

## **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, 2023. 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, 2023.

**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, 2023

(With Independent Auditors' Report Thereon)

Hennepin County Housing and Redevelopment Authority  
A Component Unit of Hennepin County, Minnesota  
**2023 Financial Statements Table of Contents**

	<u>Page</u>
<b><u>Introductory Section</u></b>	
Principal Officials .....	1
<b><u>Financial Section</u></b>	
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
<b><u>Supplementary Information</u></b>	
General Fund Balance Sheets .....	17
Schedules of General Fund Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual .....	18



Hennepin County Housing and Redevelopment Authority  
A Component Unit of Hennepin County, Minnesota  
**Principal Officials 2023**

**Board of Commissioners:**

Chair – Angela Conley, District 4

Vice Chair – Jeff Lunde, District 1

Secretary – Kevin Anderson, District 7

Irene Fernando, District 2

Marion Greene, District 3

Debbie Goettel, District 5

Vacant, District 6

**Executive Director:**

David J. Hough



## Independent Auditor's Report

RSM US LLP

Board of County Commissioners  
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, 2023, 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 HCHRA, as of December 31, 2023, 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.

### Emphasis of Matter

As discussed in Note 5 to the basic financial statements, the December 31, 2022, column of the conduit debt financing note disclosure has been restated to correct errors. Our opinions are not modified with respect to this matter.

### 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 that 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 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. Our opinions on the basic financial statements are not affected by this missing information.

## **Supplementary Information**

Our audit as of and for the year ended December 31, 2023, 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, as of and for the year ended December 31, 2023, 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 for the year ended December 31, 2023 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 GAAS. 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 as of and for the year ended December 31, 2023.

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, 2022 (not presented herein), and have issued our report thereon dated August 10, 2023, 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, as of and for the year ended December 31, 2022, 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 2022 financial statements. The information was subjected to the audit procedures applied in the audit of the 2022 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 GAAS. In our opinion, the 2022 accompanying supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole as of and for the year ended December 31, 2022.

### **Other Information**

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

*RSM US LLP*

Minneapolis, Minnesota  
August 22, 2024

Hennepin County Housing and Redevelopment Authority  
A Component Unit of Hennepin County, Minnesota  
**Governmental Fund Balance Sheet and Statement of Net Position**  
December 31, 2023

	General Fund	Adjustments (Note 1)	Statement of Net Position
<b>ASSETS</b>			
<b>Current Assets:</b>			
Interest in County investment pool	\$ 44,583,184	\$ -	\$ 44,583,184
Delinquent taxes receivable, net	147,237	-	147,237
Accounts receivable	48,852	-	48,852
Prepaid items	34,043	-	34,043
Restricted cash and investments	1,245,110	-	1,245,110
Total Current Assets	46,058,426	-	46,058,426
<b>Noncurrent Assets:</b>			
Notes receivable, net	5,226,102	-	5,226,102
Land held for resale	2,700,000	-	2,700,000
Capital Assets:			
Land	-	4,127,712	4,127,712
Buildings	-	12,953,562	12,953,562
Less accumulated depreciation	-	(3,564,577)	(3,564,577)
Net capital assets	-	13,516,697	13,516,697
Total Noncurrent Assets	7,926,102	13,516,697	21,442,799
Total Assets	\$ 53,984,528	\$ 13,516,697	\$ 67,501,225
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Accounts and contracts payable	\$ 1,529,543	\$ -	\$ 1,529,543
Total Liabilities	1,529,543	-	1,529,543
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - property taxes	124,237	(124,237)	-
Total Deferred Inflows of Resources	124,237	(124,237)	-
<b>FUND BALANCES/NET POSITION</b>			
<b>Fund Balances:</b>			
Nonspendable	2,734,043	(2,734,043)	-
Restricted	1,245,110	(1,245,110)	-
Committed	37,373,640	(37,373,640)	-
Unassigned	10,977,955	(10,977,955)	-
Total Fund Balances	52,330,748	(52,330,748)	-
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 53,984,528		
<b>Net Position:</b>			
Net investment in capital assets		13,516,697	13,516,697
Restricted for low income housing and economic development		1,245,110	1,245,110
Unrestricted		51,209,875	51,209,875
Total Net Position		\$ 65,971,682	\$ 65,971,682

