

Disclaimer

This Annual Comprehensive Financial Report (ACFR) of the Hennepin County Regional Railroad Authority (HCRRA) contained on the County's web pages is historical information as of December 31, 2021. The information in the ACFR 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 HCRRA's ACFR dated December 31, 2021.

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





HENNEPIN COUNTY REGIONAL RAILROAD AUTHORITY

A Component Unit of Hennepin County, Minnesota

Annual Comprehensive Financial Report

Year Ended December 31, 2021



Introductory Section



Hennepin County Regional Railroad Authority
A Component Unit of Hennepin County, Minnesota
2021 Annual Comprehensive Financial Report
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HENNEPIN COUNTY

REGIONAL RAILROAD AUTHORITY

September 1, 2022

The Honorable Members of the Hennepin County Regional Railroad Authority Board:

Minnesota Statutes require all governmental agencies to issue an annual report on its financial position and activity prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants or the state auditor. Pursuant to that requirement, we hereby issue the annual comprehensive financial report of the Hennepin County Regional Railroad Authority (HCRRA) for the fiscal year ended December 31, 2021.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

RSM US LLP, Certified Public Accountants, has issued an unmodified (“clean”) opinion on HCRRA financial statements for the year ended December 31, 2021. The independent auditor’s report is located at the front of the financial section of this report.

Management’s discussion and analysis (MD&A) immediately follows the independent auditor’s report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with the letter.

Profile of the Government

The HCRRA was established in 1980 as a political subdivision and local government unit of Minnesota. It was established for the purpose of preservation, improvement, and implementation of local rail service in accordance with the powers and authorities granted in Laws of Minnesota Chapter 616.

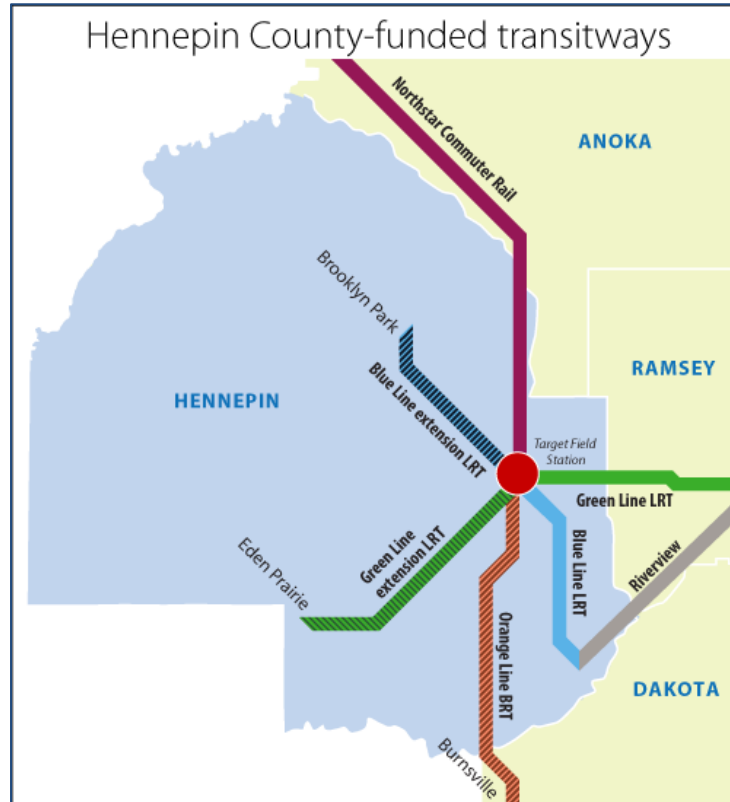
Although it is a legally separate entity, the HCRRA is in substance part of the operations of Hennepin County. Therefore, the HCRRA’s activity is combined with financial information of Hennepin County and reported as a special revenue fund within the County’s Annual Comprehensive Financial Report.

The HCRRA Board, which includes the seven members of the Hennepin County Board of Commissioners, is responsible, among other things, for adopting the annual budget. Budgets are adopted on a basis consistent with GAAP. Beginning in approximately May of each year a budget is prepared and includes information on the past year, current year estimates, and requested appropriations. The Board legally enacts the budget by passage of a resolution no later than December 31. A budget to actual comparison for the general fund is presented in the Required Supplementary Information section of this report.



Profile of the Government – continued

The HCRRA's focus is on the transitways shown in the map below.



METRO Blue Line – Light Rail Transit

The METRO Blue Line opened in 2004. The current 19-station line provides 12 miles of light rail transit between the Mall of America in Bloomington and Target Field Station in downtown Minneapolis. The line is served by two park and ride lots that provide more than 2,600 parking spaces to commuters. METRO Blue Line ridership statistics are shown below. The decreases in 2020 and 2021 are primarily due to reduced demand during the COVID-19 pandemic.

