

Disclaimer

The Hennepin County Housing and Redevelopment Authority (HCHRA) Financial Statements contained on the County's web pages are historical information as of December 31, 2021. The information in the Financial Statements has not been updated for developments subsequent to the date of the independent auditor's report.

The County has taken reasonable security measures to protect the integrity of its website and information posted thereon. However, no web site can fully ensure against infiltration. Absent any unauthorized act that deletes, edits, or somehow manipulates the words or data, this publication represents the presentation of the HCHRA's Financial Statements dated December 31, 2021.

This online document has been formatted for two-sided printing.



**HENNEPIN COUNTY
HOUSING AND REDEVELOPMENT AUTHORITY**
(A Component Unit of Hennepin County, Minnesota)



Financial Statements

December 31, 2021

(With Independent Auditors' Report Thereon)



Hennepin County Housing and Redevelopment Authority
A Component Unit of Hennepin County, Minnesota
2021 Financial Statements Table of Contents

| | <u>Page</u> |
|---|-------------|
| <u>Introductory Section</u> | |
| Principal Officials | 1 |
| <u>Financial Section</u> | |
| Independent Auditors' Report | 3 |
| Governmental Fund Balance Sheet and Statement of Net Position | 6 |
| Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance and Statement of Activities | 7 |
| Statement of General Fund Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual | 8 |
| Notes to the Financial Statements | 9 |
| <u>Supplementary Information</u> | |
| General Fund Balance Sheet | 16 |
| Schedule of General Fund Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual | 17 |



Hennepin County Housing and Redevelopment Authority
A Component Unit of Hennepin County, Minnesota
Principal Officials 2021

Board of Commissioners:

Chris LaTondresse, Chair

Debbie Goettel, Vice Chair

Irene Fernando, Secretary

Jeff Lunde

Marion Greene

Angela Conley

Kevin Anderson

Executive Director:

David J. Hough





RSM US LLP

Independent Auditor's Report

Hennepin County Housing and Redevelopment Authority
Hennepin County, Minnesota

Opinions

We have audited the financial statements of the governmental activities and the major fund of Hennepin County Housing and Redevelopment Authority (HCHRA), a component unit of Hennepin County, Minnesota, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the HCHRA's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Hennepin County Housing and Redevelopment Authority, as of December 31, 2021, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the HCHRA's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the HCHRA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the HCHRA's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Management has omitted Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not modified by this missing information.

Supplementary Information

Our audit for the year ended December 31, 2021, was conducted for the purpose of forming opinions on the financial statements that collectively comprise the HCHRA's basic financial statements. The accompanying supplementary information, as listed in the table of contents, for the year ended December 31, 2021, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information, as listed in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole for the year ended December 31, 2021.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the HCHRA as of and for the year ended December 31, 2020 (not presented herein), and have issued our report thereon dated August 30, 2021, which contained unmodified opinions on the respective financial statements of the governmental activities and the major fund. The accompanying supplementary information, as listed in the table of contents, for the year ended December 31, 2020, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the 2020 financial statements. The information was subjected to the audit procedures applied in the audit of the 2020 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2020 accompanying supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended December 31, 2020.

RSM US LLP

Minneapolis, Minnesota
September 1, 2022

Hennepin County Housing and Redevelopment Authority
A Component Unit of Hennepin County, Minnesota
Governmental Fund Balance Sheet and Statement of Net Position
December 31, 2021

