MINNESOTA BALLPARK AUTHORITY

Annual Financial Report

December 31, 2017

Minnesota Ballpark Authority Board of Commissioners

Margaret Anderson Kelliher, Chair

Paul D. Williams, Vice Chair

David Ybarra, Secretary

Joan Campbell, Treasurer

James R. Campbell

Executive Director, Daniel R. Kenney

Finance Coordinator, Brenda Juneau

Prepared by the Minnesota Ballpark Authority
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MINNESOTA BALLPARK AUTHORITY
Hennepin County, Minnesota

Minnesota Ballpark Authority
Hennepin County, Minnesota
2017 Annual Financial Report
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Hennepin County, Minnesota

Introductory Section

MINNESOTA BALLPARK AUTHORITY
Hennepin County, Minnesota

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November 19, 2018

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, 2017.

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, 2017. 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.

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. The Twins are responsible for all of 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 balance of $15,581,877 at the end of 2017. Use of these funds is restricted to CapEx work, which includes capital modifications, replacements or additions to the Ballpark. The first withdrawal from this account was in 2017 for installation of new LED lighting at the ballpark. The MBA Board authorized another $5,000,000 from this fund to support concourse expansion between Gate 29 and Gate 34, the addition of a new elevator and stairwell to provide a direct connection from the main concourse to the Metropolitan Club, and operable glass doors facing the field, with the team funding the remaining $9.2 million to complete the project. The construction was completed in 2018.

The MBA authorized the expenditure of $1,759,535 for a new LED light system at Target Field, to replace the outdated field lighting system. The new LED lighting is a high-efficiency system that includes a 20-year warranty.

The Twins invest additional funds in capital alterations each year. In 2017 the Twins reported investing another $2,437,311 in ballpark upgrades and improvements. The most significant of these improvements included moving the MBA office space to a different location and upgrades to the concession areas.

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 2017 annual contribution of $667,902 in Hennepin County for youth activities and amateur sports, which is $482,269 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 Silver certification in LEED for green facility operations and maintenance. Target Field was the first professional sports facility in the United States to receive LEED certification in both construction and facility operations. And in 2017 Target Field achieved LEED Gold certification in Existing Buildings: Operations and Maintenance; the first professional ports facility to earn this certification as well.

Some of the ballpark's green design elements include:

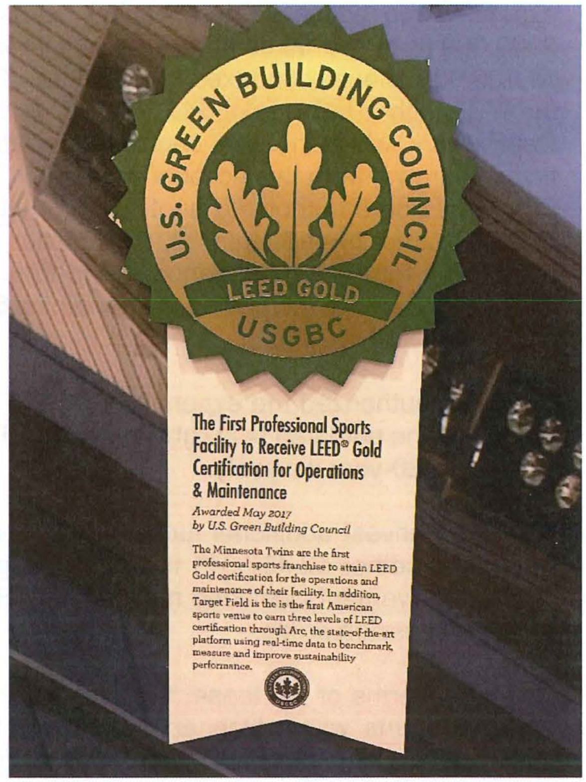
◊ Energy use reduction – achieved through high-efficiency field lighting, interior lighting and heating/cooling and ventilation equipment.

◊ Water use reduction – achieved through water-saving fixtures such as low-flow urinals and dual-flush toilets as well as a specially designed rain water filter system used to capture runoff, filter it and use it both to wash down the seating bowl and for irrigation.

◊ Game day recycling – Recyclable collection points stationed conveniently around Target Field keep an estimated 400 cubic yards of material over the course of a three-game home stand out of the solid waste stream. The Twins report that more than 8,256 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 or on foot. In 2014 Target Field Station opened just beyond Target Field's left field gate.

◊ Recycled materials – More than 30 percent of all installed materials are made up of recycled content, including the canopy structure, masonry blocks, the carpet and the foul poles.



The playing field is designed to capture rain water and recycle it. The Twins report to have captured, purified and reused more than 7,928,282 gallons of rainwater, reducing municipal water usage at Target Field. Most of the recycled water was used to wash down the seating bowl and the main concourse.

The Twins and their concession partner, Delaware North Sportservice, began donating unused food to local charities in 2011. In partnership with Rock and Wrap It Up! Inc., more than 10 tons of food is donated to local charities annually.

Around the Ballpark

The MBA and the Twins have always worked hard to make sure Target Field is one of the most transit-friendly sports facilities in the country. Since 2010 Target Field Station has served as the hub for the Blue Line and the Northstar Commuter Rail line. For walkers and bikers, the Cedar Lake Trail provides both pedestrian and bicycle access to the ballpark.