<u>Year</u>	<u>Annual Ridership</u>	<u>Average Weekday Ridership</u>
2021	4.5 million	12,431
2020	4.2 million	12,170
2019	11.0 million	32,978
2018	11.1 million	32,921
2017	10.7 million	31,510

During 2021, route frequency was reduced from 10 minutes to 12 minutes, due mainly to operator shortages. Metro Transit operates the light rail, commuter rail, and most of the buses in the Twin Cities. The METRO Blue Line accounted for about 13.8% of Metro Transit's total ridership in 2021. The METRO Blue Line operates with a fleet of 44 vehicles.

METRO Green Line – Light Rail Transit

The METRO Green Line is 9.8 miles of light rail transit between downtown St. Paul and downtown Minneapolis. This line opened in 2014 with 18 stations, as well as five stations shared with the METRO Blue Line. A total of 47 Light Rail Vehicles are assigned to the Green Line. It links five major centers of activity in the Twin Cities region – downtown Minneapolis, the University of Minnesota, the Midway area, the State Capitol complex and downtown St. Paul. It connects to the METRO Blue Line at the US Bank Stadium Station. Like the METRO Blue Line, 2021 ridership and frequency of services were affected by the COVID-19 pandemic and operator shortages. During 2021, frequency was reduced from 10 minutes to 12 minutes. METRO Green Line ridership statistics are shown below.

<u>Year</u>	<u>Annual Ridership</u>	<u>Average Weekday Ridership</u>
2021	6.1 million	17,881
2020	7.2 million	18,271
2019	14.3 million	44,004
2018	13.8 million	42,572
2017	13.1 million	40,554



METRO Green Line ridership in 2021 was 18.6% of Metro Transit's annual total ridership.

Northstar Commuter Rail Line

Northstar Commuter Rail service between Big Lake and downtown Minneapolis is on a 40-mile segment of BNSF Railway along Highways 10 and 47. This service began in 2009. The Northstar stations are located in Big Lake, Elk River, Ramsey, Anoka, Coon Rapids, Fridley, and in downtown Minneapolis where Target Field Station provides a direct connection to the METRO Blue Line and METRO Green Line. Northstar rail service was greatly reduced due to the COVID-19 pandemic. Starting March 2020, and for the remainder of the year, only 2 weekday roundtrips and no weekend trips were operated, reducing weekly trips from 72 to 20. This level of service continued throughout 2021. Northstar rail ridership in 2017 through 2021 is shown below:

<u>Year</u>	<u>Annual Ridership</u>	<u>Average Weekday Ridership</u>
2021	50,433	199
2020	152,456	582
2019	767,767	2,739
2018	787,327	2,814
2017	793,796	2,819

METRO Orange Line – Bus Rapid Transit

The METRO Orange Line is a 17-mile highway Bus Rapid Transit (BRT) line that connects Minneapolis, Richfield, Bloomington, and Burnsville along Interstate 35W. The Orange Line provides fast, reliable, all-day service in both directions seven days a week. The \$150.7 million project opened for services in December 2021. The project included street and highway improvements, upgraded transit stations, and improved bus routes. BRT provides high quality, reliable service like light rail transit but is less expensive to build and allows for a more flexible route.

Additional Projects

The HCRRA also participates in the planning and design of other projects, including:

- **METRO Green Line Extension (Southwest Corridor) – Light Rail Transit**
The METRO Green Line Extension is a 14.5-mile light rail transit line from the existing Southwest Station in Eden Prairie through the communities of Minnetonka, Hopkins, and St Louis Park to downtown Minneapolis. When built, the line will be combined with the METRO Green Line, to create a continuous service from Eden Prairie to downtown St. Paul. A Federal Transit Administration Full Funding Grant Agreement is in place for the project, and the project was approximately 60% complete as of the end of 2021 with 11 of the 16 stations under construction or nearly complete, and the first tracks in place. It is anticipated that the METRO Green Line Extension will be operational in 2027.
- **METRO Blue Line Extension (Bottineau Corridor)– Light Rail Transit**
The METRO Blue Line Extension is a 13-mile, 11 station transitway corridor extending from the existing Target Field Station in downtown Minneapolis through North Minneapolis, Golden Valley, Robbinsdale, Crystal, and Brooklyn Park. The project had reached the 95% design level, but a 3rd-party agreement with a freight railroad was not secured. In October 2020, the Corridor Management Committee for the project voted to determine a new alignment for the project which would not utilize the freight rail corridor. A new route recommendation was adopted by Metropolitan Council and the Hennepin County Board in June 2022, allowing project leaders to move forward by continuing environmental, design, engineering, and anti-displacement activities in preparation for the eventual full funding grant agreement application to the Federal Transit Administration.

Interim Use of Properties Acquired for Future Projects

The HCRRA currently owns 43 miles of rail corridor; 5 sites suitable for future park and ride lots or stations; and 1 railroad depot. Although acquired for future transportation needs, recreational trails have been constructed on these corridors for interim use.

