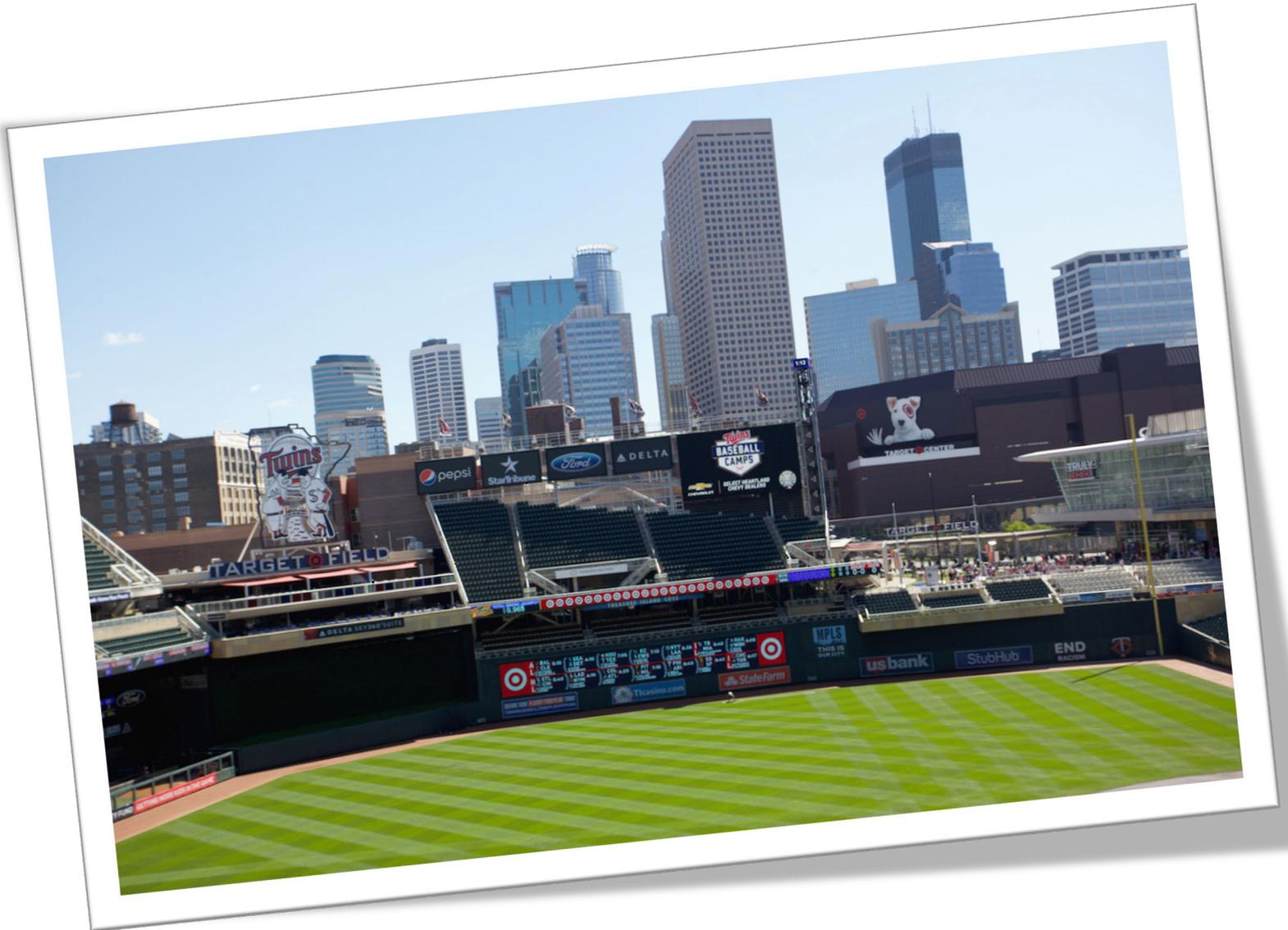


MINNESOTA BALLPARK AUTHORITY

Hennepin County, Minnesota



2022 Annual Financial Report

Year Ended December 31, 2022



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MINNESOTA BALLPARK AUTHORITY, MINNESOTA

Annual Financial Report

Year Ended December 31, 2022

Minnesota Ballpark Authority Board of Commissioners

Margaret Anderson Kelliher, Chair

James R. Campbell, Vice Chair

Tony Sanneh, Secretary

David Ybarra, Treasurer

Vacancy



Executive Director, Daniel R. Kenney

Finance Coordinator, Brenda Juneau

Prepared by the Minnesota Ballpark Authority
Available online at ballparkauthority.com

This material can be provided in alternative forms. For further information, please call (612) 659-3880.



MINNESOTA BALLPARK AUTHORITY
Hennepin County, Minnesota

Minnesota Ballpark Authority
Hennepin County, Minnesota
2022 Annual Financial Report
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MINNESOTA BALLPARK AUTHORITY
Hennepin County, Minnesota

Introductory Section



MINNESOTA BALLPARK AUTHORITY
Hennepin County, Minnesota



Target Field
1 Twins Way, Suite 300
Minneapolis, MN 55403
612-659-3880
Fax: 612-466-6999
www.ballparkauthority.com

February 16, 2024

Dear 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, 2022.

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, 2022. The goal of the independent audit was to provide reasonable assurance that the financial statements of the MBA are free from material misstatement. The State Auditor concluded, based on the audit, that there was a reasonable basis for rendering an unmodified opinion that the MBA's financial statements for the year ended December 31, 2022, are fairly presented in conformity with GAAP. 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 the Government

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 ballpark to the Twins, oversees its operations, and participates with the Twins in identifying and funding necessary future capital repairs and improvements 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, appointing an Executive Director, authorizing contracts, and 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.

The MBA's mission statement is written as follows: "The Minnesota Ballpark Authority seeks to ensure that the Ballpark is a world-class facility that adheres to high standards of sustainability, creates economic opportunity, and serves as an anchor for the development of a vibrant new district." To achieve this mission the MBA has outlined the following strategies:

1. The Minnesota Ballpark Authority works to ensure that the Ballpark is designed, built and operated in a way that meets or exceeds the standards for community involvement and economic participation, environmental sustainability, and the prudent use of public funding.
2. The Minnesota Ballpark Authority uses designated resources to encourage and leverage investments by the private sector and other government agencies to maximize enhancements to the District to stimulate private investment, development, and economic opportunity.
3. The Minnesota Ballpark Authority actively seeks to form partnerships with the public and private sector to envision and work toward the creation of a dynamic and enduring identity for the Ballpark District - that is meaningfully connected to adjoining neighborhoods.

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 for construction. 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.



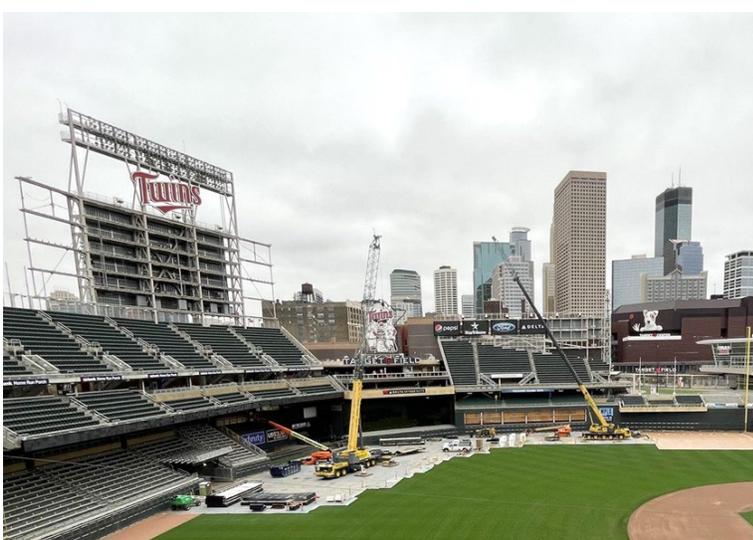
The land, land improvements and the ballpark itself are owned by the public through the MBA. Consistent with terms of the Ballpark Lease Agreement (Lease), between the MBA and Twins Ballpark, LLC, the Twins own a portion of discrete assets, such as seating and scoreboards, to the extent of their total 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, with the option of two ten-year extensions. The Twins are responsible for all the ballpark's annual operating and maintenance expenses. To address future capital needs, the Twins make annual rent payments, initially \$900,000 (with two-thirds of that amount indexed for inflation), and Hennepin County contributes \$1,100,000 annually (indexed for inflation). These funds are accumulating in an account held by the MBA with a fund balance of \$8,630,187 at the end of 2022. Use of these funds is restricted to CapEx work, which includes capital modifications, replacements, or additions to the Ballpark.