The MBA partners with other interested

stakeholders to ensure the creation of great public spaces and amenities that serve both the ballpark and this emerging area of downtown. The MBA became a Cooperating Agency with Hennepin County and Hennepin County Regional Railroad Authority to construct a second LRT platform outside the ballpark's left field gate. This second platform, known as Target Field Station, opened in 2014, with the METRO Green Line from St. Paul.

The expanded Target Field Station serves as a multi-modal transportation hub and community gathering place adjacent to the Ballpark, and provides an expanded area for fans utilizing public transportation to the games.

The public plaza includes a large public 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.

In 2015, the MBA Board authorized staff to execute a cooperative agreement with the City of Minneapolis to fund pedestrian lighting as part of the reconstruction of 6th Avenue North, a key connection between the ballpark and the North Loop neighborhood.

Budget

Budgets are adopted for general and special revenue funds on an annual basis, consistent with generally accepted accounting principles. A grant agreement between the MBA and Hennepin County calls for an annual budget request to be submitted to Hennepin County by August 1st of each year, for the term of up to 30 years. 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. The budget for these annual amounts, as outlined in the agreements, are also submitted annually to the County and Twins by August of each year.

More information on the budget process is described in the Notes to Required Supplementary Information on page 42.

Economic and Financial Condition

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

Local economy. Hennepin and Ramsey Counties, the geographic area in which the MBA is established, enjoys a favorable economic environment relative to the national economy, as shown in measurement of income and employment. The region has a strong employment base in medical device manufacturing, healthcare, and financial services that adds to its stability and contributes to an unemployment rate below national averages.

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

The MBA adopted a 2018 General Fund operating budget amount with a 0.7% decrease from the previous year budget. The lower cost for consulting services, legal services and insurance have decreased steadily over the past two years, allowing for less annual operating funds needed.

Cash management policies and practices. With the exception of a small percentage of funds held in money market funds and commercial paper, cash held by Hennepin County for the MBA is invested in AAA-rated to A-rated obligations of U.S. government sponsored enterprises and repurchase agreements with primary dealers. The County manages its exposure to fair value losses arising from market conditions by limiting its effective duration to six years or less, and by ensuring that it could hold investments to maturity if necessary. On December 31, 2017, the County's investment portfolio had an effective duration of 2.09 years. To manage credit risk, the County's general investment policy is to apply the prudent investor rule.

A portion of the MBA's restricted cash in the Capital Projects Fund is deposited in an account with U.S. Bank, National Association and subject to an agreement between the MBA and the Twins to provide for future Owner Controlled Insurance Program (OCIP) reimbursements.

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 9 to the basic financial statements.

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 financial reporting.

Respectfully submitted,

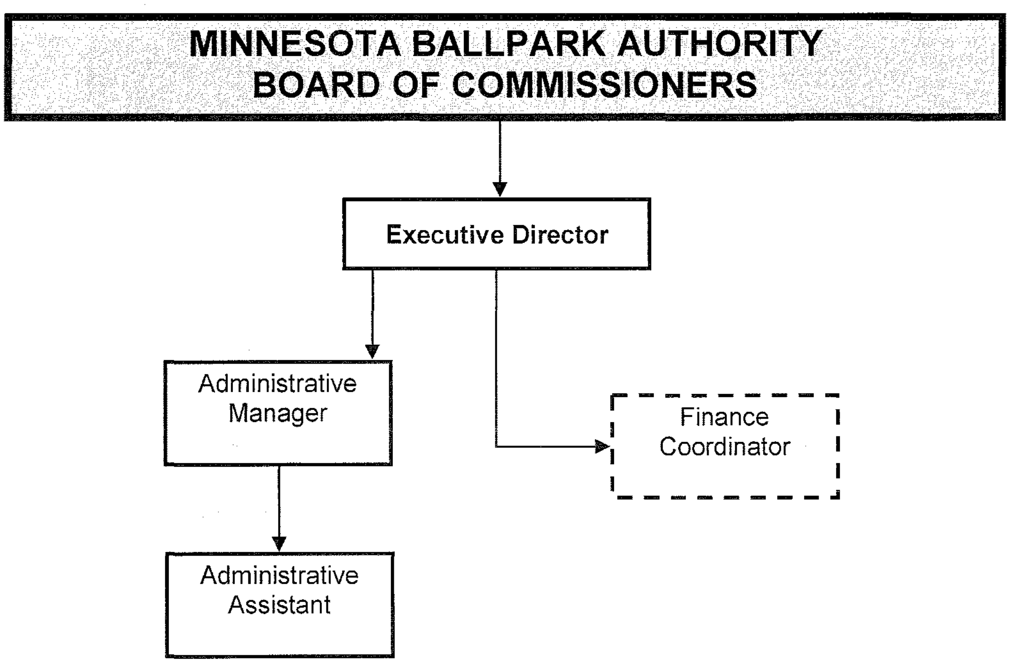
Daniel R. Kenney
Executive Director

Brenda Juneau
Finance Coordinator

Minnesota Ballpark Authority

Hennepin County, Minnesota

Organization Chart



——— *Represents Minnesota Ballpark Authority Employee*

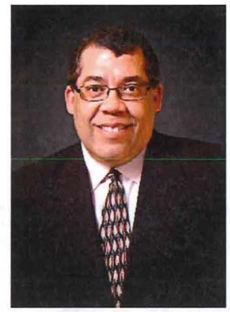
– – – – – *Represents Minnesota Ballpark Authority Contract Worker*

Minnesota Ballpark Authority
Hennepin County, Minnesota
Principal Officials 2017

Board of Commissioners

Margaret Anderson Kelliher, Chair

Paul D. Williams, Vice Chair



David Ybarra, Secretary

Joan Campbell, Treasurer

James R. Campbell

Executive Director:

Daniel R. Kenney

Financial Section

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Minnesota Ballpark Authority
Hennepin County, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Minnesota Ballpark Authority as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, as listed in the table of contents.