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, 2023

	General Fund	Adjustments (Notes 1 & 3)	Statement of Activities
<b>PROGRAM REVENUES</b>			
Charges for services	\$ 1,074,972	\$ -	\$ 1,074,972
Other	1,228,038	-	1,228,038
Total Program Revenues	2,303,010	-	2,303,010
<b>GENERAL REVENUES</b>			
Property taxes	17,420,964	34,538	17,455,502
Intergovernmental	15,476,653	-	15,476,653
Investment earnings (losses)	1,598,860	-	1,598,860
Total General Revenues	34,496,477	34,538	34,531,015
<b>EXPENDITURES/EXPENSES</b>			
<b>Housing and Redevelopment:</b>			
Current:			
Contractual services	18,042,616	-	18,042,616
Other charges	85,433	10,580,812	10,666,245
Grants	13,898,266	-	13,898,266
Depreciation	-	799,531	799,531
Contribution of land to primary government	-	1,423,503	1,423,503
Total Expenditures/Expenses	32,026,315	12,803,846	44,830,161
Net Change in Fund Balance	4,773,172	(4,773,172)	-
Change in Net Position	-	(7,996,136)	(7,996,136)
<b>FUND BALANCE/NET POSITION</b>			
Beginning	47,557,576	26,410,242	73,967,818
Ending	\$ 52,330,748	\$ 13,640,934	\$ 65,971,682

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, 2023

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>REVENUES</b>				
Property taxes	\$ 17,640,360	\$ 17,640,360	\$ 17,420,964	\$ (219,396)
Intergovernmental	820,000	820,000	15,476,653	14,656,653
Investment earnings (losses)	70,000	70,000	1,598,860	1,528,860
Charges for services	1,070,000	1,070,000	1,074,972	4,972
Other	162,087	302,224	1,228,038	925,814
	<u>19,762,447</u>	<u>19,902,584</u>	<u>36,799,487</u>	<u>16,896,903</u>
<b>EXPENDITURES</b>				
Commodities	1,250	1,250	-	1,250
Contractual services	11,609,822	11,556,512	18,042,616	(6,486,104)
Capital outlay	-	-	-	-
Other charges	32,580	32,580	85,433	(52,853)
Grants	8,118,795	17,668,132	13,898,266	3,769,866
	<u>19,762,447</u>	<u>29,258,474</u>	<u>32,026,315</u>	<u>(2,767,841)</u>
Excess (Deficiency) of Revenues Over Expenditures	-	(9,355,890)	4,773,172	14,129,062
<b>OTHER FINANCING SOURCES</b>				
Sale of capital assets	-	9,409,200	-	(9,409,200)
Net Change in Fund Balance	-	53,310	4,773,172	\$ 4,719,862
Fund Balance - Beginning	<u>47,557,576</u>	<u>47,557,576</u>	<u>47,557,576</u>	
Fund Balance - Ending	<u>\$ 47,557,576</u>	<u>\$ 47,610,886</u>	<u>\$ 52,330,748</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, 2023

**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 net of accumulated depreciation 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 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 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, 2023

**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, 2023

**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, support affordable housing or to attract new businesses. These assets are stated at the lower of cost or estimated net realizable value and are reported as noncurrent assets when sale is not anticipated within one year.

*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.

*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, 2023

**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
2020 and prior	\$ 179,821,231	\$ 137,176,667	\$ 42,644,564
2021	18,571,294	8,457,714	10,113,580
2022	58,994,844	14,740,420	44,254,424
2023	24,829,004	28,317,633	(3,488,629)
Projects Closed	(63,018,000)	(63,018,000)	-
	<u>\$ 219,198,373</u>	<u>\$125,674,434</u>	<u>\$ 93,523,939</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, liabilities, deferred inflows of resources, 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 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, 2023, the HCHRA comprised \$44,583,184, or 2.6% of the County's total pooled cash and investments, excluding fiduciary investments. In 2023, the HCHRA had investment income of \$945,189 and an unrealized gain on investments of \$653,671. As of December 31, 2023, the County investment pool had 94.5% of investments invested in U.S. government and agency issues, 3.2% in repurchase agreements, 1.9% 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 2023 financial statements.