| | General Fund | Adjustments (Note 1) | Statement of Net Position |
|--|----------------------|-------------------------|------------------------------|
| ASSETS | | | |
| Current Assets: | | | |
| Interest in County investment pool | \$ 31,021,270 | \$ - | \$ 31,021,270 |
| Delinquent taxes receivable, net | 92,107 | - | 92,107 |
| Due from other governmental agencies | 52,624 | - | 52,624 |
| Accounts receivable | 181,980 | - | 181,980 |
| Prepaid items | 243,842 | - | 243,842 |
| Land held for resale | 3,933,789 | (2,385,689) | 1,548,100 |
| Restricted cash and investments | 1,230,226 | - | 1,230,226 |
| | <u>36,755,838</u> | <u>(2,385,689)</u> | <u>34,370,149</u> |
| Noncurrent Assets: | | | |
| Notes receivable, net | 5,187,452 | - | 5,187,452 |
| Land held for resale, net of current portion | - | 2,385,689 | 2,385,689 |
| Capital Assets: | | | |
| Land | - | 11,464,095 | 11,464,095 |
| Buildings | - | 26,528,557 | 26,528,557 |
| Less accumulated depreciation | - | (10,661,328) | (10,661,328) |
| Net capital assets | <u>-</u> | <u>27,331,324</u> | <u>27,331,324</u> |
| Total Noncurrent Assets | <u>5,187,452</u> | <u>29,717,013</u> | <u>34,904,465</u> |
| Total Assets | <u>\$ 41,943,290</u> | <u>\$ 27,331,324</u> | <u>\$ 69,274,614</u> |
| LIABILITIES | | | |
| Current Liabilities: | | | |
| Accounts and contracts payable | \$ 1,268,510 | \$ - | \$ 1,268,510 |
| Unearned revenue | 433,945 | - | 433,945 |
| Note payable | - | 518,092 | 518,092 |
| | <u>1,702,455</u> | <u>518,092</u> | <u>2,220,547</u> |
| Noncurrent Liabilities: | | | |
| Note payable, net of current portion | - | 1,754,276 | 1,754,276 |
| Total Liabilities | <u>1,702,455</u> | <u>2,272,368</u> | <u>3,974,823</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unavailable revenue - property taxes | 70,107 | (70,107) | - |
| Unavailable revenue - intergovernmental | 100,595 | (100,595) | - |
| Total Deferred Inflows of Resources | <u>170,702</u> | <u>(170,702)</u> | <u>-</u> |
| FUND BALANCES/NET POSITION | | | |
| Fund Balances: | | | |
| Nonspendable | 4,177,631 | (4,177,631) | - |
| Restricted | 1,057,525 | (1,057,525) | - |
| Committed | 23,154,087 | (23,154,087) | - |
| Unassigned | 11,680,890 | (11,680,890) | - |
| Total Fund Balances | <u>40,070,133</u> | <u>(40,070,133)</u> | <u>-</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | <u>\$ 41,943,290</u> | | |
| Net Position: | | | |
| Net investment in capital assets | | 25,058,956 | 25,058,956 |
| Restricted for low income housing and economic development | | 1,057,525 | 1,057,525 |
| Unrestricted | | 39,183,310 | 39,183,310 |
| Total Net Position | | <u>\$ 65,299,791</u> | <u>\$ 65,299,791</u> |

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

Hennepin County Housing and Redevelopment Authority
A Component Unit of Hennepin County, Minnesota
**Statement of Governmental Fund Revenues, Expenditures,
and Changes in Fund Balance and Statement of Activities**
For the Year Ended December 31, 2021

| | General Fund | Adjustments (Note 1) | Statement of Activities |
|-----------------------------------|----------------------|-------------------------|----------------------------|
| REVENUES | | | |
| Property taxes | \$ 16,281,982 | \$ 9,903 | \$ 16,291,885 |
| Intergovernmental | 986,637 | 437,648 | 1,424,285 |
| Investment earnings (losses) | (160,536) | - | (160,536) |
| Charges for services | 859,366 | - | 859,366 |
| Other | 4,012,506 | - | 4,012,506 |
| | <u>21,979,955</u> | <u>447,551</u> | <u>22,427,506</u> |
| EXPENDITURES/EXPENSES | | | |
| Housing and Redevelopment: | | | |
| Current: | | | |
| Contractual services | 5,966,548 | - | 5,966,548 |
| Capital outlay | - | - | - |
| Other charges | 21,023 | - | 21,023 |
| Grants | 7,759,016 | - | 7,759,016 |
| Depreciation | - | 1,326,428 | 1,326,428 |
| | <u>13,746,587</u> | <u>1,326,428</u> | <u>15,073,015</u> |
| Net Change in Fund Balance | 8,233,368 | (8,233,368) | - |
| Change in Net Position | - | 7,354,491 | 7,354,491 |
| FUND BALANCE/NET POSITION | | | |
| Beginning | <u>31,836,765</u> | <u>26,108,535</u> | <u>57,945,300</u> |
| Ending | <u>\$ 40,070,133</u> | <u>\$ 25,229,658</u> | <u>\$ 65,299,791</u> |