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

Auditor's Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Minnesota Ballpark Authority as of December 31, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Minnesota Ballparks Authority's basic financial statements. The introductory section as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2018, on our consideration of the Minnesota Ballpark Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Minnesota Ballpark 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 Minnesota Ballpark Authority's internal control over financial reporting and compliance.

REBECCA OTTO STATE AUDITOR	GREG HIERLINGER, CPA DEPUTY STATE AUDITOR

November 19, 2018

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, 2017. 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, 2017, the assets and deferred outflows of resources of the MBA exceeded its liabilities and deferred inflows of resources by $374,191,917 (net position). The largest of this amount, $350,001,189, was the investment in capital assets (building and infrastructure), and is not available for future spending. A total of $15,801,877 was restricted by specific statutory requirements or external commitments. The remainder consisted of unrestricted net position of $8,388,851. Restricted assets are limited to costs relating to future capital improvements of the new Minnesota Twins Ballpark and district enhancements.

- The MBA total net position, as reported in the Statement of Activities, decreased by $7,970,373 during 2017, compared to a decrease of $8,440,647 in 2016. The decrease mostly resulted from capital asset depreciation.

Fund Level

- At the end of the fiscal year 2017, the MBA's governmental funds reported total ending fund balances of $24,469,262, an increase of $868,801 from the prior year balance of $23,600,461. The increase in fund balance is a result of annual payments into the special revenue fund from Hennepin County and the Twins for future capital needs.

- At the end of this same period, unassigned fund balance for the General Fund was $1,067,832, which is slightly higher than the previous year balance of $1,054,560, due to savings in contracting costs.

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 similar to a private-sector business. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information about the MBA as a whole using the *economic resources measurement focus* and the *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 adjustments column in each of the basic financial statements.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The Notes can be found on pages 22 to 37 of this report.

Required Supplementary Information

Required supplementary information begins on page 38 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 2017 the MBA assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $374,191,917. The Statement of Net Position presents all of 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

		2017		2016
Current assets	$	24,523,308	$	23,891,162
Net capital assets		350,001,189		358,835,969
Total assets		374,524,497		382,727,131
Deferred outflows of resources		95,379		169,224
Current liabilities		49,279		296,596
Noncurrent liabilities		324,281		401,694
Total liabilities		373,560		698,290
Deferred inflows of resources		54,399		35,775
Net investment in capital assets		350,001,189		358,835,969
Restricted		15,801,877		15,316,028
Unrestricted		8,388,851		8,010,293
Total net position	$	374,191,917	$	382,162,290

The largest portion of MBA net position, $350,001,189, or 94%, 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. An additional portion of the MBA's net position, $15,801,877, represents resources that are subject to external restrictions on how they may be used. These restrictions are contained in the legislation establishing the MBA and also in various agreements with external parties partnering with the MBA on the capital improvements to the new ballpark and surrounding infrastructure. The remainder consists of unrestricted net position of $8,388,851.

In 2017 net position for the MBA decreased by $7,970,373. This decrease is a result of accumulated depreciation in 2017.

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 2017, compared to the prior year.

Changes in Net Position

Governmental Activities:	2017	2016
Revenues:		
Program revenues:		
Intergovernmental contributions	$ 1,223,515	$ 1,211,433
Investment earnings	144,497	50,139
Event revenue	254,562	157,452
Tenant rent	967,372	960,782
General revenues:		
Intergovernmental	660,118	641,564
Investment earnings	91,388	37,765
Other	73	
Total revenues	3,341,525	3,059,135
Expenses:		
MBA operating expenses	717,583	692,887
Depreciation	10,594,315	10,559,125
Plaza enhancements	-	247,770
Total expenses	11,311,898	11,499,782
Increase (decrease) in net position	(7,970,373)	(8,440,647)
Net position – beginning	382,162,290	390,602,937
Net position – ending	$ 374,191,917	$ 382,162,290

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 2017 fiscal year, MBA governmental funds reported combined ending fund balances of $24,469,262, an increase of $868,801 from the prior year. Of this combined amount, 4.4% or $1,067,832 constitutes unassigned fund balance. These resources are available for meeting ongoing operational responsibilities in the General Fund. Another $7,599,553 is assigned to indicate the MBA's intention to spend funds on district area enhancements, and $15,801,877, or 64.6%, is restricted.

The Capital Reserve Fund was established in 2010, as a Special Revenue Fund, consistent with provisions in the Ballpark Lease Agreement between the MBA and the Minnesota Twins. Hennepin County and the Twins contribute to this fund annually, per the Lease Agreement. The first of these contributions began in 2010, and the 2017 year end fund balance is $15,581,877. 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

	2017	2016	Increase (Decrease)	
Revenues:	Amount	Amount	Amount	Percent Change
Program revenues:				
Intergovernmental contributions	$ 1,223,515	$ 1,211,433	$ 12,082	1.0%
Investment earnings	144,497	50,139	94,358	188.2%
Event revenue	254,562	157,452	97,110	61.7%
Tenant rent	967,372	960,782	6,590	0.7%
General revenues:				
Intergovernmental	660,000	640,000	20,000	3.1%
Investment earnings (losses)	91,388	37,765	53,623	142.0%
Other	73	-	73	100.0%
Total revenues	$ 3,341,407	$ 3,057,571	$ 283,836	

Explanation of significant changes in revenue from previous year:

- The investment earnings, from Hennepin County's investment pool, for program revenues and general revenues in 2017 increased by $94,358 and $53,623 respectively. Interest earnings are a result of fluctuations in bond prices and yields. When combined with the calculation of realized gains and losses, investment earnings resulted in a net increase from the previous year.
- Event revenue increased due to the difference in attendance at Twins event venues in 2017.
- Intergovernmental revenue increased as a result of increased operating grant from Hennepin County.