Initiatives and Projects

Scoreboard, Control Room and Video Displays Project

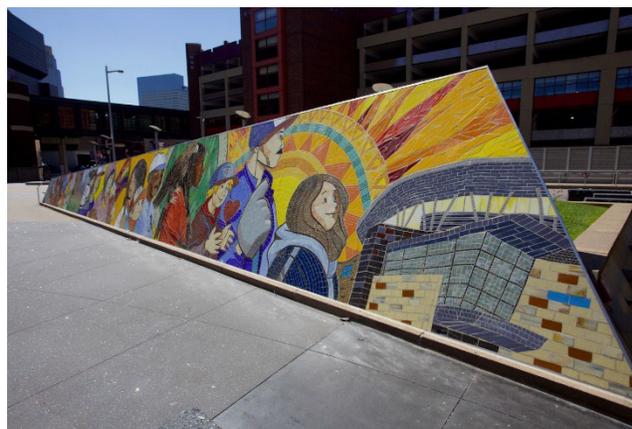


Previous funding from the CapEx Reserve Fund totaled \$6.76 million for LED field lighting, concourse expansion between Gate 29 and Gate 34, and adding a new stairwell, elevator, and overhead glass doors to the Truly on Deck club located in the right field corner. In 2021, the MBA Board and Twins agreed to share the cost of the largest capital project since the ballpark opened, totaling almost \$30 million. This project included replacement of the scoreboard control room production equipment and replacement of all video

displays at Target Field. The project was completed in 2022. The MBA agreed to funding fifty percent of the total project, a not-to-exceed amount of \$14.75 million.

“All Are Welcome” Public Art Installation Project

The MBA created the Ballpark District Enhancements and Public Art Incentive fund, in 2008, to allow the MBA to work with agencies and other interested parties to encourage the coordinated development of amenities that would serve both the long-term interests of the ballpark and the emerging area of the City.



In 2021 the MBA and the Twins partnered to add new public art on Target Plaza around the theme “All Are Welcome” at Target Field. On April 22, 2022, the MBA and Twins unveiled a sixty-six-foot-long glass mosaic mural at Target Field, near Gate 29. The mural is constructed with millions of distinctive glass pieces to create a piece of artwork designed to show the true inclusiveness of the Ballpark.

Twins Annual Contributions

The Twins invest additional funds in capital alterations each year. In 2022 the Twins reported investing \$2,187,429 in ballpark upgrades and improvements. Some of these investments included improvements to one of the concession areas, reconstruction of the Grounds Crew office area, and the addition of a sensory room on the Suite Level.

Under the terms of the lease, the Twins also make annual contributions to youth activities and amateur sports within Hennepin County. The Twins reported a 2022 annual contribution of \$715,039 in Hennepin County for youth activities and amateur sports, which is \$208,327 more than is required by the lease agreement.

A Leader in Environmental Sustainability



The MBA and the Twins 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 were awarded LEED Silver Certification, in 2017 earning LEED Gold Certification, and in 2022 earning Platinum LEED certification for Existing Buildings: Operations & Maintenance. Target

Field is the first Major League Baseball venue to receive the U.S. Green Building Council’s highest

possible honor via the new LEED v4.1 rating system. Target Field was the first professional sports facility in the United States to receive LEED Certification in both construction and facility operations. Major League Baseball awarded the Twins the 2021 Green Glove Award for attaining the highest waste diversion rate in the year, saving almost 99 percent of Target Field waste from landfills.

Some of the ballpark's additional green design elements include:

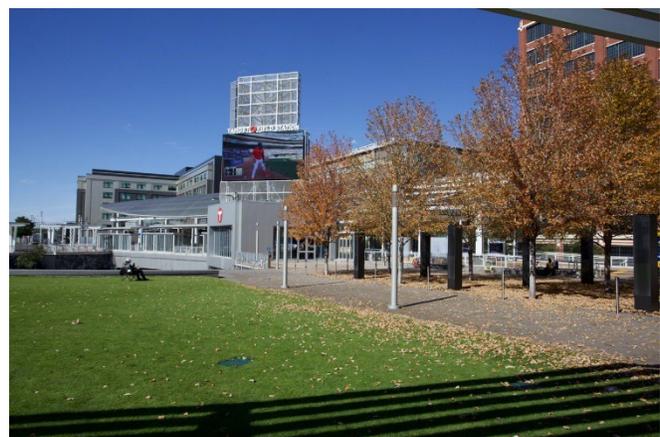
- ◇ Energy use reduction – achieved through high-efficiency field lighting, interior lighting and heating/cooling and ventilation equipment. The Twins have been committed to upgrading lighting to LED technology every year.
- ◇ Water use reduction – achieved through water-saving fixtures such as low-flow urinals and dual-flush toilets as well as a specially designed rainwater filter system.
- ◇ Game day recycling – Recyclable collection points stationed conveniently around Target Field help with recycling, composting, and converting waste to energy. The Twins report that nearly 13,000 tons of waste has been diverted from local landfills since 2011.
- ◇ 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 and on foot.

The playing field is designed to capture rainwater and recycle it. The Twins report to have captured, purified, and reused nearly 20 million gallons of rainwater, reducing municipal water usage at Target Field. During a regular season, most of the recycled water is used to wash down the seating bowl and the main concourse.

The Twins and their concession partner, Delaware North, began donating unused food to local charities in 2011. In partnership with Rock and Wrap It Up! Inc., more than 63 tons of food has been donated to local charities.

Around the Ballpark

The MBA and the Twins have worked hard to ensure Target Field is one of the most transit-friendly sports facilities in the country. Target Field Station, located at the intersection of 5th Street North and 5th Avenue north, near Gate #6, serves as the hub for the Blue Line, Green Line, and the NorthStar Commuter Rail line. For walkers and bikers, the Cedar Lake Trail provides both pedestrian and bicycle access to the ballpark.



Target Field Station serves as a multi-modal transportation hub and provides an expanded area for fans utilizing public transportation to the games. The public plaza includes a large green space, an underground parking garage, a 29 by 16-foot video board and a 1,000-seat amphitheater, which provides opportunities for non-game day activities. The Twins, Hennepin County, and Metro Transit all plan events in this area year-round that are open to the public.

Budget

A budget is adopted annually for the general and special revenue fund, consistent with generally accepted accounting principles. The MBA's primary source of revenue for operations is a grant from Hennepin County. A grant agreement between the MBA and Hennepin County calls for an annual budget request to be submitted to Hennepin County by August 1 of each year. The MBA determines the amount needed for the annual operating grant based on the anticipated receipts and expenditures for the following year. A special revenue fund is established for ballpark capital improvement expenses, as set forth in the Development Agreement, and funded annually with contributions from Hennepin County and the Twins.

More information on the budget process is described in the Notes to Required Supplementary Information on page 43.

Economic and Financial Condition

The information presented in the financial statements is 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, both enjoy a favorable economic environment relative to the national economy, as shown in measurement of both income and employment.

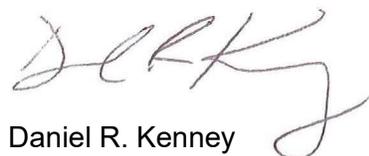
Long-term financial planning. The MBA has planned for financial stability on a long-term basis through the execution of several agreements with the Twins and Hennepin County. The MBA has entered into a Grant Agreement with Hennepin County which provides County grants for both operating expenses and future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

The MBA adopted a 2023 General Fund operating budget amount reflecting a 1.2% decrease from the previous year budget. A minor reduction in personnel services provided a small savings.

Risk Management. The MBA contracts for the services of a risk manager who assists with maintaining an effective approach to ongoing risk exposure identification and monitoring. Additional information is shown in Note 7 to the basic financial statements.

Acknowledgements. 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 dedication to responsible management of MBA finances.