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

Hennepin County Housing and Redevelopment Authority
A Component Unit of Hennepin County, Minnesota
Statement of General Fund Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2021

| | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) |
|------------------------------|----------------------|----------------------|----------------------|---|
| | Original | Final | Actual | |
| REVENUES | | | | |
| Property taxes | \$ 16,209,156 | \$ 16,209,156 | \$ 16,281,982 | \$ 72,826 |
| Intergovernmental | 320,000 | 3,320,000 | 986,637 | (2,333,363) |
| Investment earnings (losses) | 70,000 | 70,000 | (160,536) | (230,536) |
| Charges for services | 3,930,000 | 3,930,000 | 859,366 | (3,070,634) |
| Other | 162,087 | 162,087 | 4,012,506 | 3,850,419 |
| Total Revenues | <u>20,691,243</u> | <u>23,691,243</u> | <u>21,979,955</u> | <u>(1,711,288)</u> |
| EXPENDITURES | | | | |
| Commodities | 1,250 | 1,250 | - | 1,250 |
| Contractual services | 7,337,413 | 6,982,659 | 5,966,548 | 1,016,111 |
| Capital outlay | 5,000,000 | 8,000,000 | - | 8,000,000 |
| Other charges | 32,580 | 32,580 | 21,023 | 11,557 |
| Grants | 8,320,000 | 10,681,294 | 7,759,016 | 2,922,278 |
| Total Expenditures | <u>20,691,243</u> | <u>25,697,783</u> | <u>13,746,587</u> | <u>11,951,196</u> |
| Net Change in Fund Balance | - | (2,006,540) | 8,233,368 | <u>\$ 10,239,908</u> |
| Fund Balance - Beginning | <u>31,836,765</u> | <u>31,836,765</u> | <u>31,836,765</u> | |
| Fund Balance - Ending | <u>\$ 31,836,765</u> | <u>\$ 29,830,225</u> | <u>\$ 40,070,133</u> | |

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

Hennepin County Housing and Redevelopment Authority
A Component Unit of Hennepin County, Minnesota
Notes to the Financial Statements
December 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Reporting Entity

The Hennepin County Housing and Redevelopment Authority (HCHRA) was established in 1987 for the purpose of supporting housing development, tax base expansion, job increases, and industrial and commercial development in accordance with the powers and authorities granted in laws of Minnesota sections 383B.77 and 469.001 to 469.047.

The HCHRA is a blended component unit of Hennepin County, Minnesota (the County). A blended component unit, although a legally separate entity, is in substance part of the County's operations and so data from this unit is combined with financial information of the primary government and reported as a special revenue fund in Hennepin County's Annual Comprehensive Financial Report, which can be obtained from the County. Hennepin County was established in 1852 as an organized county having powers, duties, and privileges granted counties by Minnesota Statutes. The County is governed by a seven-member board of commissioners elected from districts within the County. The County Commissioners comprise the entire HCHRA board and exercise financial accountability. Employees of Hennepin County staff projects of the HCHRA. The HCHRA has no employees.

The financial statements of the HCHRA are prepared in accordance with accounting principles generally accepted in the United States of America as established for governmental entities.

Measurement Focus, Basis of Accounting and Basis of Presentation

The annual financial report includes two separate sets 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 in one statement. An adjustments column reflects the following differences between the two types of statements:

- Governmental funds report capital outlays as expenditures. Capital assets are reported in the Statement of Net Position at historical cost and in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.
- Long-term liabilities, such as the note payable, are not due and payable in the current period and, therefore, are not reported in the fund financial statements. Long-term liabilities are reported in the Statement of Net Position and the effect of related transactions is reported in the Statement of Activities.
- In the governmental funds balance sheet, unavailable revenues are reported as deferred inflows and then recognized as an inflow of resources in the period that the amounts become available. The HCHRA considers revenues, including property tax revenues, which are not collected within 60 days after year-end to be unavailable. In the government-wide financial statements, revenues are reported as earned and not when measurable and available as reported in the governmental funds.

