the revenue estimates must be authorized by a vote of the Board. Around July of every year the Executive Director presents a proposed budget to the Audit Committee for review. The Audit Committee then recommends a proposed budget to the MBA Board.

MINNESOTA BALLPARK AUTHORITY
Hennepin County, Minnesota