Respectfully submitted,



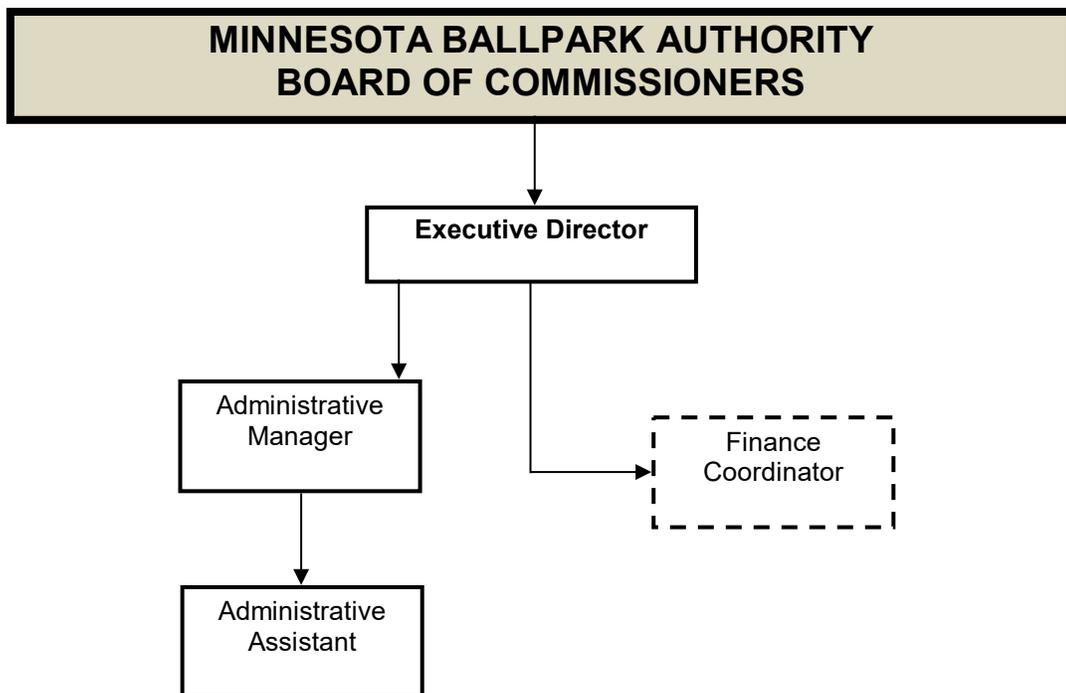
Daniel R. Kenney
Executive Director



Brenda Juneau
Finance Coordinator

Minnesota Ballpark Authority
Hennepin County, Minnesota

Organization Chart



- Represents Minnesota Ballpark Authority Employee
- - - - - Represents Minnesota Ballpark Authority Contract Worker

Minnesota Ballpark Authority
Hennepin County, Minnesota
Principal Officials 2022

Board of Commissioners

Margaret Anderson Kelliher, Chair



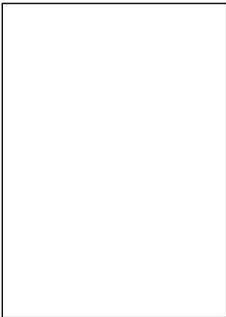
Tony Sanneh, Secretary



David Ybarra, Treasurer



Vacancy



James R. Campbell, Vice Chair



Executive Director:
Daniel R. Kenney

Financial Section



MINNESOTA BALLPARK AUTHORITY
Hennepin County, Minnesota



Independent Auditor's Report

Board of Commissioners
Minnesota Ballpark Authority
Hennepin County, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and each major fund of the Minnesota Ballpark Authority, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying 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, 2022, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 1.C to the financial statements, in 2022, the Authority adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, which represents a change in accounting principles. Our opinion is not modified with respect to this matter.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance, and therefore, is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit;
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed;
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements; and
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, PERA retirement plan schedules, budgetary presentations for the General Fund and Capital Reserve Fund, and Notes to the Required Supplementary Information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the GASB, 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

Management is responsible for the other information included in the annual report. The other information comprises the Introductory Section, but does not include the basic financial statements and our auditor's report

thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 16, 2024, on our consideration of the 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 the 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 the Authority's internal control over financial reporting and compliance.



Julie Blaha
State Auditor



Chad Struss, CPA
Deputy State Auditor

February 16, 2024

Minnesota Ballpark Authority
Hennepin County, Minnesota
Management's Discussion and Analysis
(Unaudited)

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, 2022. This information should be considered in conjunction with the information contained in the notes to the financial statements and the transmittal letter.

FINANCIAL HIGHLIGHTS

Government-Wide

- At December 31, 2022, the assets and deferred outflows of resources of the MBA exceeded its liabilities and deferred inflows of resources by \$332,280,871 (net position). The largest of this amount, \$314,829,615, was the investment in capital assets (building and infrastructure) and is not available for future spending. A total of \$8,630,187 was restricted by specific statutory requirements or external commitments. The remainder consisted of unrestricted net position of \$8,821,069. Restricted assets are limited to costs relating to future capital improvements of the Minnesota Twins Ballpark, district enhancements and public infrastructure needs around the ballpark.
- The MBA total net position, as reported in the Statement of Activities, decreased by \$9,639,266 during 2022, compared to a decrease of \$8,655,272 in 2021. The decrease resulted mostly from capital asset depreciation.

Fund Level

- At the end of the fiscal year 2022, the MBA's governmental funds reported total ending fund balances of \$17,723,740, a decrease of \$7,272,628 from the prior year balance of \$24,996,368. The decrease in fund balance is primarily related to the capital improvement project for the scoreboard.
- At the end of this same period, unassigned fund balance for the General Fund was \$1,080,826, which is a decrease of \$18,272 from the previous year balance of \$1,099,098.

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 required 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 like 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 using the *economic resources measurement focus* and the *full 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 full 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 to present this information.

- *The Statement of Net Position* presents information on all MBA assets, liabilities, and deferred outflows and inflows of resources with the difference 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 adjustment's 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 23 to 38 of this report.

Required Supplementary Information

Required supplementary information begins on page 39 and includes a schedule of pension plan contributions, a schedule of MBA proportionate share of net pension liability, and a schedule of revenue and expenditures for the General Fund and the Capital Reserve Fund with a comparison of actual revenue and actual expenditures compared to budget and prior year.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position serves over time as an indicator of a government's financial position. In 2022 the MBA assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$332,280,871. The Statement of Net Position presents all the MBA's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference between the two reported as "net position".

Summary of Net Position

	<u>2022</u>	<u>2021</u>
Current assets	\$ 47,243,976	\$ 30,011,369
Net capital assets	<u>314,829,615</u>	<u>317,181,432</u>
Total assets	<u>362,073,591</u>	<u>347,192,801</u>
Deferred outflows of resources	<u>103,300</u>	<u>139,206</u>
Current liabilities	4,164,543	5,025,428
Noncurrent liabilities	<u>355,246</u>	<u>200,513</u>
Total liabilities	<u>4,519,789</u>	<u>5,225,941</u>
Deferred inflows of resources	<u>25,376,231</u>	<u>185,929</u>
Investment in capital assets	314,829,615	317,181,432
Restricted	8,630,187	15,437,439
Unrestricted	<u>8,821,069</u>	<u>9,301,266</u>
Total net position	\$ <u>332,280,871</u>	\$ <u>341,920,137</u>

The largest portion of MBA net position, 95%, reflects the 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. The restricted portion of the MBA's net position, 3%, 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 in various agreements with external

parties partnering with the MBA on the capital improvements to the new ballpark and surrounding infrastructure.

As shown in the table below, the MBA's net position decreased in the current year by \$9,639,266, a change of 3% from the previous year's net position. This 3% is consistent with historical decreases each year and primarily relates to capital asset depreciation.

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 2022, compared to the prior year.