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 activities of the HCHRA using the *economic resources measurement focus* and the *accrual basis of accounting*. The economic resources measurement focus results in the reporting of all inflows, outflows, and balances affecting or reflecting HCHRA 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. Property taxes are recognized as revenues in the year for which the taxes are levied. 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.

Hennepin County Housing and Redevelopment Authority
A Component Unit of Hennepin County, Minnesota
Notes to the Financial Statements
December 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

The Statement of Net Position is designed to display the financial position of the HCHRA. The HCHRA reports all capital assets and long-term liabilities, such as long-term debt. The net position of the HCHRA is reported in three categories: 1) net investment in capital assets; 2) restricted; and 3) unrestricted. Restrictions reported are those imposed by parties outside the HCHRA, such as creditors, grantors, contributors, laws and regulations of other governments, or imposed by law through enabling legislation. 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.

The Statement of Activities demonstrates the degree to which expenses of a given function are offset by revenues. Revenues include 1) property taxes, 2) intergovernmental revenues restricted to meeting operational or capital requirements of a particular function, 3) investment earnings, 4) charges for services, and 5) other program revenues. Just as the Statement of Net Position reports capital assets, the Statement of Activities reports depreciation expense.

Fund Financial Statements

The accounts of the HCHRA 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 General Fund is used to account for the HCHRA'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. Property taxes are considered measurable when levied for, intergovernmental revenues when applicable eligibility requirements have been met, and charges for services when provided. "Available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The HCHRA considers revenues to be available if they are collected within 60 days after year-end. 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 unmatured principal and interest, which is recognized when due.

Assets, Liabilities, and Fund Balance/Net Position

Cash and Investments. Other than restricted cash and investments, the HCHRA's cash is deposited in pooled accounts of the Hennepin County Investment Pool, an internal investment pool. Cash surpluses in these accounts are invested by the County. Investment earnings (losses) are allocated to the HCHRA on the basis of average monthly cash and investment balances. The HCHRA's portion of the pool is presented as *Interest in County investment pool*. Investments authorized by State law include the following instruments: U.S. government and agency issues; repurchase agreements; reverse repurchase agreements; certificates of deposit; money market funds; 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; and shares of certain investment companies. Investments in the Pool are stated at fair value or at amortized cost. The fair value of investments is based on quoted market prices or inputs other than quoted prices that are observable for the investment, either directly or indirectly. Certain money market funds that have a maturity of one year or less at the time of purchase are reported at amortized cost. Certain nonparticipating interest-earning contracts (repurchase agreements) that have a maturity of one year or less at the time of purchase are reported at amortized cost.

Receivables. Taxes receivable are reported net of the allowance for uncollectible delinquent taxes, which is an estimate based on historical collection experience. Receivable amounts relating to intergovernmental revenues are generally reimbursement based, with no allowance for uncollectible accounts necessary. All other receivables are reported net of any allowance for uncollectible accounts based on collection experience and management's evaluation of the current status of existing receivables, including evaluating debtor ability to pay. The portion of all receivables not included in the allowance and not collected within 60 days are generally offset by deferred inflows of resources in the governmental fund financial statements.

Hennepin County Housing and Redevelopment Authority
A Component Unit of Hennepin County, Minnesota
Notes to the Financial Statements
December 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Prepaid items represent payments to vendors whose costs are applicable to future reporting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Land held for resale represents property purchases made by the HCHRA with the intent to sell in order to increase tax base or to attract new businesses. These assets are stated at the lower of cost or estimated net realizable value.

Capital assets are reported in the government-wide financial statements at historical cost. Donated capital assets are recorded at acquisition value at the date of donation. Capital assets used in governmental activities are not financial resources and therefore net capital assets are not reported in the fund financial statements. Capital assets are depreciated or amortized in the Statement of Activities for governmental activities using the straight-line method. Buildings are depreciated over their 20-50 year estimated useful lives. For fund financial statement reporting purposes, capital outlays are reported as expenditures. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized and are reported as expenses in the governmental activities and as expenditures in the fund financial statements.