On December 31, \$1,245,110 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, 2023

**3. CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2023 was as follows:

	Balance January 1, 2023	Additions	Deletions	Balance December 31, 2023
<i>Capital assets not being depreciated:</i>				
Land	\$ 13,319,018	\$ -	\$ (9,191,306)	\$ 4,127,712
<i>Capital assets being depreciated:</i>				
Buildings	16,266,717	-	(3,313,155)	12,953,562
Less accumulated depreciation	3,265,192	799,531	(500,146)	3,564,577
Total capital assets being depreciated, net	13,001,525	(799,531)	(2,813,009)	9,388,985
Capital assets, net	\$ 26,320,543	\$ (799,531)	\$ (12,004,315)	\$ 13,516,697

Affordable housing activities during the year included the execution of agreements for the sale of two parcels of land totaling \$7,767,803 and a building with a net book value of \$2,813,009. Forgivable loans that included affordability requirements were subsequently authorized by the HCHRA related to the transactions. Additionally, land valued at \$1,423,503 was transferred from the HCHRA to its primary government during 2023.

**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 \$69,813.

**Notes Receivable**

At December 31, 2023, the HCHRA reports gross notes receivable of \$6,320,469 relating to transit-oriented development loans and community asset transition fund loans totaling \$5,226,102 after netting a \$1,094,367 allowance for uncollectible amounts.

**Forgivable Loans and Deferred Long-term Loans Receivable**

Given the nature of the HCHRA's forgivable and deferred long-term loans receivable detailed below and the uncertainty of loan repayments at the time of origination the loans in the programs described below are all fully reserved, resulting in a net carrying value of zero.

The **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. As of December 31, 2023, there are 227 loans outstanding, with original terms ranging from 10 to 55 years.

- AHIF loans totaling \$22,625,854 are underwritten with no interest payments and will be forgiven at the end of the loan period if all program conditions are met.
- AHIF loans totaling \$47,658,757 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 may either be repaid or refinanced with extended terms at their due date.

Hennepin County Housing and Redevelopment Authority  
A Component Unit of Hennepin County, Minnesota  
**Notes to the Financial Statements**  
December 31, 2023

**4. RECEIVABLES – CONTINUED**

**Forgivable Loans and Deferred Long-term Loans Receivable – Continued**

Three **Supportive Housing Program** loans have original terms ranging from 40 to 50 years. Loans totaling \$3,445,021 provide targeted capital assistance to client-focused housing. They are similarly deferred for the full term of the loans. These loans may either be repaid or refinanced with extended terms at their due date.

The **Equitable Housing Recovery (EHR) Program** increases affordable multifamily housing production, increases properties supporting affordable housing along the housing continuum, and provides homebuyer assistance to targeted populations disproportionately impacted by the COVID-19 public health emergency. As of December 31, 2023, there are 10 loans outstanding, with original terms ranging from 50 to 55 years.

- EHR loans totaling \$869,250 are underwritten with no interest payments and will be forgiven at the end of the loan period if all program conditions are met.
- EHR loans totaling \$13,392,827 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 may either be repaid or refinanced with extended terms at their due date.

The **Single Room Occupancy Program** assists housing operators in the provision of affordable rent to the County’s most vulnerable populations. As of December 31, 2023, there are two loans outstanding, with original terms at 30 years. The loans total \$9,400,000 at origination are underwritten with no interest payments and will be forgiven by the end of the loan period if all program conditions are met.

**5. 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. Previously reported conduit financing agreements were restated to correct outstanding balances as of December 31, 2022 and to add two conduit financing agreements that had not been included in error. Correction of the errors resulted in an increase of the total outstanding balance of the conduit debt financing agreements of \$65,416,667 as of December 31, 2022.