Changes in Net Position

Governmental Activities:

	2022	2021
Revenues:		
Program revenues:		
Intergovernmental contributions	\$ 1,379,250	\$ 1,308,693
Investment earnings (losses)	(545,493)	(108,910)
Event revenue	45,432	79,117
Lease revenue	711,276	1,013,832
Other interest revenue	690,212	-
General revenues:		
Intergovernmental	611,556	620,494
Investment earnings (losses)	(353,295)	(56,694)
Other	22	50,163
Total revenues	2,538,960	2,906,695
Expenses:		
MBA operating expenses	783,912	867,652
Depreciation	11,394,314	10,694,315
Total expenses	12,178,226	11,561,967
Increase (decrease) in net position	(9,639,266)	(8,655,272)
Net position – beginning	341,920,137	350,575,409
Net position – ending	\$ 332,280,871	\$ 341,920,137

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 2022 fiscal year, MBA governmental funds reported combined ending fund balances of \$17,723,740, a 29% decrease from the prior year. Of this combined

balance, 6% or \$1,080,826 constitutes unassigned fund balance. These resources are available for meeting ongoing operational responsibilities in the General Fund. Another \$8,012,727, or 45%, is assigned to indicate the MBA's intention to spend funds on district area enhancements and public infrastructure needs around the ballpark. A balance of \$8,630,187, or 49%, 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 year end fund balance in 2022 is \$8,630,187. 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.

Revenues

Governmental fund revenues by source are shown in the table below, along with the increase and decrease from the prior year.

Governmental Fund Revenues by Source

	<u>2022</u>	<u>2021</u>	<u>Increase (Decrease)</u>	
	Amount	Amount	Amount	Percent Change
Revenues:				
Program revenues:				
Intergovernmental contributions	\$ 1,379,250	\$ 1,308,693	\$ 70,557	5.4%
Investment earnings (losses)	(545,493)	(108,910)	(436,583)	-400.9%
Event revenue	45,432	79,117	(33,685)	-42.6%
Lease revenue	711,276	1,013,832	(302,556)	-29.8%
Other interest revenue	690,212	-	690,212	100.0%
General revenues:				
Intergovernmental	611,556	620,494	(8,938)	-1.4%
Investment earnings (losses)	(353,295)	(56,694)	(296,601)	-523.2%
Other	22	50,163	(50,141)	-100.0%
Total revenues	\$ <u>2,538,960</u>	\$ <u>2,906,695</u>	\$ <u>(367,735)</u>	

Explanation of significant changes in revenue from previous year:

- The reported total investment earnings loss of \$898,788 in 2022 compared to the loss of \$165,604 in 2021. Investments are required to be reported at fair value. While governmental fund investment income for 2022 was \$264,506, valuation changes resulting from significantly higher interest rates produced a decrease in fair value (unrealized losses).
- Event revenue decreased in 2022. Though the event revenue was comparable for both years, the event expenses increased, resulting in a lower total net revenue.
- Other revenue typically includes one-time payments or reimbursements. In 2021 the MBA was paid a one-time compensation for use of right-of-way.

- Due to implementation of GASB Statement No. 87 in 2022, tenant rent is recognized as lease revenue of \$711,276 and other interest revenue of \$690,212. This is further discussed in Note 6 to the Basic Financial Statements.

Expenditures

Governmental fund expenditures by function are shown in the table below, along with the increase and decrease from the prior year.

Governmental Expenditures by Function

	2022		2021		Increase (Decrease)	
	Amount		Amount		Amount	Percent Change
Expenditures:						
Current						
Culture and recreation						
Personal services	\$ 448,908		\$ 436,055		\$ 12,853	2.9%
Commodities	295		428		(133)	-31.1%
Contractual services	272,746		170,755		101,991	59.7%
Other	47,142		283,713		(236,571)	-83.4%
Capital Outlay	9,042,497		4,957,503		4,084,994	100.0%
Total expenditures	<u>\$ 9,811,588</u>		<u>\$ 5,848,454</u>		<u>\$ 3,963,134</u>	

Explanation of significant changes in expenditures from previous year:

- Expenditures for other costs decreased in 2022 as compared to 2021. This resulted from a 2021 final close-out and payment for the Owner Controlled Insurance Program (OCIP) of \$241,284, per agreement between the MBA and MN Twins.
- Capital Outlay increased \$4,084,994, as compared to 2021, due to completion of the scoreboard improvement project.
- Contractual services increased \$101,991 in 2022 compared to 2021. This change is related to the shared cost, between the MBA and Twins, for drainage improvements at Target Field Gate 3.

General Fund Budgetary Highlights

Expenditures in 2022 were \$72,925 less than the budget of \$668,000, and revenues were \$91,197 less than budgeted. The savings in expenditures to budget was mostly related to decreased use of legal services in 2022. Expenditures exceeded revenue for a general fund deficit of \$18,272 in 2022.

In November 2022 the MBA made an operating grant request from Hennepin County for \$58,000 less than the budgeted amount based on forecasted year-end expenditures. No amendments were made to the 2022 General Fund Budget.

CAPITAL ASSETS

Capital Assets

MBA investment in capital assets as of December 31, 2022, amounts to \$314,829,615 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, and ballpark structure. During fiscal year 2022, the MBA's investment in capital assets decreased \$2,351,817 from the prior year. Primary net capital asset changes related to \$9,042,497 of construction in progress additions, which were offset by \$11,394,314 in accumulated depreciation.

Additional information on the MBA's capital assets can be found in Note 5, on page 31 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The MBA Board approved a 2023 General Fund budget decrease of 1% in 2022. The MBA expects to see minor savings in contracted services in 2023.

Minnesota Management & Budget (MMB) prepares formal forecasts of state revenues and expenditures in November and February each year. The February 2023 report forecasts a stable outlook for the State of Minnesota's next biennium. Reporting that Minnesota wage and salary growth in 2023 is anticipated to be lower than in November 2022.

The MBA relies on revenue sources from Hennepin County sales tax and the Minnesota Twins. Hennepin County sales tax revenue is expected to remain sufficient for meeting all debt, contract, and operating commitments in 2023.

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.

Basic Financial Statements



MINNESOTA BALLPARK AUTHORITY
Hennepin County, Minnesota

Minnesota Ballpark Authority
Hennepin County, Minnesota
Governmental Funds Balance Sheet and Statement of Net Position
December 31, 2022

	General Fund	Capital Reserve Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
ASSETS AND DEFERRED OUTFLOWS						
Current assets:						
Cash and investments	\$ 1,109,901	\$ -	\$ 7,967,295	\$ 9,077,196	\$ -	\$ 9,077,196
Restricted cash and investments	-	12,370,945	-	12,370,945	-	12,370,945
Accounts receivable	-	-	45,432	45,432	-	45,432
Other interest receivable	-	58,686	-	58,686	-	58,686
Lease receivable	-	25,658,812	-	25,658,812	-	25,658,812
Prepaid items	-	-	-	-	32,905	32,905
Total current assets	<u>1,109,901</u>	<u>38,088,443</u>	<u>8,012,727</u>	<u>47,211,071</u>	<u>32,905</u>	<u>47,243,976</u>
Noncurrent assets:						
Capital assets:						
Land	-	-	-	-	40,475,894	40,475,894
Buildings	-	-	-	-	322,516,562	322,516,562
Land improvements	-	-	-	-	90,479,683	90,479,683
Furniture and equipment	-	-	-	-	23,293	23,293
Total capital assets	-	-	-	-	453,495,432	453,495,432
Less accumulated depreciation	-	-	-	-	(138,665,817)	(138,665,817)
Net capital assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>314,829,615</u>	<u>314,829,615</u>
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>314,829,615</u>	<u>314,829,615</u>
Total Assets	<u>1,109,901</u>	<u>38,088,443</u>	<u>8,012,727</u>	<u>47,211,071</u>	<u>314,862,520</u>	<u>362,073,591</u>
Deferred outflows of resources:						
Pension-related	-	-	-	-	103,300	103,300
Total assets and deferred outflows of resources	<u>\$ 1,109,901</u>	<u>\$ 38,088,443</u>	<u>\$ 8,012,727</u>	<u>\$ 47,211,071</u>	<u>314,965,820</u>	<u>362,176,891</u>
LIABILITIES						
Current liabilities:						
Accounts and contracts payable	\$ 14,150	\$ 4,089,928	\$ -	\$ 4,104,078	-	4,104,078
Accrued liabilities	14,925	-	-	14,925	45,540	60,465
Total current liabilities	<u>29,075</u>	<u>4,089,928</u>	<u>-</u>	<u>4,119,003</u>	<u>45,540</u>	<u>4,164,543</u>
Noncurrent liabilities:						
Net Pension	-	-	-	-	355,246	355,246
Total liabilities	<u>29,075</u>	<u>4,089,928</u>	<u>-</u>	<u>4,119,003</u>	<u>400,786</u>	<u>4,519,789</u>
Deferred inflows of resources:						
Pension related	-	-	-	-	7,903	7,903
Lease related	-	25,368,328	-	25,368,328	-	25,368,328
Total deferred inflows of resources	<u>-</u>	<u>25,368,328</u>	<u>-</u>	<u>25,368,328</u>	<u>7,903</u>	<u>25,376,231</u>
FUND BALANCES/NET POSITION						
Fund balances:						
Restricted for:						
Ballpark capital	-	8,630,187	-	8,630,187	(8,630,187)	-
Assigned to:						
District enhancements and infrastructure	-	-	8,012,727	8,012,727	(8,012,727)	-
Unassigned	1,080,826	-	-	1,080,826	(1,080,826)	-
Total fund balances	<u>1,080,826</u>	<u>8,630,187</u>	<u>8,012,727</u>	<u>17,723,740</u>	<u>(17,723,740)</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 1,109,901</u>	<u>\$ 38,088,443</u>	<u>\$ 8,012,727</u>	<u>\$ 47,211,071</u>		
Net position:						
Investment in capital assets					314,829,615	314,829,615
Restricted for:						
Ballpark capital					8,630,187	8,630,187
Unrestricted					8,821,069	8,821,069
Total net position					<u>\$ 332,280,871</u>	<u>\$ 332,280,871</u>