Long-term debt is reported as a liability in the government-wide financial statements. Long-term obligations that are not due and payable in the current period are not reported in the fund financial statements. Proceeds are reported in the fund statements as intergovernmental revenue and no interest expense is recognized due to the debt forgiveness features of the obligation described in Note 5. For fund financial statement reporting purposes, current period debt forgiveness does not provide current financial resources to government funds and therefore it is not reflected in the Statement of Revenues, Expenditures and Changes in Fund Balance.

Fund balance. In governmental fund financial statements, fund balance is reported in the following classifications that are based on the spending constraints placed on the resources:

- Nonspendable fund balance – amounts that are not in a spendable form (such as prepaid items) that are not restricted or committed.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as higher levels of government) or imposed by law through enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by the HCHRA Board as approved or rescinded in a Board Resolution.
- Assigned fund balance – amounts constrained by the HCHRA's intent to be used for specific purposes but are neither restricted nor committed. The HCHRA Board has the authority to assign fund balance.
- Unassigned fund balance – amounts included in the residual classification for the General Fund that have not been restricted, committed, or assigned to specific purposes.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, restricted fund balance is used first. When an expenditure is incurred for which unrestricted fund balance is to be used, committed amounts are used first, followed by assigned, and then unassigned.

Net position. In the government-wide financial statements, the net investment in capital assets (net capital assets less related debt) 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. The unrestricted component of net position consists of the net amount of the assets, deferred outflows of resources, and liabilities that are not included in the determination of the other two components of net position.

Stewardship, Compliance and Accountability

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general fund, excluding certain multi-year projects, based on the modified accrual basis of accounting. These annual appropriations lapse at year-end to the extent that they have not been expended or encumbered.

Hennepin County Housing and Redevelopment Authority
A Component Unit of Hennepin County, Minnesota
Notes to the Financial Statements
December 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Stewardship, Compliance and Accountability – Continued

Project-length financial plans are adopted for certain multi-year projects. An annual project budget is adopted for the project-length plan, which does not lapse until the project is completed. The cumulative total actual project expenditures may not exceed the cumulative total budget. The remaining total budget for these projects at year-end is shown below.

| Year | Appropriated Budget | Actual Expenditures | Remaining Budget |
|-------------------------|------------------------|------------------------|----------------------|
| 2018 and prior | \$ 117,254,846 | \$ 94,239,929 | \$ 23,014,917 |
| 2019 | 14,393,172 | 5,100,999 | 9,292,173 |
| 2020 | 48,173,213 | 37,835,739 | 10,337,474 |
| 2021 | 18,571,294 | 8,457,714 | 10,113,580 |
| Projects Closed in 2021 | <u>(47,415,000)</u> | <u>(47,415,000)</u> | - |
| | <u>\$ 150,977,525</u> | <u>\$ 98,219,381</u> | <u>\$ 52,758,144</u> |

The HCHRA Board must adopt a proposed maximum property tax levy by September 30. The Board holds public hearings, makes modifications to the budget, and legally enacts the budget by passage of a resolution. The final levy must be certified to the County Auditor by December 20. Any changes in the budget must be within the revenues and reserves estimated or the revenue estimates must be changed by a vote of the Board. Expenditures may not legally exceed budgeted appropriations.

Use of Estimates

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

2. INTEREST IN HENNEPIN COUNTY INVESTMENT POOL AND RESTRICTED CASH AND INVESTMENTS

The 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 and blended component units. The HCHRA participates in the County investment pool and surpluses are invested by the County. At December 31, the HCHRA comprised \$31,021,270, or 1.7% of the County's total pooled cash and investments, excluding fiduciary investments. In 2021, the HCHRA had investment income of \$94,470 and an unrealized loss on investments of \$255,006. As of December 31, 2021, the County investment pool had 77.4% of investments invested in U.S. government and agency issues, 16.4% in repurchase agreements, 5.2% in commercial paper, 0.6% in money market funds, and 0.4% in municipal securities. Detailed information about the County's deposits with financial institutions, fair value measurements, management of investment risk, and repurchase agreements can be obtained directly from the County's 2021 financial statements.

At December 31, \$1,230,226 of restricted HCHRA cash and investments for the Veterans Housing Project and Lutheran Social Services Program was held by the Minnesota Housing Finance Agency (MN Housing).

