



MBA Audit Committee Meeting Minutes – August 20, 2010

Chair Michael Vekich called to order the meeting of the MBA Audit Committee for August 20, 2010 at 10:00 a.m. Commissioner Joan Campbell was present. Commissioner John Wade was absent.

Commissioner Campbell moved approval of the agenda, seconded by Chair Vekich and approved unanimously – 2 YEAS, 0 NAYS.

APPROVED

Audit Exit Meeting with State Auditor's Office

Mike Hance, Staff Specialist from the Minnesota State Auditor's office presented the required communication letter of the MBA financial statements for the year ended December 31, 2009. Mr. Hance said that the State Auditor's office performs tests of the MBA's compliance with certain provisions of laws, regulations, contracts, and grants. However, their objective is not to provide an opinion on compliance with provisions. They also view the Comprehensive Annual Financial Report (CAFR) to determine if there are inconsistencies in representation. Nothing came to their attention that is materially inconsistent with the financial statements.

No significant difficulties were encountered in dealing with management in performing their audit.

Mr. Hance reviewed the report titled "Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*." He discussed the issue of capital assets allocated to the Minnesota Twins. Deloitte, LLP will be issuing a report in the next month or two regarding this allocation. The State Auditor's office has requested a copy of the report, as well as the backup documentation to support the capital assets allocated and their related historical costs.

Corrected and Uncorrected Misstatements

There were none to report.

Schedule of Findings and Recommendations

No material audit adjustments were identified during the 2009 audit.

Internal Control Over Financial Reporting and Compliance

Mr. Hance stated that the State Auditor's office does not express an opinion on the effectiveness of the Authority's internal control over financial reporting. They did not identify any deficiencies in internal control over financial reporting. The results of their tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Minnesota Legal Compliance

Mr. Hance stated that anytime a government entity is audited by the State Auditor's office they conduct the audit in accordance with the Minnesota Legal Compliance Audit guide for local government and the results indicate that the MBA complied with the six categories of compliance as stated in this guide.

Resolutions

Resolution No. 10-MBA-C

Purpose:

To authorize the Executive Director to submit the proposed 2011 MBA operating and capital improvement budget to Hennepin County.

Background:

The Grant Agreement between the Minnesota Ballpark Authority and Hennepin County requires that by August of each calendar year, the Authority shall submit a proposed operating and capital improvement budget to the County and a request that the County make a grant for a designated amount of such costs. Unless waived by the County, the Authority's requests shall recur annually up through the year prior to the expiration of the initial term of the Use Agreement.

Attached is the MBA proposed operating budget for 2011. The total proposed budget represents \$842,000 less in expenditures than the 2010 budget, or a 34.9% decrease. The completion of ballpark design and construction activities is the biggest change driving this decrease. The MBA is requesting revenue from Hennepin County Sales Tax to cover a budget of \$1,566,000.

Per the Grant Agreement, Hennepin County agrees to make annual payments for 30 years into a restricted fund for ballpark Capital Improvement Expenses. The required annual share shall be \$1,100,000 in the first year and shall escalate by an inflation factor thereafter.

The inflation factor is defined in the Ballpark Lease Agreement as an annual CPI increase. This is defined as an increase calculated in the index known as the US Department of Labor Bureau of Labor Statistics, Consumer Price Index, All Urban Consumers, United States City Average, All items. As calculated for the period beginning January 2010 through July 2010, the CPI increase is 0.2%.

Action Requested:

BE IT RESOLVED that the Minnesota Ballpark Authority Audit Committee authorizes the Executive Director to submit the proposed 2011 MBA operating budget to Hennepin County, requesting a grant of \$1,566,000 from Hennepin County Ballpark Sales Tax.

BE IT FURTHER RESOLVED that the Minnesota Ballpark Authority Audit Committee authorizes the Executive Director to request the annual capital improvement contribution from Hennepin County Ballpark Sales Tax in the amount of \$1,102,200.

APPROVED

Resolution No. 10-MBA-D

Purpose:

To authorize the Executive Director to proceed with negotiations and execution of an agreement with Hennepin County to serve as fiscal/depository agent and investment financial advisor for the Minnesota Ballpark Authority.

Background:

The ballpark project has now transitioned from construction to operations, and the Ballpark Lease between the Minnesota Ballpark Authority and the Minnesota Twins provides that an account in the name of the Minnesota Ballpark Authority be established with a national bank or other mutually-agreeable fiscal agent for the Ballpark's Capital Reserve Fund.

The Ballpark Authority will also have funds on hand in the form of interest income remaining after the Construction Trust is terminated, the final ballpark and infrastructure costs are paid and the construction project is closed-out.

In preparation of these changes in financial arrangements, and financial management needs, the MBA Board approved RFP's for solicitation of Financial Advisor Services and for Escrow, Depository and Fiscal Agent Services. RFP's were sent out and proposals were due in the MBA office by 4:30 p.m. on July 30th.

The MBA received six responses for financial advisory services and three responses for escrow, depository and fiscal agent services. After extensive review of the proposals by MBA staff and the Audit Committee Chair, it is recommended the MBA Audit Committee authorize negotiations with Hennepin County for escrow/depository services and as financial advisor. Hennepin County's proposal offers the highest yield, with constant liquidity, for the lowest cost to the MBA.

Action Requested:

BE IT RESOLVED that the Minnesota Ballpark Authority Audit Committee authorizes the Executive Director to proceed with negotiations and execution of an agreement with Hennepin County to serve as fiscal/depository agent and investment financial advisor for the Minnesota Ballpark Authority.

APPROVED

Resolution No. 10-MBA-E

Purpose:

To approve a Statement of Investment Objectives and Policies for the Minnesota Ballpark Authority.

Background:

The Agreement and Declaration of Trust for Ballpark Construction Funds Trust outlines details for termination of the trust, after completion of ballpark, site and infrastructure costs have been paid. After this time, the MBA will establish accounts for the Ballpark's Capital Reserve Fund and the MBA Reserve Account.

In preparation for this, the MBA must plan for investment of future assets. A written policy will protect MBA assets by identifying investment objectives, addressing the issues of investment risks versus rewards, and providing framework for the establishment of controls, limitations and responsibilities of MBA employees and consultants in the performance of their fiduciary responsibilities.

MBA staff has prepared the attached Statement of Investment Objectives and Policies, which has been further reviewed by legal counsel and the MBA Audit Committee Chair. The policy includes guidelines for maintaining the MBA's investment portfolio. The basic premise underlying the Investment Objectives and Policies is to ensure that money is always available when needed while yielding the safest and highest yield on investments.

Action Requested:

BE IT RESOLVED that the Minnesota Ballpark Authority Audit Committee hereby approves the attached Statement of Investment Objectives and Policies.

APPROVED

There being no further business, Chair Vekich moved to adjourn. The meeting of the MBA Audit Committee for August 20, 2010 was adjourned at 10:30 a.m.