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, 2022

Total Governmental Fund Balances	\$	17,723,740
Total net position reported for governmental activities is different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the funds.		314,829,615
Long-term obligations are not due and payable in the current period and therefore are not reported in the funds.		(45,540)
Other long-term assets that provide benefit for future periods are expensed in governmental funds.		32,905
Net pension liabilities and related deferred inflows and deferred outflows are not reported in the funds because the liability and related accounts are not due and payable in the current period.		<u>(259,849)</u>
Net Position - Governmental Activities	\$	<u>332,280,871</u>

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, 2022

	General Fund	Capital Reserve Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
REVENUES						
Program revenues:						
Intergovernmental contributions	\$ -	\$ 1,379,250	\$ -	\$ 1,379,250	\$ -	\$ 1,379,250
Investment earnings (losses)	-	(545,493)	-	(545,493)	-	(545,493)
Event revenue	-	-	45,432	45,432	-	45,432
Lease revenue	-	711,276	-	711,276	-	711,276
Other interest revenue	-	690,212	-	690,212	-	690,212
General revenues:						
Intergovernmental	611,556	-	-	611,556	-	611,556
Investment earnings (losses)	(34,775)	-	(318,520)	(353,295)	-	(353,295)
Other	22	-	-	22	-	22
Total revenues	<u>576,803</u>	<u>2,235,245</u>	<u>(273,088)</u>	<u>2,538,960</u>	<u>-</u>	<u>2,538,960</u>
EXPENDITURES/EXPENSES						
Current						
Culture and recreation						
Personal services	448,908	-	-	448,908	15,578	464,486
Commodities	295	-	-	295	-	295
Contractual services	99,077	-	173,669	272,746	-	272,746
Depreciation	-	-	-	-	11,394,314	11,394,314
Other	46,795	-	347	47,142	(757)	46,385
Capital outlay	-	9,042,497	-	9,042,497	(9,042,497)	-
Total expenditures/expenses	<u>595,075</u>	<u>9,042,497</u>	<u>174,016</u>	<u>9,811,588</u>	<u>2,366,638</u>	<u>12,178,226</u>
Net change in fund balances/net position	(18,272)	(6,807,252)	(447,104)	(7,272,628)	(2,366,638)	(9,639,266)
FUND BALANCES/NET POSITION						
Beginning	<u>1,099,098</u>	<u>15,437,439</u>	<u>8,459,831</u>	<u>24,996,368</u>	<u>316,923,769</u>	<u>341,920,137</u>
Ending	<u>\$ 1,080,826</u>	<u>\$ 8,630,187</u>	<u>\$ 8,012,727</u>	<u>\$ 17,723,740</u>	<u>\$ 314,557,131</u>	<u>\$ 332,280,871</u>

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, 2022

Net change in governmental fund balances	\$	(7,272,628)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>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 and expenses related to net pension liability.</p>		
		(15,578)
<p>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.</p>		
Expenditures for general capital assets, construction in progress		9,042,497
Less current year depreciation		(11,394,314)
<p>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.</p>		
Change in prepaid items		757
 Change in Net Position - Governmental Activities	 \$	 <u><u>(9,639,266)</u></u>

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

Minnesota Ballpark Authority
Hennepin County, Minnesota
Notes to the Basic Financial Statements
December 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Financial Reporting Entity

Minnesota state legislation created the Minnesota Ballpark Authority (MBA) as a public body 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 in the United States of America. 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.

B. 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. Government-wide financial statements report these at historical cost in the Statement of Net Position. In the Statement of Activities the cost of these assets are allocated over their estimated useful lives and reported as depreciation expense.
- The adjustments column represents the recording of long-term obligations and the related effect of these transactions on the Statement of Activities. Long-term obligations, including accrued leave, net pension liabilities and related deferred inflows and deferred outflows 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 *full accrual basis of accounting*. The economic resources measurement focus results in the reporting of all inflows, outflows, and balances affecting or reflecting the MBA's net position. Under the full accrual basis of accounting, revenues are recognized when earned and

Minnesota Ballpark Authority
Hennepin County, Minnesota
Notes to the Basic Financial Statements
December 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

B. Measurement Focus, Basis of Accounting and Basis of Presentation - continued

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) 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 2022, 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 MBA 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 investment earnings (losses) at the end of each year. Expenditures are recorded when the related fund liability is incurred, except for compensated absences, which are recognized as expenditures to the extent that they have matured.

Minnesota Ballpark Authority
Hennepin County, Minnesota
Notes to the Basic Financial Statements
December 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

B. Measurement Focus, Basis of Accounting and Basis of Presentation - 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 accounted for in another fund. The fund includes revenues and expenditures for such activities as personal and contracted services.

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.

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

C. Assets, Liabilities, Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position or Fund Balance

Cash and Investments

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

It is Hennepin County's policy to obtain collateral to cover deposits in excess of insurance coverage with either federal depository insurance, surety bonds or collateral held by the County's agent in the County's name. Investments are stated at fair value or at cost. The fair value of investments is based on quoted market prices or inputs other than quoted prices that are observable for the investment, either directly or indirectly. Certain money market funds that have a maturity of one year or less at the time of purchase are reported at amortized cost. Certain nonparticipating interest-earning contracts (repurchase agreements) that have a maturity of one year or less at the time of purchase are reported at cost. State law authorizes the County to invest in the following instruments:

- | | |
|--|--|
| • U.S. government and agency issues | • Money market funds |
| • Repurchase agreements and 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 and guaranteed investment contracts | • Options |
| • Shares of certain investment companies | |

Minnesota Ballpark Authority
Hennepin County, Minnesota
Notes to the Basic Financial Statements
December 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

C. Assets, Liabilities, Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position or Equity - continued

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. The cost of prepaid items is reported as an expense when consumed, rather than purchased.

Receivables and Payables

Accounts receivable result from activities due to the MBA for the current year and paid after year-end. The portion of all receivables not included and not collected within 60 days are generally offset by deferred inflows of resources in the governmental fund financial statements.

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

Accounts and contracts payable result from services provided, or commodities delivered, for the current year and paid after year-end.

Capital Assets

Capital assets are reported in the government-wide financial statements. Such assets are recorded at historical cost. Donated, or contributed, capital assets are recorded at their acquisition value at the date of donation. The 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 were 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 useful life assigned to land improvements and buildings is 20 to 50 years. Estimated life assigned to furniture and equipment is 3 to 20 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 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. All amounts accrued at December 31 are expected to be used in the following year.

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, deferred outflows/inflows of resources, 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.

Minnesota Ballpark Authority
Hennepin County, Minnesota
Notes to the Basic Financial Statements
December 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

C. Assets, Liabilities, Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position or Equity - continued

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 use of the resources. The classifications are as follows:

- Nonspendable – amounts that cannot be spent because they are not in spendable form (such as prepaid 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.
- Committed – amounts constrained to specific purposes by the MBA Board as imposed by formal action.
- Assigned – amounts constrained by the MBA Board'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 purposes 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. Unrestricted net position is reported for amounts that do not meet the definition of restricted or investment in capital assets.