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

	2017	2016	Increase (Decrease)	
	Amount	Amount	Amount	Percent Change
Expenditures:				
Current				
Culture and recreation				
Personal services	$ 406,460	$ 401,067	$ 5,393	1.3%
Commodities	1,954	12,988	(11,034)	(85.0%)
Contractual services	240,292	356,418	(116,126)	(32.6%)
Other	64,365	133,643	(69,278)	(51.8%)
Capital Outlay	1,759,535	-	1,759,535	100.0%
Total expenditures/expenses	$ 2,472,606	$ 904,116	$ 1,568,490	

Explanation of significant changes in expenditures from previous year:

- Commodities purchased in 2017 were $11,034 less than in 2016 due to replacement of carpeting in the office in 2016.
- The decrease in contractual services resulted mostly from lower cost of auditing, risk management and maintenance/repair costs in 2017.
- The decrease of $69,278 in other costs in 2017 is primarily due to a release of funds from the Owner Controlled Insurance Program (OCIP) to the Twins that happened in 2016.
- The increase in capital outlay is for an improvement project to install LED lighting on the playing field.

General Fund Budgetary Highlights

General Fund expenditures were $68,398 less than the budget of $725,000. Most of the difference is related to savings in annual directors insurance and lower cost of contractual services in the General Fund. No amendments were made to the 2017 General Fund Budget. The MBA made a grant request of Hennepin County in November less than budgeted, considering the expenses for the year were projected lower than budget.

CAPITAL ASSETS

Capital Assets

MBA investment in capital assets as of December 31, 2017, amounts to $350,001,189 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, and ballpark structure. During the fiscal year 2017, the MBA's investment in capital assets decreased $8,834,780 from the prior year's balance, as a result of depreciation.

Additional information on the MBA's capital assets can be found in Note 5, on page 30 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The MBA Board approved a 2018 General Fund budget reduction from the 2017 budget based on the lower costs for insurance and contractual services. The MBA's reliance on contractual services have decreased in recent years with less activity.

REQUESTS FOR INFORMATION

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

Minnesota Ballpark Authority
Hennepin County, Minnesota
Governmental Funds Balance Sheet and Statement of Net Position
December 31, 2017

	General Fund	Capital Reserve Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
ASSETS AND DEFERRED OUTFLOWS						
Current assets:						
Cash and investments	$ 1,089,856	$ -	$ 7,344,991	$ 8,434,847	$ -	$ 8,434,847
Restricted cash and investments	-	15,581,877	220,000	15,801,877	-	15,801,877
Accounts receivable	-	-	254,562	254,562	-	254,562
Prepaid items	-	-	-	-	32,022	32,022
Total current assets	1,089,856	15,581,877	7,819,553	24,491,286	32,022	24,523,308
Noncurrent assets:						
Capital assets:						
Land	-	-	-	-	40,475,894	40,475,894
Buildings	-	-	-	-	303,516,562	303,516,562
Land improvements	-	-	-	-	90,479,683	90,479,683
Furniture and equipment	-	-	-	-	23,293	23,293
Total capital assets	-	-	-	-	434,495,432	434,495,432
Less accumulated depreciation	-	-	-	-	(84,494,243)	(84,494,243)
Net capital assets	-	-	-	-	350,001,189	350,001,189
Total noncurrent assets	-	-	-	-	350,001,189	350,001,189
Total Assets	1,089,856	15,581,877	7,819,553	24,491,286	350,033,211	374,524,497
Deferred outflows of resources:						
Pension-related	-	-	-	-	95,379	95,379
Total assets and deferred outflows of resources	$ 1,089,856	$ 15,581,877	$ 7,819,553	$ 24,491,286	350,128,590	374,619,876
LIABILITIES						
Current liabilities:						
Accounts and contracts payable	$ 15,375	$ -	$ -	$ 15,375	-	15,375
Accrued liabilities	6,649	-	-	6,649	27,255	33,904
Total current liabilities	22,024	-	-	22,024	27,255	49,279
Noncurrent liabilities:						
Net Pension	-	-	-	-	324,281	324,281
Total liabilities	22,024	-	-	22,024	351,536	373,560
Deferred inflows of resources:						
Pension-related	-	-	-	-	54,399	54,399
FUND BALANCES/NET POSITION						
Fund balances:						
Restricted for:						
Ballpark capital	-	15,581,877	220,000	15,801,877	(15,801,877)	-
Assigned to:						
District enhancements	-	-	7,599,553	7,599,553	(7,599,553)	-
Unassigned	1,067,832	-	-	1,067,832	(1,067,832)	-
Total fund balances	1,067,832	15,581,877	7,819,553	24,469,262	(24,469,262)	-
Total liabilities and fund balances	$ 1,089,856	$ 15,581,877	$ 7,819,553	$ 24,491,286		
Net position:						
Investment in capital assets					350,001,189	350,001,189
Restricted for:						
Ballpark capital					15,801,877	15,801,877
Unrestricted					8,388,851	8,388,851
Total net position					$ 374,191,917	$ 374,191,917