Hennepin County Housing and Redevelopment Authority
A Component Unit of Hennepin County, Minnesota
Notes to the Financial Statements
December 31, 2021

3. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2021 was as follows:

| | Balance January 1, 2021 | Additions | Deletions | Balance December 31, 2021 |
|--|----------------------------|----------------|-----------|------------------------------|
| <i>Capital assets not being depreciated:</i> | | | | |
| Land | \$ 11,464,095 | \$ - | \$ - | \$ 11,464,095 |
| <i>Capital assets being depreciated:</i> | | | | |
| Buildings | 26,528,557 | - | - | 26,528,557 |
| Less accumulated depreciation | 9,334,900 | 1,326,428 | - | 10,661,328 |
| Total capital assets being depreciated | 17,193,657 | (1,326,428) | - | 15,867,229 |
| Capital Assets, Net | \$ 28,657,752 | \$ (1,326,428) | \$ - | \$ 27,331,324 |

4. RECEIVABLES

Taxes Receivable

The HCHRA is a special taxing district with the authority to levy property taxes. Property tax liens attach on the first Monday of the year following property assessment. Tax levies are certified to the county auditor five business days after December 20 of the year the property is assessed. The taxes levied are payable in the following year in two equal installments. The amounts and due dates for taxes on real property are half on or before May 15 and the balance on or before October 15. Personal property taxes are due in one installment on May 15. The amount of the allowance for uncollectible delinquent taxes is an estimate based on historical collection experience. The amounts and due dates for taxes on real property are half on or before May 15 and the balance on or before October 15. Estimated uncollectible delinquent taxes at year-end totaled \$37,649.

Notes Receivable

At December 31, 2021, the HCHRA reports notes receivable of \$6,370,186 relating to transit-oriented development loans and community asset transition fund loans totaling \$5,187,452 after netting a \$1,182,734 allowance for uncollectible amounts. The receivables have interest rates of zero with varying maturity dates through 2065.

Deferred Long-term Loans Receivable

The HCHRA Affordable Housing Incentive Fund (AHIF) Program assists municipalities, government and nonprofit agencies, private and nonprofit housing developers, and lenders in the development of affordable housing throughout Hennepin County. As of December 31, 2021, there are 211 AHIF deferred loans outstanding, with original terms ranging from 10 to 55 years. Loans totaling \$24,016,075 are underwritten with no interest payments and will be forgiven at the end of the loan period if all program conditions are met. Additional loans totaling \$43,910,788 are written so that both interest and principal payments are deferred for the full term of the loans if all program conditions are met and are expected to be repaid or refinanced with extended terms at their due date. Additionally, a \$1,000,000 Supportive Housing Program loan, which provided targeted capital assistance to client-focused housing is similarly deferred for the full term of the loans and expected to be repaid or refinanced with extended terms at their due date. Given the nature of these loans and the uncertainty of repayment, at the time of origination they were fully reserved resulting in a net carrying value of zero.

Hennepin County Housing and Redevelopment Authority
A Component Unit of Hennepin County, Minnesota
Notes to the Financial Statements
December 31, 2021

5. PAYABLES

Note Payable

In 2006, the HCHRA received a zero interest, deferred repayment housing loan agreement from MN Housing for the completion of the Veterans and Community Housing Development project. If the Veterans and Community Housing development continues to be owned by the HCHRA and used in compliance with the conditions of specific agreements through 2026, the loan will be forgiven and no repayment to MN Housing will be required. The project is being depreciated over the term of the loan agreement. For the year ended December 31, 2021, the beginning loan balance was \$2,790,460 and \$518,092 was amortized as loan forgiveness through intergovernmental revenues, resulting in a remaining balance reported in the Statement of Net Position at year-end of \$2,272,368. In each year from 2021 to 2025, an additional \$518,092 loan forgiveness will be amortized through intergovernmental revenues. In 2026, the final \$200,000 will be amortized.