Pension Plan

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, except that PERA's fiscal year-end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments, and refunds are recognized when due and payable in accordance with the benefit terms. PERA's investments are reported at fair value.

Minnesota Ballpark Authority
Hennepin County, Minnesota
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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

C. Assets, Liabilities, Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position or Equity - continued

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, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure/expense) until a future event occurs. The MBA has one item, deferred pension obligations outflows, that meets criteria for reporting in this category.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The MBA has two items that meet this criterion, deferred pension obligations inflows and deferred amounts related to lease revenues.

Leases

The MBA is a lessor for the noncancellable lease of the Ballpark land and building. The MBA recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements. At the commencement of the lease, the MBA initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments related to leases include how the MBA determines the discount rate it uses to discount the expected lease receipts to present value, lease term, and lease receipts. The MBA uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee. The MBA monitors changes in circumstances that would require remeasurement of its lease and remeasures the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Changes in Accounting Principles

During the year ended December 31, 2022, the MBA adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) No. 87, *Leases*, which establishes criteria for account and financial reporting for leases.

Minnesota Ballpark Authority
Hennepin County, Minnesota
Notes to the Basic Financial Statements
December 31, 2022

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:

		2022
Governmental activities capital assets	\$	453,495,432
Governmental activities accumulated depreciation		(138,665,817)
Total Capital Assets Reconciliation Item	\$	314,829,615

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:

		2022
Compensated absences - Expenses reported in the statement of activities that do not require the use of current financial resources	\$	(45,540)
Prepaid items represent governmental fund insurance premiums which benefit future periods	\$	32,905
Recognition of pension-related activity that only relates to future periods	\$	(259,849)

3. DEPOSITS AND INVESTMENTS

Deposits

As of December 31, 2022, the MBA had \$21,448,141 in cash and investments 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, an irrevocable standby letter of credit, 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/controlled by the financial institution furnishing the collateral. The bank balance at Hennepin County, at year end, was covered by either federal depository insurance, surety bonds, an irrevocable standby letter of credit, or by collateral held by the County's agent in the County's name. County and fiduciary cash and investments are pooled.

Minnesota Ballpark Authority
Hennepin County, Minnesota
Notes to the Basic Financial Statements
December 31, 2022

3. DEPOSITS AND INVESTMENTS - CONTINUED

Deposits – continued

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, 2022, none of the MBA's investments were subject to custodial credit risk.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The MBA shares the investment rate risk of Hennepin County for its proportionate share of investments. Through its investment policy, the County manages exposure to fair value losses arising from increasing interest rates by limiting the effective duration of the investment portfolio to six years or shorter. It is the County's practice to generally ensure that investments should be held to maturity if necessary.

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, 2022, none of the MBA's investments were subject to credit risk.

Investment Income, Realized Gains and Losses, and Unrealized Gains and Losses

For deposit and investment purposes the MBA's funds are 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, 2022, the County had 84% of investments invested in U.S. government and agency issues, 10% in repurchase agreements, 3% in commercial paper, 2% in money market funds and less than 1% invested in municipal securities. 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 2022 Annual Comprehensive Financial Report. Investment earnings (losses) are allocated to the MBA based on average monthly cash and investment balances. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year are recorded as a change in the fair value of investments in the current year. Net change in the fair value of investments is reported as a component of total investment earnings and presented below.

		2022
Investment income and realized gains and losses	\$	264,506
Net decrease in the fair value of investments		(1,163,294)
Total Investment Earnings (Losses)	\$	(898,788)

Minnesota Ballpark Authority
Hennepin County, Minnesota
Notes to the Basic Financial Statements
December 31, 2022

3. DEPOSITS AND INVESTMENTS - CONTINUED

Fair Value Measurements

The MBA's investments are included in the Hennepin County investment pool. Hennepin County categorizes its fair value measurements within the fair value hierarchy established by GAAP based on the priority of the valuation inputs in a three-level fair value hierarchy. In instances where the County does not have a readily determinable fair value, the County is permitted to establish fair value by using the observable or determinable value. Additional information on fair value measurement and hierarchy can be found in Hennepin County's 2022 Annual Comprehensive Financial Report.

4. LONG-TERM OBLIGATIONS

Changes in long-term obligations for the year ended December 31, 2022, are as follows:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reduction</u>	Ending <u>Balance</u>	Due Within <u>One Year</u>
Governmental Activities					
Compensated Absences	\$42,575	\$45,540	\$42,575	\$45,540	\$45,540

5. CHANGES IN PROPERTY AND EQUIPMENT

Capital asset activity for the year ended December 31, 2022, was as follows:

	ASSETS			
	Balance January 1, 2022	Additions and Transfers In	Retirements and Transfers Out	Balance December 31, 2021
<i>Capital assets not being depreciated:</i>				
Land	\$ 40,475,894	\$ -	\$ -	\$ 40,475,894
Construction in progress - buildings	4,957,503	9,042,497	(14,000,000)	-
<i>Total capital assets not depreciated</i>	<u>45,433,397</u>	<u>9,042,497</u>	<u>(14,000,000)</u>	<u>40,475,894</u>
<i>Capital assets being depreciated:</i>				
Buildings	308,516,562	14,000,000	-	322,516,562
Furniture and equipment	23,293	-	-	23,293
Land improvements	90,479,683	-	-	90,479,683
<i>Total capital assets being depreciated</i>	<u>399,019,538</u>	<u>14,000,000</u>	<u>-</u>	<u>413,019,538</u>
<i>Less accumulated depreciation for:</i>				
Buildings	(72,964,738)	(6,870,330)	-	(79,835,068)
Furniture and equipment	(23,292)	-	-	(23,292)
Land improvements	(54,283,473)	(4,523,984)	-	(58,807,457)
<i>Total accumulated depreciation</i>	<u>(127,271,503)</u>	<u>(11,394,314)</u>	<u>-</u>	<u>(138,665,817)</u>
Total capital assets being depreciated, net	<u>271,748,035</u>	<u>2,605,686</u>	<u>-</u>	<u>274,353,721</u>
Total Capital Assets, Net	<u>\$ 317,181,432</u>	<u>\$ 11,648,183</u>	<u>\$ (14,000,000)</u>	<u>\$ 314,829,615</u>

Minnesota Ballpark Authority
Hennepin County, Minnesota
Notes to the Basic Financial Statements
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6. LEASE

The terms of Minnesota Laws 2006 require the MBA to enter 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, before CPI adjustments. This revenue is deposited into the Capital Reserve Fund and used for major capital improvements to the structure.

The MBA implemented GASB Statement No. 87, effective January 1, 2022. This statement addresses accounting and financial reporting purposes for leases and how those leases should be reported. This Statement requires the MBA, as Lessor, to recognize a lease receivable and deferred inflow of resources, in addition to reporting the leased assets. Lessors then report lease revenue, interest income, and note disclosures about the leases. The Twins made a lease payment of \$1,052,318 in 2022, and also recognized \$711,276 as lease revenue and \$690,212 as interest revenue. A lease receivable of \$25,658,812 and interest receivable of \$58,686 are reported. Deferred inflows of resources associated with the lease totaling \$25,368,328 will be recognized as revenue over the remaining lease periods.

Amounts remaining to be received at December 31, 2022, were as follows:

Year	Principal	Interest
2023	\$ 340,849	\$ 682,293
2024	354,571	673,272
2025	368,687	663,886
2026	383,208	654,127
2027	398,145	643,983
2028 - 2032	2,230,127	3,053,499
2033 - 2037	2,672,714	2,735,490
2038 - 2042	3,181,448	2,355,434
2043 - 2047	3,765,713	1,904,084
2048 - 2052	4,436,209	1,370,880
2053 - 2057	5,205,135	743,766
2058 - 2059	2,322,006	98,302
Total	\$ 25,658,812	\$ 15,579,016

7. 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.

Minnesota Ballpark Authority
Hennepin County, Minnesota
Notes to the Basic Financial Statements
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8. ASSIGNED FUND BALANCE

Assigned fund balance represents tentative management plans that are subject to change. MBA Board action in 2011 authorized assigning unrestricted funds in the Capital Projects Fund, from MBA resources, for the purpose of district enhancements and public infrastructure needs around the ballpark.