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, 2017

Total Governmental Fund Balances	**$**	**24,469,262**
Total net position reported for governmental activities are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the funds.		350,001,189
Long-term obligations are not due and payable in the current period and therefore are not reported in the funds.		(27,255)
Other long-term assets that provide benefit for future periods are expensed in governmental funds.		32,022
Net pension liabilities and related deferred inflows and deferred outflows are not reported in the funds because the liability and related accounts are not due and payable in the current period.		(283,301)
Net Position - Governmental Activities	**$**	**374,191,917**

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, 2017

	General Fund	Capital Reserve Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
REVENUES						
Program revenues:						
Intergovernmental contributions	$ -	$ 1,223,515	$ -	$ 1,223,515	$ -	$ 1,223,515
Investment earnings	-	144,497	-	144,497	-	144,497
Event revenue	-	-	254,562	254,562	-	254,562
Tenant rent	-	967,372	-	967,372	-	967,372
General revenues:						
Intergovernmental	660,000	-	-	660,000	118	660,118
Investment earnings	9,801	-	81,587	91,388	-	91,388
Other	73	-	-	73	-	73
Total revenues	669,874	2,335,384	336,149	3,341,407	118	3,341,525
EXPENDITURES/EXPENSES						
Current						
Culture and recreation						
Personal services	406,460	-	-	406,460	4,517	410,977
Commodities	1,954	-	-	1,954	-	1,954
Contractual services	183,823	-	56,469	240,292	-	240,292
Depreciation	-	-	-	-	10,594,315	10,594,315
Other	64,365	-	-	64,365	(5)	64,360
Capital outlay	-	1,759,535	-	1,759,535	(1,759,535)	-
Total expenditures/expenses	656,602	1,759,535	56,469	2,472,606	8,839,292	11,311,898
Net change in fund balances/net position	13,272	575,849	279,680	868,801	(8,839,174)	(7,970,373)
FUND BALANCES/NET POSITION						
Beginning	1,054,560	15,006,028	7,539,873	23,600,461	358,561,829	382,162,290
Ending	$ 1,067,832	$ 15,581,877	$ 7,819,553	$ 24,469,262	$ 349,722,655	$ 374,191,917

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, 2017

Net change in governmental fund balances	**$**	**868,801**
Amounts reported for governmental activities in the statement of activities are different because:		
Expenses reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in governmental funds. This is the change in compensated absences and expenses related to net pension liability.		(4,517)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		118
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Expenditures for general capital assets, infrastructure and other related capital assets adjustments		1,759,535
Less current year depreciation		(10,594,315)
Some expenses reported in the statement of activities did not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Change in prepaid items		5
Change in Net Position - Governmental Activities	**$**	**(7,970,373)**

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

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 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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

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

Statement of Net Position – This statement is designed to display the financial position of the MBA. The MBA reports all capital assets, including infrastructure, and long-term liabilities, such as accrued leave. The net position of the MBA is broken down into three categories: 1) 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 2017, the MBA received program revenues in the form of contributions to be used for the capital improvement of the ballpark. Other items not properly included among program revenues are reported as general revenues. Just as the statement of net position includes all capital assets, the statement of activities includes depreciation expense.

Fund Financial Statements

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

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.

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 Equity

Cash and Investments

The MBA's cash in the General Fund, Special Revenue Fund and majority of the Capital Projects Fund is deposited in pooled accounts with Hennepin County. Cash is invested by Hennepin County 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.

Hennepin County obtains 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. The fair value of investments is determined annually and is based on quoted market prices. State law authorizes Hennepin County to invest in the following instruments:

- U.S. government and agency issues
- Money market funds
- Repurchase agreements
- Reverse repurchase agreements
- Certificates of deposit
- General obligations of state, local, and housing finance agencies that are rated "A" or better by a national bond rating service
- Revenue obligations of any state or local government that are rated "AA" or better by a national bond rating service
- Bankers acceptances
- Commercial paper
- Futures contracts
- Guaranteed investment contracts
- Options
- Shares of certain investment companies

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

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 expenses when consumed, rather than purchased.

OCIP Reimbursement Account

When it was determined that completion of all ballpark construction had occurred and all legally owing costs paid or provided for, the MBA and the Minnesota Twins, LLC authorized final distribution of all funds remaining in the accounts established under the Construction Funds Trust Agreement. This included distribution of a portion of such funds into a newly established account for the exclusive use of future reimbursement liabilities, as they become due, under the owner controlled insurance program (OCIP). Insurance costs are a shared responsibility allocated 81.25% to the Team and 18.75% to the Authority. The account is a non-interest bearing account held in the Team's name. The OCIP allows for gradual reductions over time. Any funds remaining at the close of this account will be distributed in the proportionate share of allocated responsibility to the MBA and the Minnesota Twins, LLC.

Receivables and Payables

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

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

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 fixtures is 3 to 10 years.

Employee Compensated Absences

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

Accumulated leave time is reported as an expense and an accrued liability as the benefits accrue to employees in the government-wide financial statements. All amounts accrued at December 31 are expected to be used in the following year.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

Fund Balance and Net Position

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

- Nonspendable – amounts that cannot be spent because they are not in spendable form (such as 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 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. Plan investments are reported at fair value.