6. CONDUIT FINANCING

In support of housing, the HCHRA has issued, or acted as an agent for, various debt instruments (e.g., revenue bonds, refunding bonds, notes) for which the HCHRA has no legal obligation to make principal and interest payments. These conduit financings do not constitute an indebtedness of the HCHRA within the meaning of any state constitutional provision or statutory limitation. Conduit financings are special limited obligations of the HCHRA payable solely from amounts pledged by the agencies shown in the following table.

| <u>Conduit Financing</u> | <u>Agreement Date</u> | <u>Agreement(s) Not to Exceed</u> | <u>Balance December 31 2020</u> | <u>Balance December 31 2021</u> |
|-------------------------------------|-----------------------|---------------------------------------|---|---|
| Minneapolis Stone Arch Partners LLC | May 2002 | \$ 20,120,000 | \$ 18,090,000 | \$ - |
| Ebenezer York Assisted Living LLC | December 2009 | 16,000,000 | 12,397,064 | 11,956,746 |
| East Town Apartments | May 2017 | 9,885,638 | 3,949,634 | - |
| Redwell Apartments | July 2019 | 16,065,000 | 16,065,000 | 16,065,000 |
| Parkview Apartments | September 2019 | 28,800,000 | 28,307,038 | 27,865,779 |
| Olson Townhomes | December 2020 | 14,248,000 | 50,001 | 13,261,496 |
| Elliot Twins | June 2020 | 26,500,000 | 11,195,273 | 26,119,103 |
| Fort Snelling Upper Post | November 2020 | 88,000,000 | - | 27,325,818 |
| Loring Towers | April 2021 | 25,000,000 | - | 25,000,000 |
| 2025 West River Road | December 2021 | 28,500,000 | - | 2,572,500 |
| Stonehouse Square | December 2021 | 14,042,600 | - | 14,042,600 |
| | | <u>\$ 287,161,238</u> | <u>\$ 90,054,010</u> | <u>\$ 164,209,042</u> |

7. RISK MANAGEMENT

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

Hennepin County Housing and Redevelopment Authority
A Component Unit of Hennepin County, Minnesota
Notes to the Financial Statements
December 31, 2021

8. GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

In addition to unassigned fund balance, governmental fund balance classifications and the constraints imposed on the uses of those resources are shown in the table below. The classifications are described in greater detail in the Fund Balance and Net Position section of Note 1. Governmental fund balances consisted of the following:

| <u>Purpose</u> | <u>Classification and Amount at December 31, 2021</u> | | |
|---|---|-----------------------|----------------------|
| | <u>Nonspendable</u> | <u>Restricted For</u> | <u>Committed For</u> |
| Prepays | \$243,842 | | |
| Land held for resale | 3,933,789 | | |
| Veterans housing | | \$1,057,525 | |
| Affordable housing and transit oriented development | | | \$23,154,087 |
| TOTAL | \$4,177,631 | \$1,057,525 | \$23,154,087 |

9. NEW ACCOUNTING PRONOUNCEMENTS

Accounting Standard Not Yet Adopted

GASB Statement No. 91, *Conduit Debt Obligations*, is effective for the HCHRA on January 1, 2022. This statement clarifies the definition of conduit debt and establishes new recognition, measurement, and disclosure requirements. Management has not yet determined the effect that this GASB statement will have on the HCHRA's financial statements.

GASB Statement No. 92 *Omnibus 2020*, is effective for the HCHRA on January 1, 2022. This statement establishes accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activities of public entity risk pools, fair value measurements, and derivative instruments.

GASB Statement No. 93, *Replacement on Interbank Offered Rates*, is effective for the County on January 1, 2022. This Statement establishes accounting and financial reporting requirements related to replacement of interbank offered rates (IBORs), such as the London Interbank Offered Rate (LIBOR) in hedging derivative instruments and leases.

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

10. SUBSEQUENT EVENTS

The HCHRA has evaluated subsequent events through September 1, 2022, the date these financial statements were available to be issued. As a result of the continuation of the COVID-19 pandemic, economic uncertainties continue which may impact the financial position, results of operations, and cash flows of the HCHRA. Global actions taken in 2022 to help mitigate the spread of COVID-19 have included vaccination and booster vaccination efforts, which have allowed some expansion of on-site services and usage of public spaces in 2022.