9. 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 fund balance/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. At December 31, 2022, the Government-wide restricted net position totaled \$8,630,187.

10. EMPLOYEE RETIREMENT SYSTEMS

Plan Description

The MBA participates in the following cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined benefit pension plan is established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. PERA's defined benefit pension plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code.

General Employees Retirement Plan

All full-time and certain part-time employees of the MBA are covered by the General Employees Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the State Legislature. Vested, terminated employees who are entitled to benefits, but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service.

General Employees Plan benefits are based on a member's highest average salary for any 60 consecutive months of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2 percent for each of the first 10 years of service and 1.7 percent for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Minnesota Ballpark Authority
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Notes to the Basic Financial Statements
December 31, 2022

10. EMPLOYEE RETIREMENT SYSTEMS – CONTINUED

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the Social Security Administration, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement. Disability benefits are available for vested members and are based on years of service and average high-five salary.

Contributions

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the State Legislature.

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2022 and the MBA was required to contribute 7.50 percent for Coordinated Plan members. The MBA's contributions to the General Employees Fund for the year ended December 31, 2022, were \$26,525. The MBA's contributions were equal to the required contributions as set by state statute.

Pension Costs

At December 31, 2022, the MBA reported a liability of \$355,246 for its proportionate share of the General Employees Plan's net pension liability. The MBA's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the MBA totaled \$10,415.

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The MBA's proportionate share of the net pension liability was based on the MBA's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2021, through June 30, 2022, relative to the total employer contributions received from all PERA's participating employers. The MBA's proportionate share was 0.004 percent at June 30, 2022, and 0.005 percent at June 30, 2021.

MBA's proportionate share of the net pension liability	\$	355,246
State's proportionate share of the net pension liability associated with the MBA		10,415
Total	\$	365,661

For the year ended December 31, 2022, the MBA recognized pension expense of \$40,695 for its proportionate share of the General Employees Plan's pension expense. In addition, the MBA recognized an additional \$1,556 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

Minnesota Ballpark Authority
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Notes to the Basic Financial Statements
December 31, 2022

10. EMPLOYEE RETIREMENT SYSTEMS - CONTINUED

Pension Costs – continued

At December 31, 2022, the MBA reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 2,967	\$ 3,973
Changes in actuarial assumptions	84,048	1,513
Difference between projected and actual investment earnings	438	-
Changes in proportion	2,079	2,417
Contributions paid to PERA subsequent to the measurement date	13,768	-
Total	\$ 103,300	\$ 7,903

The \$13,768 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2023	\$ 30,978
2024	\$ 32,685
2025	\$ (14,160)
2026	\$ 32,126

Actuarial Assumptions

The total pension liability in the June 30, 2022, actuarial valuation was determined using the individual entry-age normal actuarial cost method and the following additional actuarial assumptions:

Inflation	2.25 percent per year
Active member payroll growth	3.00 percent per year
Investment rate of return	6.50 percent

The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5 percent was deemed to be within that range of reasonableness for financial reporting purposes.

Minnesota Ballpark Authority
Hennepin County, Minnesota
Notes to the Basic Financial Statements
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10. EMPLOYEE RETIREMENT SYSTEMS - CONTINUED

Actuarial Assumptions – continued

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.0 percent after 29 years of service and 6.0 percent per year thereafter. Mortality rates are based on Pub-2010 General Employee Mortality table for the General Employees Plan, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25 percent per year for the General Employees Plan, per year through December 31, 2054, and 1.50 percent per year thereafter.

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020, actuarial valuation.

The following changes in actuarial assumptions and plan provisions for the General Employees Fund occurred in 2022:

Changes in Actuarial Assumptions and Plan Provisions

Changes in Actuarial Assumptions:

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

Changes in Plan Provisions:

- There were no changes in plan provisions since the previous valuation

Long-Term Expected Return on Investment

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	33.5%	5.10%
International Equity	16.5%	5.30%
Fixed Income	25.0%	0.75%
Private Markets	25.0%	5.90%
Total	100.0%	

Minnesota Ballpark Authority
Hennepin County, Minnesota
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10. EMPLOYEE RETIREMENT SYSTEMS - CONTINUED

Discount Rate

The discount rate used to measure the total pension liability in 2022 was 6.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the General Employees Fund were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension Liability Sensitivity

The following presents the MBA's proportionate share of the net pension liability calculated using the discount rate previously disclosed, as well as what the MBA's proportionate share of the net pension liability would be if it were calculated using a discount rate 1.00 percentage point lower or 1.00 percentage point higher than the current discount rate:

	<u>Proportionate Share of the</u> <u>Net Pension Liability (Asset) at Different Discount Rates</u>		
	<u>General Employees Fund</u>		
1% Lower	5.50%	\$	561,129
Current Discount Rate	6.50%	\$	355,246
1% Higher	7.50%	\$	186,389

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in a separately issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org.

11. NEW ACCOUNTING PRONOUNCEMENTS

Accounting Standards Adopted in the Current Year

GASB Statement No. 87, *Leases*, was implemented by the MBA effective January 1, 2022, and requires government lessees to recognize lease liabilities and intangible assets, and report amortization expense, interest expense, and note disclosures about the leases. Government lessors are required to recognize a lease receivable and deferred inflow of resources, in addition to reporting the leased assets. Lessors then report lease revenue, interest income, and note disclosures about the leases.

GASB Statement No. 91, *Conduit Debt Obligations*, was effective for the MBA in 2022. This statement clarifies the definition of conduit debt and establishes new recognition, measurement, and disclosure requirements. This statement had no impact in the current year.

GASB Statement No. 92 *Omnibus 2020*, was implemented by the MBA in 2022 and establishes accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activities of public entity risk pools, fair value measurements, and derivative instruments.

Minnesota Ballpark Authority
Hennepin County, Minnesota
Notes to the Basic Financial Statements
December 31, 2022

11. NEW ACCOUNTING PRONOUNCEMENTS - CONTINUED

GASB Statement No. 93, *Replacement on Interbank Offered Rates*, was implemented by the MBA in 2022 and establishes accounting and financial reporting requirements related to replacement of interbank offered rates (IBORs), such as the London Interbank Offered Rate (LIBOR) in hedging derivative instruments and leases. This statement had no impact in the current year.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, was effective for the MBA on January 1, 2022. The specific retirement plan issues clarified in the guidance were not relevant to the MBA.

Accounting Standards Not Yet Adopted

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, supersedes GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, and establishes standards of accounting and financial reporting for Public-private and public-public partnerships and availability payment arrangements. This statement is effective for the MBA on January 1, 2023.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, establishes accounting and financial reporting standards for subscription-based information technology arrangements and government end users. This statement is effective for the MBA on January 1, 2023.

GASB Statement No. 99, *Omnibus 2022* requirements relating to leases and certain other arrangements are effective for the MBA on January 1, 2023, while other requirements are effective on January 1, 2024.

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

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in a separately issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org.

12. SUBSEQUENT EVENTS

The MBA Board approved an overall General Fund operating budget decrease of 1.2% for 2023. The MBA anticipates both the Twins and Hennepin County will be able to provide the MBA with all contractually obligated payments. While MBA management agrees with experts that economic conditions should continue to improve, the MBA has funding reserves to make further budget reductions if necessary.

Required Supplementary Information



MINNESOTA BALLPARK AUTHORITY
Hennepin County, Minnesota

Minnesota Ballpark Authority
Hennepin County, Minnesota
Schedule of Contributions
PERA General Employees Retirement Plan
December 31, 2022

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b-a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2015	\$ 22,621	\$ 22,621	-	\$ 301,614	7.50%
2016	\$ 23,277	\$ 23,277	-	\$ 310,360	7.50%
2017	\$ 23,477	\$ 23,477	-	\$ 313,027	7.50%
2018	\$ 24,330	\$ 24,330	-	\$ 324,408	7.50%
2019	\$ 24,936	\$ 24,936	-	\$ 332,479	7.50%
2020	\$ 25,366	\$ 25,366	-	\$ 338,216	7.50%
2021	\$ 25,101	\$ 25,101	-	\$ 334,687	7.50%
2022	\$ 26,525	\$ 26,525	-	\$ 353,673	7.50%

This schedule is intended to show information for ten years. Additional years will be displayed as they become available. The MBA's year-end is December 31.