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 position that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure/expense) until then. The MBA has one item, deferred pension obligations outflows, that meets criteria for reporting in this category. These outflows arise only under the full accrual basis of

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

accounting and consist of pension plan contributions paid subsequent to the measurement date, changes in actuarial assumptions, pension plan changes in proportionate share, differences between expected and actual pension plan economic experience, and also the differences between projected and actual earnings on pension plan investment and, accordingly, are reported only in the statement of net position.

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 position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The MBA has one item, deferred pension obligations inflows, that qualifies for reporting in this category. These inflows arise only under the full accrual basis of accounting and consist of differences between expected and actual pension plan economic experience, changes in actuarial assumptions, and also pension plan changes in proportionate share and, accordingly, are reported only in the statement of net position.

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.

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:

		2017
Governmental activities capital assets	$	434,495,432
Governmental activities accumulated depreciation		(84,494,243)
Total Capital Assets Reconciliation Item	$	350,001,189

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

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

		2017
Compensated absences - Expenses reported in the statement of activities that do not require the use of current financial resources	$	(27,255)
Prepaid items represent governmental fund insurance premiums which benefit future periods	$	32,022
Recognition of pension-related activity that only relates to future periods	$	(283,301)

3. DEPOSITS AND INVESTMENTS

Deposits

As of December 31, 2017, the MBA had $24,016,724 on deposit with Hennepin County. It is Hennepin County's policy to follow Minnesota Statute 118A.03, which states that to the extent that funds deposited are in excess of available federal deposit insurance, the County must require the financial institution to furnish collateral security or a corporate surety bond. All collateral must be placed in safekeeping in a restricted account at a Federal Reserve Bank, or in an account at a trust department of a commercial bank or other financial institution not owned or controlled by the financial institution furnishing the collateral. The bank balance at Hennepin County 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.

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, 2017, none of the MBA's investments was 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, 2017, none of the MBA's investments was subject to credit risk.

3. DEPOSITS AND INVESTMENTS - CONTINUED

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

For deposit and investment purposes, most of 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, 2017, the County had 78% of investments invested in U.S. government and agency issues, 8% in repurchase agreements, 5% in commercial paper and 9% invested in money market funds. Detailed information about the County's deposits with financial institutions, repurchase agreements, interest rate risk, credit risk, concentration of credit risk, and custodial credit risk can be obtained directly from the County's 2017 Comprehensive Annual Financial Report. Investment earnings (losses) are allocated based on average monthly cash 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.

	2017
Investment income and realized gains and losses	$ 275,598
Net decrease in the fair value of investments	(39,713)
Total Investment Earnings	$ 235,885

Fair Value Measurements

GASB Statement No. 72, *Fair Value and Measurement and Application*, provides guidance for measuring investments at fair value and the fair value hierarchy. The MBA's investments are included in the Hennepin County investment pool. Hennepin County has categorized its investments based on the priority of the valuation inputs into 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 2017 Comprehensive Annual Financial Report.

4. LONG-TERM OBLIGATIONS

Changes in long-term obligations for the year ended December 31, 2017, are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Compensated Absences	$37,912	$27,255	$37,912	$27,255	$27,255

5. CHANGES IN PROPERTY AND EQUIPMENT

Capital asset activity for the year ended December 31, 2017, was as follows:

	Balance January 1, 2017	Additions and Transfers In	Retirements and Transfers Out	Balance December 31, 2017
Capital assets not being depreciated:				
Land	$ 40,475,894	$ -	$ -	$ 40,475,894
Total capital assets not depreciated	40,475,894	-	-	40,475,894
Capital assets being depreciated:				
Buildings	301,757,027	1,759,535	-	303,516,562
Furniture and equipment	23,293	-	-	23,293
Land improvements	90,479,683	-	-	90,479,683
Total capital assets being depreciated	392,260,003	1,759,535	-	394,019,538
Less accumulated depreciation for:				
Buildings	(42,213,083)	(6,070,331)	-	(48,283,414)
Furniture and equipment	(23,292)	-	-	(23,292)
Land improvements	(31,663,553)	(4,523,984)	-	(36,187,537)
Total accumulated depreciation	(73,899,928)	(10,594,315)	-	(84,494,243)
Total capital assets being depreciated, net	318,360,075	(8,834,780)	-	309,525,295
Total Capital Assets, Net	$ 358,835,969	$ (8,834,780)	$ -	$ 350,001,189

6. 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.

7. 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. Government-wide restricted net position at December 31, 2017, total $15,801,877.

8. LEASE

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

LEASE REVENUE

Year	Base Rent	Additional Rent	Total
2018	600,000	300,000	900,000
2019	600,000	300,000	900,000
2020	600,000	300,000	900,000
2021	600,000	300,000	900,000
2022	600,000	300,000	900,000
2023 - 2027	3,000,000	1,500,000	4,500,000
2028 - 2032	3,000,000	1,500,000	4,500,000
2033 - 2037	3,000,000	1,500,000	4,500,000
2038 - 2039	1,200,000	600,000	1,800,000
Total	**13,200,000**	**6,600,000**	**19,800,000**

9. RISK MANAGEMENT

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

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

10. EMPLOYEE RETIREMENT SYSTEMS

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

Plan Description

All full-time employees of the MBA are covered by a defined benefit pension plan administered by the PERA. PERA administers the General Employees Retirement Plan, which is a cost-sharing, multiple-employer retirement plan. The 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 (accounted for in the General Employees Fund) has multiple benefit structures with members belonging to the Coordinated Plan, the Basic Plan, or the Minneapolis Employees Retirement Fund. Coordinated Plan members are covered by Social Security and Basic Plan and Minneapolis Employees Retirement Fund members are not. The Basic Plan was closed to new members in 1967. The Minneapolis Employees Retirement Fund was closed to new members during 1978 and merged into the General Employees Retirement Plan in 2015. All new members must participate in the Coordinated Plan, for which benefits vest after five years of credited service.