Hennepin County Housing and Redevelopment Authority
A Component Unit of Hennepin County, Minnesota
General Fund Balance Sheet
December 31, 2021 and 2020

| | 2021 | 2020 |
|--|----------------------|----------------------|
| ASSETS | | |
| Interest in County investment pool | \$ 31,021,270 | \$ 25,075,057 |
| Delinquent taxes receivable, net | 92,107 | 98,004 |
| Due from other governmental agencies | 52,624 | 91,296 |
| Accounts receivable | 181,980 | 256,960 |
| Prepaid items | 243,842 | 259,404 |
| Land held for resale | 3,933,789 | 3,933,789 |
| Notes receivable, net | 5,187,452 | 3,445,739 |
| Restricted cash and investments | 1,230,226 | 1,073,105 |
| | \$ 41,943,290 | \$ 34,233,354 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | | |
| Liabilities: | | |
| Accounts and contracts payable | \$ 1,268,510 | \$ 1,721,401 |
| Unearned revenue | 433,945 | 433,945 |
| | 1,702,455 | 2,155,346 |
| Deferred Inflows of Resources: | | |
| Unavailable revenue - property taxes | 70,107 | 60,204 |
| Unavailable revenue - intergovernmental | 100,595 | 181,039 |
| | 170,702 | 241,243 |
| Fund Balances: | | |
| Nonspendable | 4,177,631 | 4,193,193 |
| Restricted | 1,057,525 | 920,050 |
| Committed | 23,154,087 | 18,789,405 |
| Unassigned | 11,680,890 | 7,934,117 |
| | 40,070,133 | 31,836,765 |
| Total Fund Balances | 40,070,133 | 31,836,765 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | \$ 41,943,290 | \$ 34,233,354 |

Hennepin County Housing and Redevelopment Authority
A Component Unit of Hennepin County, Minnesota
Schedule of General Fund Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Years Ended December 31, 2021 and 2020

| | 2021 | | | 2020 | | |
|------------------------------|----------------------|----------------------|-------------------------------|----------------------|----------------------|-------------------------------|
| | Final Budget | Actual | Variance with Final Budget | Final Budget | Actual | Variance with Final Budget |
| REVENUES | | | | | | |
| Property taxes | \$ 16,209,156 | \$ 16,281,982 | \$ 72,826 | \$ 16,291,268 | \$ 16,526,678 | \$ 235,410 |
| Intergovernmental | 3,320,000 | 986,637 | (2,333,363) | 31,707,414 | 28,007,999 | (3,699,415) |
| Investment earnings (losses) | 70,000 | (160,536) | (230,536) | 70,000 | 183,759 | 113,759 |
| Charges for services | 3,930,000 | 859,366 | (3,070,634) | 1,044,000 | 1,098,465 | 54,465 |
| Other | 162,087 | 4,012,506 | 3,850,419 | 4,465,100 | 2,295,685 | (2,169,415) |
| Total Revenues | <u>23,691,243</u> | <u>21,979,955</u> | <u>(1,711,288)</u> | <u>53,577,782</u> | <u>48,112,586</u> | <u>(5,465,196)</u> |
| EXPENDITURES | | | | | | |
| General Government: | | | | | | |
| Commodities | 1,250 | - | 1,250 | 1,250 | - | 1,250 |
| Contractual services | 6,982,659 | 5,966,548 | 1,016,111 | 8,901,738 | 8,508,713 | 393,025 |
| Capital outlay | 8,000,000 | - | 8,000,000 | 34,617,000 | 23,914,576 | 10,702,424 |
| Other charges | 32,580 | 21,023 | 11,557 | 2,219,644 | 6,010 | 2,213,634 |
| Grants | 10,681,294 | 7,759,016 | 2,922,278 | 7,820,000 | 9,457,916 | (1,637,916) |
| Total Expenditures | <u>25,697,783</u> | <u>13,746,587</u> | <u>11,951,196</u> | <u>53,559,632</u> | <u>41,887,215</u> | <u>11,672,417</u> |
| Net Change in Fund Balance | (2,006,540) | 8,233,368 | \$ <u>10,239,908</u> | 18,150 | 6,225,371 | \$ <u>6,207,221</u> |
| Fund Balance - Beginning | <u>31,836,765</u> | <u>31,836,765</u> | | <u>25,611,394</u> | <u>25,611,394</u> | |
| Fund Balance - Ending | \$ <u>29,830,225</u> | \$ <u>40,070,133</u> | | \$ <u>25,629,544</u> | \$ <u>31,836,765</u> | |