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

Minnesota Ballpark Authority
Hennepin County, Minnesota
Schedule of MBA Proportionate Share of Net Pension Liability
PERA General Employees Retirement Plan
December 31, 2022

Measurement Date	MBA's Proportion (Percentage) of the Net Pension Liability (Asset)	MBA's Proportionate Share (Amount) of the Net Pension Liability (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the MBA (b)	Combined Proportionate Share of the Net Pension Liability Associated with the MBA (a + b)	MBA Covered Payroll (c)	MBA's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Actual Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.005%	\$ 260,012	\$ N/A	\$ 260,012	\$ 295,722	87.9%	78.2%
2016	0.005%	\$ 401,694	\$ 5,246	\$ 406,940	\$ 307,002	130.8%	68.9%
2017	0.005%	\$ 324,281	\$ 4,077	\$ 328,358	\$ 327,215	99.1%	75.9%
2018	0.005%	\$ 260,094	\$ 8,532	\$ 268,626	\$ 315,122	82.5%	79.5%
2019	0.005%	\$ 256,831	\$ 7,982	\$ 264,813	\$ 328,760	78.1%	80.2%
2020	0.005%	\$ 281,657	\$ 8,685	\$ 290,342	\$ 335,034	84.1%	79.1%
2021	0.005%	\$ 200,513	\$ 6,123	\$ 206,636	\$ 338,031	59.3%	87.0%
2022	0.004%	\$ 355,246	\$ 10,415	\$ 365,661	\$ 335,967	105.7%	76.7%

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.
The measurement date for each year is June 30.

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

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, 2022
With Comparative Actual Amounts for the Year Ended December 31, 2021

	2022				
	Budgeted Amounts		Actual	Variance with Final Budget	2021 Actual
	Original	Final			
REVENUES					
Intergovernmental	\$ 668,000	\$ 668,000	\$ 611,556	\$ (56,444)	\$ 620,494
Investment earnings (losses)	-	-	(34,775)	(34,775)	(5,646)
Other	-	-	22	22	163
Total revenues	<u>668,000</u>	<u>668,000</u>	<u>576,803</u>	<u>(91,197)</u>	<u>615,011</u>
EXPENDITURES					
Current					
Culture and recreation					
Personal services	451,300	451,300	448,908	2,392	436,055
Commodities	1,000	1,000	295	705	428
Contractual services	161,800	161,800	99,077	62,723	137,205
Other	53,900	53,900	46,795	7,105	42,429
Total expenditures	<u>668,000</u>	<u>668,000</u>	<u>595,075</u>	<u>72,925</u>	<u>616,117</u>
Net change in fund balance	-	-	(18,272)	<u>\$ (18,272)</u>	(1,106)
Fund Balance - Beginning	<u>1,099,098</u>	<u>1,099,098</u>	<u>1,099,098</u>		<u>1,100,204</u>
Fund Balance - Ending	<u>\$ 1,099,098</u>	<u>\$ 1,099,098</u>	<u>\$ 1,080,826</u>		<u>\$ 1,099,098</u>

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

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, 2022
With Comparative Actual Amounts for the Year Ended December 31, 2021

	2022				
	Budgeted Amounts		Actual	Variance with Final Budget	2021 Actual
	Original	Final			
REVENUES					
Intergovernmental contributions	\$ 1,379,000	\$ 1,379,000	\$ 1,379,250	\$ 250	\$ 1,308,693
Investment earnings (losses)	150,000	150,000	(545,493)	(695,493)	(108,910)
Lease revenue	1,052,000	1,052,000	711,276	(340,724)	1,013,832
Interest revenue	-	-	690,212	690,212	-
Total revenues	<u>2,581,000</u>	<u>2,581,000</u>	<u>2,235,245</u>	<u>(345,755)</u>	<u>2,213,615</u>
EXPENDITURES					
Capital outlay	<u>2,581,000</u>	<u>7,150,000</u>	<u>9,042,497</u>	<u>(1,892,497)</u>	<u>4,957,503</u>
Total expenditures	<u>2,581,000</u>	<u>7,150,000</u>	<u>9,042,497</u>	<u>(1,892,497)</u>	<u>4,957,503</u>
Net change in fund balance	-	(4,569,000)	(6,807,252)	<u>\$ (2,238,252)</u>	(2,743,888)
Fund Balance - Beginning	<u>15,437,439</u>	<u>15,437,439</u>	<u>15,437,439</u>		<u>18,181,327</u>
Fund Balance - Ending	<u>\$ 15,437,439</u>	<u>\$ 10,868,439</u>	<u>\$ 8,630,187</u>		<u>\$ 15,437,439</u>

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

Minnesota Ballpark Authority
Hennepin County, Minnesota
Notes to Required Supplementary Information
December 31, 2022

A. The Financial Reporting Entity

Budgets are adopted on a basis consistent with generally accepted accounting principles. The MBA Board adopts annual appropriated budgets for the General Fund and Capital Reserve Special Revenue Fund. All annual appropriations lapse at year-end to the extent that they have not been expended or encumbered.

For the following MBA non-lapsing project budgets, total actual project expenditures may not exceed total appropriated budgets:

Year	Ballpark Capital Reserve Fund		
	Appropriated	Actual	Remaining
	Budget	Expenditures	Budget
2011	\$ 2,074,000	\$ -	\$ 2,074,000
2012	2,091,000	-	2,091,000
2013	2,142,000	-	2,142,000
2014	2,170,000	-	2,170,000
2015	2,208,000	-	2,208,000
2016	2,208,000	-	2,208,000
2017	2,242,000	1,759,535	482,465
2018	2,271,000	5,000,000	(2,729,000)
2019	2,375,000	-	2,375,000
2020	2,467,000	-	2,467,000
2021	7,600,000	4,957,503	2,642,497
2022	7,150,000	9,042,497	(1,892,497)
	<u>\$ 36,998,000</u>	<u>\$ 20,759,535</u>	<u>\$ 16,238,465</u>

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.

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. In addition, certain amounts presented in the prior year data may have been reclassified in order to be consistent with the current year's presentation.

Minnesota Ballpark Authority
Hennepin County, Minnesota
Notes to Required Supplementary Information
December 31, 2022

B. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

The following changes were reflected in the valuation performed on behalf of the Public Employees Retirement Association for the fiscal year June 30:

General Employees Retirement Plan

2022 Changes

Changes in Actuarial Assumptions:

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

2021 Changes

Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

2020 Changes

Changes in Plan Provisions:

- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

Changes in Actuarial Assumptions:

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Employee Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the Pub-2010 General/Teacher Disabled Annuitant Mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Minnesota Ballpark Authority
Hennepin County, Minnesota
Notes to Required Supplementary Information
December 31, 2022

B. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions - Continued

2019 Changes

Changes in Plan Provisions:

- The employer supplemental contribution was changed prospectively, decreasing from \$31 million to \$21 million per year. The State's special funding contribution was changed prospectively, requiring \$16 million due per year through 2031.

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2017 to MP-2018.

2018 Changes

Changes in Plan Provisions:

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Postretirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1% per year through 2044 and 2.5% per year thereafter to 1.25% per year.

2017 Changes

Changes in Plan Provisions:

- The State's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2019 to 2031. The state's contribution changed from \$16,000,000 to \$6,000,000 in calendar years 2019 to 2031.

Changes in Actuarial Assumptions:

- The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0% for active member liability, 15% for vested deferred member liability and 3% for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1% per year for all years to 1% per year through 2044 and 2.50% per year thereafter.

Minnesota Ballpark Authority
Hennepin County, Minnesota
Notes to Required Supplementary Information
December 31, 2022

B. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions - Continued

2016 Changes

Changes in Actuarial Assumptions:

- The assumed post-retirement benefit increase rate was changed from 1% per year through 2035 and 2.50% per year thereafter to 1% per year for all years.
- The assumed investment return was changed from 7.90% to 7.50%. The single discount rate was changed from 7.90% to 7.50%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

2015 Changes

Changes in Plan Provisions:

- On January 1, 2015 the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of \$6 million, which meets the special funding situation definition, is due September 2015.

Changes in Actuarial Assumptions:

- The assumed post-retirement benefit increase rate was changed from 1% per year through 2030 and 2.50% per year thereafter to 1% per year through 2035 and 2.50% per year thereafter.