Conduit Financing	Agreement Date	Agreement(s) Not to Exceed	Balance December 31 2022	Balance December 31 2023
Ebenezer York Assisted Living LLC	November 2015	\$ 14,385,000	\$ 11,501,194	\$ 11,029,876
Millworks Lofts (4041 Hiawatha)	April 2016	24,946,367	8,011,845	7,881,879
East Town Apartments	December 2018	9,835,637	3,860,214	3,824,341
Redwell Apartments	September 2019	16,065,000	14,671,512	14,465,472
Parkview Apartments	September 2019	28,800,000	27,371,902	26,868,011
Olson Townhomes	December 2020	14,248,000	14,248,000	-
Fort Snelling Upper Post	November 2020	88,000,000	85,764,988	88,000,000
Loring Towers	April 2021	25,000,000	25,000,000	24,378,662
Peregrine Apartments	December 2021	28,500,000	17,072,500	28,500,000
Stonehouse Square	December 2021	14,042,600	13,364,210	13,923,924
Cornelia View	July 2022	16,700,000	16,700,000	16,700,000
Currie Commons	November 2022	29,912,000	29,912,000	29,572,998
Canvas Apartments	November 2022	34,000,000	34,000,000	34,000,000
Oakland-Talmage	June 2023	11,000,000	-	5,015,765
Whittier Community Housing	July 2023	16,560,000	-	2,041,446
Labor Retreat	October 2023	9,525,000	-	9,525,000
		<u>\$ 381,519,604</u>	<u>\$ 301,478,364</u>	<u>\$ 315,727,374</u>

Hennepin County Housing and Redevelopment Authority  
A Component Unit of Hennepin County, Minnesota  
**Notes to the Financial Statements**  
December 31, 2023

**6. 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.

**7. 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, 2023</u>		
	<u>Nonspendable</u>	<u>Restricted For</u>	<u>Committed For</u>
Prepays	\$34,043		
Land held for resale	2,700,000		
Veterans housing		1,245,110	
Affordable housing and transit oriented development			37,373,640
	<u>\$2,734,043</u>	<u>\$1,245,110</u>	<u>\$37,373,640</u>

**8. NEW ACCOUNTING PRONOUNCEMENTS**

**Accounting Standards Adopted in the Current Year**

No impact on the HCHRA Financial Statements resulted from the HCHRA's adoption of the following accounting standards:

- GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, was adopted by the HCHRA 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.
- GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, was adopted by the HCHRA during 2023. This statement requires government subscribers to recognize subscription liabilities and intangible assets, and report amortization expense, interest expense, and note disclosures about the subscriptions.
- The GASB Statement No, 99, *Omnibus 2022* requirements related to leases and certain other arrangements were adopted the HCHRA on January 1, 2023.

Hennepin County Housing and Redevelopment Authority  
A Component Unit of Hennepin County, Minnesota  
**Notes to the Financial Statements**  
December 31, 2023

**8. NEW ACCOUNTING PRONOUNCEMENTS – CONTINUED**

**Accounting Standards Not Yet Adopted**

The HCHRA's management has not yet determined the effect that the following GASB statements will have on the HCHRA's financial statements.

- GASB Statement No. 99, *Omnibus 2022* requirements relating to GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, are effective for the HCHRA on January 1, 2024.
- GASB Statement No. 100, *Accounting Changes and Error Corrections* is effective for the HCHRA on January 1, 2024. This statement provides new definitions and prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections.
- GASB Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for compensated absences, is effective for the HCHRA on January 1, 2024.
- GASB Statement No. 102, *Certain Risk Disclosures*, requires the disclosure of essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The requirements of this Statement are effective for the HCHRA on January 1, 2025.
- GASB Statement No. 103, *Financial Reporting Model Improvements*, expands on requirements related to the presentation of unusual or infrequent items and other requirements. The requirements of this Statement are effective for the HCHRA on January 1, 2026.

**9. SUBSEQUENT EVENTS**

The HCHRA has evaluated subsequent events through August 22, 2024, the date these financial statements were available to be issued. On March 12, 2024, the HCHRA Board approved the issuance of a multifamily housing revenue note by the Hennepin County Housing and Redevelopment Authority. The note was issued in May 2024 for \$35,635,000. This conduit financing is a special limited obligation of the HCHRA payable solely from revenues derived from the multifamily housing development.