Benefits Provided

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefit provisions are established by state statute and can be modified only by the state legislature. Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Benefit recipients receive a future annual 1.0 percent post-retirement benefit increase. If the funding ratio reaches 90 percent for two consecutive years, the benefit increase will revert to 2.5 percent. If, after reverting to a 2.5 percent benefit increase, the funding ratio declines to less than 80 percent for one year or less than 85 percent for two consecutive years, the benefit increase will decrease to 1.0 percent.

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

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for General Employees Retirement Plan Coordinated and Basic Plan members. Members hired prior to July 1, 1989, receive the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years of service and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. Only Method 2 is used for members hired after June 30, 1989.

For General Employees Retirement Plan 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. Disability benefits are available for vested members and are based on years of service and average high-five salary.

10. EMPLOYEE RETIREMENT SYSTEMS - CONTINUED

Contributions

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minnesota Statutes Chapter 353.

These statutes are established and amended by the state legislature. General Employees Retirement Plan Basic members and Coordinated members were required to contribute 9.10 percent and 6.50 percent, respectively, of their annual covered salary in 2017.

In 2017, the MBA was required to contribute the following percentages of annual covered salary:

General Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	7.50

The employee and employer contribution rates did not change from the previous year.

The MBA's contributions for the General Employees Retirement Plan for the year ended December 31, 2017, were $ 23,477. The contributions are equal to the contractually required contributions as set by state statute.

Pension Costs

At December 31, 2017, the MBA reported a liability of $324,281 for its proportionate share of the General Employees Retirement Plan's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The MBA's proportion 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, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the MBA's proportion was 0.005 percent, which was the same proportion measured as of June 30, 2016. For the year ended December 31, 2017, the MBA recognized pension expense of $38,650 for its proportionate share of the General Employees Retirement Plan's pension expense.

The MBA also recognized $118 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's contribution to the General Employees Retirement Plan, which qualifies as a special funding situation. Legislation requires the State of Minnesota to contribute $6 million to the General Employees Retirement Plan for the fiscal year ended June 30, 2017.

10. EMPLOYEE RETIREMENT SYSTEMS - CONTINUED

MBA's proportionate share of the net pension liability	$	324,281
State of Minnesota's proportionate share of the net pension liability associated with the MBA	$	4,077
Total	$	328,358

The MBA reported its proportionate share of the General Employees Retirement Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

		Deferred Outflows of Resources		Deferred Inflows of Resources
Differences between expected and actual economic experience	$	10,687	$	20,379
Changes in actuarial assumptions		52,435		32,509
Difference between projected and actual investment earnings		775		-
Changes in proportion		20,006		1,511
Contributions paid to PERA subsequent to the measurement date		11,476		-
Total	$	95,379	$	54,399

The $11,476 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, 2018. 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
2018	$	18,796
2019		24,674
2020		(201)
2021		(13,765)

Actuarial Assumptions

The total pension liability in the June 30, 2017, actuarial valuation was determined using the individual entry-age normal actuarial cost method and the following additional actuarial assumptions:

Inflation	2.50 % per year
Active member payroll growth	3.25 % per year
Investment rate of return	7.50 %

10. EMPLOYEE RETIREMENT SYSTEMS - CONTINUED

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants in the General Employees Retirement Plan were based on RP-2014 tables for males or females, as appropriate, with slight adjustments. The cost of living benefit increases for retirees are assumed 1.0 percent through 2044, and 2.5 percent thereafter.

Actuarial assumptions used in the June 30, 2017, valuation were based on the results of actuarial experience studies. The experience study for the General Employees Retirement Plan was dated June 30, 2015.

The long-term expected rate of return on pension plan investments is 7.5 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis 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 arithmetic 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 stocks	39%	5.10%
International stocks	19%	5.30%
Bonds	20%	0.75%
Alternative assets	20%	5.90%
Cash	2%	0.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent in 2017, which remained consistent with 2016. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the fiduciary net position of the General Employees Retirement Plan was projected to be available to make all projected future benefit payments of current active and inactive employees. 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.

10. EMPLOYEE RETIREMENT SYSTEMS - CONTINUED

Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred in 2017:

General Employees Retirement Plan

- The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members (30 percent for deferred Minneapolis Employees Retirement Fund members). The revised CSA loads are now 0.0 percent for active member liability, 15 percent for vested deferred member liability, and 3.0 percent for non-vested deferred member liability.

- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

- Minneapolis Employees Retirement Fund plan provisions change the employer supplemental contribution to $21,000,000 in calendar years 2017 and 2018 and returns to $31,000,000 through calendar year 2031. The state's required contribution is $16,000,000 in PERA's fiscal years 2018 and 2019 and returns to $6,000,000 annually through calendar year 2031.

Pension Liability Sensitivity

The following presents the MBA's proportionate share of the net pension liability calculated using the discount rate disclosed in the preceding paragraph, as well as what the MBA's proportionate share of the net pension liability would be if it were calculated using a discount rate 1.0 percentage point lower or 1.0 percentage point higher than the current discount rate:

	Proportionate Share of the General Employees Retirement Plan	
	Discount Rate	Net Pension Liability
1% Decrease	6.50%	$ 502,983
Current	7.50	324,281
1% Increase	8.50	177,980

Pension Plan Fiduciary Net Position

Detailed information about the 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; by writing to PERA at 60 Empire Drive, Suite 200, St. Paul, Minnesota 55103-2088; or by calling 651-296-7460 or 1-800-652-9026.

11. NEW ACCOUNTING PRONOUNCEMENTS

Accounting Standards Not Yet Adopted

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, revised and established new financial reporting requirements for governments that provide their employees with benefits such as postemployment healthcare benefits. Among other requirements, Statement No. 75 required the recognition of the full actuarially-determined liability, rather than continuing to allow recognition over a period not-to-exceed 30 years. This statement will be effective for the MBA on January 1, 2018.

GASB Statement No. 83, *Certain Asset Retirement Obligations*, requires the recognition of a liability when certain legal obligations exist to perform future asset retirement activities. This statement is effective for the MBA on January 1, 2019.

GASB Statement No. 84, *Fiduciary Activities*, will be effective for the MBA on January 1, 2019. This Statement establishes criteria for identifying fiduciary activities of all state and local governments.

GASB Statement No. 85, *Omnibus 2017*, will be effective for the MBA on January 1, 2018. This Statement addresses a variety of topics including blending of component units, fair value measurement and application, and postemployment benefits.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, will be effective for the MBA on January 1, 2018. This Statement will require additional disclosures regarding debt that has been defeased in substance.

GASB Statement No. 87, *Leases*, requires government lessees to recognize lease liabilities and an 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. This Statement will be effective for the MBA on January 1, 2020.

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

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, 2017

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%

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 Proportionate Share of Net Pension Liability
PERA General Employees Retirement Plan
December 31, 2017

Measurement Date	MBA's Proportion of the Net Pension Liability (Asset)	MBA's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with the MBA (b)	Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b)	MBA Covered Payroll (c)	MBA's Proportionate Share of the Net Pension Liability (Asset) 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	87.92%	78.19%
2016	0.005%	$ 401,694	$ 5,246	$ 406,940	$ 307,002	130.84%	68.91%
2017	0.005%	$ 324,281	$ 4,077	$ 328,358	$ 327,215	99.10%	75.90%

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, 2017
With Comparative Actual Amounts for the Year Ended December 31, 2016

	2017				
	Budgeted Amounts				
	Original	Final	Actual	Variance with Final Budget	2016 Actual
REVENUES					
Intergovernmental	$ 725,000	$ 725,000	$ 660,000	$ (65,000)	$ 640,000
Investment earnings	-	-	9,801	9,801	4,203
Other	-	-	73	73	-
Total revenues	725,000	725,000	669,874	(55,126)	644,203
EXPENDITURES					
Current					
Culture and recreation					
Personal services	430,350	430,350	406,460	23,890	401,067
Commodities	6,900	6,900	1,954	4,946	12,988
Contractual services	214,250	214,250	183,823	30,427	191,125
Other	73,500	73,500	64,365	9,135	51,166
Total expenditures	725,000	725,000	656,602	68,398	656,346
Net change in fund balance	-	-	13,272	$ 13,272	(12,143)
Fund Balance - Beginning	1,054,560	1,054,560	1,054,560		1,066,703
Fund Balance - Ending	$ 1,054,560	$ 1,054,560	$ 1,067,832		$ 1,054,560

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, 2017
With Comparative Actual Amounts for the Year Ended December 31, 2016

	2017				
	Budgeted Amounts				
	Original	Final	Actual	Variance with Final Budget	2016 Actual
REVENUES					
Intergovernmental contributions	$ 1,224,000	$ 1,224,000	$ 1,223,515	$ (485)	$ 1,211,433
Investment earnings	50,000	50,000	144,497	94,497	50,139
Tenant rent	968,000	968,000	967,372	(628)	960,782
Total revenues	2,242,000	2,242,000	2,335,384	93,384	2,222,354
EXPENDITURES					
Capital outlay	2,242,000	2,242,000	1,759,535	482,465	-
Total expenditures	2,242,000	2,242,000	1,759,535	482,465	-
Net change in fund balance	-	-	575,849	$ 575,849	2,222,354
Fund Balance - Beginning	15,006,028	15,006,028	15,006,028		12,783,674
Fund Balance - Ending	$ 15,006,028	$ 15,006,028	$ 15,581,877		$ 15,006,028

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, 2017

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 in December of the previous year. All annual appropriations lapse at year-end to the extent that they have not been expended or encumbered. The MBA maintains a budgetary control system that compares actual revenues and expenditures to budgeted amounts.

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

Comparative Data and Reclassifications

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

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

2017

- The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members (30 percent for deferred Minneapolis Employees Retirement Fund members). The revised CSA loads are now 0.0 percent for active member liability, 15 percent for vested deferred member liability, and 3.0 percent for non-vested deferred member liability.

- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

- Minneapolis Employees Retirement Fund plan provisions change the employer supplemental contribution to $21,000,000 in calendar years 2017 and 2018 and returns to $31,000,000 through calendar year 2031. The state's required contribution is $16,000,000 in PERA's fiscal years 2018 and 2019 and returns to $6,000,000 annually through calendar year 2031.

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

2016

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter, to 1.00 percent for all future years.

- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was also changed from 7.90 percent to 7.50 percent.

- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

MINNESOTA BALLPARK AUTHORITY
Hennepin County, Minnesota