Hennepin County Housing and Redevelopment Authority  
A Component Unit of Hennepin County, Minnesota  
**General Fund Balance Sheets**  
December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
Interest in County investment pool	\$ 44,583,184	\$ 39,069,238
Delinquent taxes receivable, net	147,237	100,799
Due from other governmental agencies	-	-
Accounts receivable	48,852	72,134
Prepaid items	34,043	33,798
Land held for resale	2,700,000	2,700,000
Notes receivable, net	5,226,102	6,157,845
Restricted cash and investments	1,245,110	1,283,468
	<u>53,984,528</u>	<u>49,417,282</u>
Total Assets	<u>\$ 53,984,528</u>	<u>\$ 49,417,282</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts and contracts payable	\$ 1,529,543	\$ 1,770,007
Unearned revenue	-	-
	<u>1,529,543</u>	<u>1,770,007</u>
Total Liabilities	<u>1,529,543</u>	<u>1,770,007</u>
<b>Deferred Inflows of Resources:</b>		
Unavailable revenue - property taxes	124,237	89,699
Unavailable revenue - intergovernmental	-	-
	<u>124,237</u>	<u>89,699</u>
Total Deferred Inflows of Resources	<u>124,237</u>	<u>89,699</u>
<b>Fund Balances:</b>		
Nonspendable	2,734,043	2,733,798
Restricted	1,245,110	1,283,468
Committed	37,373,640	24,373,505
Unassigned	10,977,955	19,166,805
	<u>52,330,748</u>	<u>47,557,576</u>
Total Fund Balances	<u>52,330,748</u>	<u>47,557,576</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 53,984,528</u>	<u>\$ 49,417,282</u>

Hennepin County Housing and Redevelopment Authority  
A Component Unit of Hennepin County, Minnesota  
**Schedules of General Fund Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
For the Years Ended December 31, 2023 and 2022

	2023			2022		
	Final Budget	Actual	Variance with Final Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>						
Property taxes	\$ 17,640,360	\$ 17,420,964	\$ (219,396)	\$ 17,640,360	\$ 17,805,955	\$ 165,595
Intergovernmental	820,000	15,476,653	14,656,653	44,620,000	7,407,648	(37,212,352)
Investment earnings (losses)	70,000	1,598,860	1,528,860	70,000	(1,515,160)	(1,585,160)
Charges for services	1,070,000	1,074,972	4,972	2,605,000	997,278	(1,607,722)
Other	302,224	1,228,038	925,814	335,726	2,602,961	2,267,235
<b>Total Revenues</b>	<b>19,902,584</b>	<b>36,799,487</b>	<b>16,896,903</b>	<b>65,271,086</b>	<b>27,298,682</b>	<b>(37,972,404)</b>
<b>EXPENDITURES</b>						
<b>General Government:</b>						
Commodities	1,250	-	1,250	1,250	-	1,250
Contractual services	11,556,512	18,042,616	(6,486,104)	6,465,412	7,221,062	(755,650)
Capital outlay	-	-	-	5,000,000	1,854,923	3,145,077
Other charges	32,580	85,433	(52,853)	44,332,580	1,468,379	42,864,201
Grants	17,668,132	13,898,266	3,769,866	9,684,844	9,266,875	417,969
<b>Total Expenditures</b>	<b>29,258,474</b>	<b>32,026,315</b>	<b>(2,767,841)</b>	<b>65,484,086</b>	<b>19,811,239</b>	<b>45,672,847</b>
Excess (Deficiency) of Revenues Over Expenditures	(9,355,890)	4,773,172	14,129,062	(213,000)	7,487,443	7,700,443
<b>OTHER FINANCING SOURCES</b>						
Sale of capital assets	9,409,200	-	(9,409,200)	-	-	-
Net Change in Fund Balance	53,310	4,773,172	\$ 4,719,862	(213,000)	7,487,443	\$ 7,700,443
Fund Balance - Beginning	47,557,576	47,557,576		40,070,133	40,070,133	
<b>Fund Balance - Ending</b>	<b>\$ 47,610,886</b>	<b>\$ 52,330,748</b>		<b>\$ 39,857,133</b>	<b>\$ 47,557,576</b>	