Economic and Financial Condition

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

Local economy. Hennepin County, the geographic area in which the HCRRA is established, is at the core of one of the largest economic centers in the upper Midwest. The County is home to over 22% of the state's population, and 10 of the 18 Fortune 500 headquarters located in the state. Trade, transportation and utilities, education and health related entities, professional and business services, government, manufacturing, leisure and hospitality and financial services represent significant economic sectors providing a diverse and strong employment and wage base in the County. Since 2012, the County's property tax base has grown by nearly 40% and growth has continued even during the COVID-19 pandemic. This steady increase has been driven by a strong housing market, including a substantial amount of new multifamily residential construction, as well as continued development of commercial/industrial properties. Employment activity has improved substantially since the onset of the COVID-19 pandemic in 2020. The County's 12-month average unemployment rate for 2021 decreased significantly to 3.6% compared to the 2020 average unemployment rate of 6.2%. The County's 2021 unemployment rate of 3.6% was consistent with the 3.6% State of Minnesota rate but lower than the 5.4% U.S. 12-month average.

Long-term Financial Planning. Minnesota's economy continues to recover from the recession initiated by the COVID-19 pandemic in 2020. The economic downturn that began in February of 2020 and ended two months later in April brought severe disruptions to Minnesota's economy. The State experienced job and wage income losses and a reduced labor force. Since then, the State's economy has substantially improved. In the Minnesota Management and Budget's February 2022 Budget and Economic Forecast, it was noted that the State's unemployment rate has fallen to 3.1%, the lowest since December 2019, and total employment has risen to 96.4% of the pre-pandemic level. In the forecast, a strong U.S. outlook for consumer spending growth, wage and salary growth, and near-term employment growth supports an expectation of positive Minnesota employment, wage, and income growth through the forecast period.

The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire financial staff of Hennepin County. We would like to express our appreciation to all staff who assisted and contributed to the preparation of this report. Credit also must be given to the HCRRA Board for their support for maintaining the highest standards of professionalism in the management of HCRRA finances.

Respectfully submitted,



David J. Hough
Executive Director

Hennepin County Regional Railroad Authority
A Component Unit of Hennepin County, Minnesota
Principal Officials 2021

Board of Commissioners:

Irene Fernando, Chair
Chris LaTondresse, Vice Chair
Jeff Lunde, Secretary
Kevin Anderson, Treasurer
Marion Greene
Angela Conley
Debbie Goettel

Executive Director:

David J. Hough

Financial Section



Independent Auditor's Report

Hennepin County Regional Railroad Authority
Hennepin County, Minnesota

Opinions

We have audited the financial statements of the governmental activities and each major fund of Hennepin County Regional Railroad Authority (HCRRA), 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 HCRRA's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Hennepin County Regional Railroad Authority, as of December 31, 2021, and the respective changes in financial position 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 HCRRA 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 HCRRA'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 HCRRA'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 HCRRA's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

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 HCRRA'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 HCRRA 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 each 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.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the financial highlights, introductory section and statistical section, as listed in the table of contents, 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
September 1, 2022

Hennepin County Regional Railroad Authority
A Component Unit of Hennepin County, Minnesota
Management's Discussion and Analysis

This discussion and analysis is intended to provide financial statement readers with a financial overview and narrative analysis of the financial position and activities of the Hennepin County Regional Railroad Authority (HCRRA), a component unit of Hennepin County (the County) for the year ended December 31, 2021. This information should be considered in conjunction with the information contained in the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

Government-Wide

- At December 31, 2021, the assets and deferred outflows of resources of the HCRRA were \$26,774,862 less than its liabilities and deferred inflows. The HCRRA's net investment in capital assets is \$25,340,556, and net position restricted for debt service is \$877,432. The remainder consisted of negative unrestricted net position of \$52,992,850. Negative unrestricted net position exists because the HCRRA has incurred debt related to the Southwest Corridor project where related capital assets and cash are contributed to the Metropolitan Council. Future HCRRA revenues are expected to be sufficient to offset long-term debt liabilities as they come due.
- HCRRA total net position, as reported in the Statement of Activities, increased by \$18,986,955 during 2021. The increase in net position is primarily due to a decrease in the local contribution requirement for the Orange Line Bus Rapid Transit project when additional Federal funds were secured. Capital assets and cash relating to these projects are contributed to the Metropolitan Council.

Fund Level

- At the end of the fiscal year, the HCRRA's governmental funds reported total ending fund balances of \$54,391,590, an increase of \$13,482,706 from the prior year balance of \$40,908,884. The increase in fund balance is primarily due to a decrease in the local contribution requirement for the Orange Line Bus Rapid Transit project.
- Total fund balance for the General Fund was \$53,144,129, or approximately 472% of total general fund expenditures for the year ended December 31, 2021, compared to \$40,063,306 and 48% for 2020. Again, the changes primarily relate to the Orange Line Bus Rapid Transit project.

Long-term Debt

- The HCRRA's total long-term debt decreased \$7,081,398 in 2021 due to the scheduled principal payments and amortization of premiums.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's discussion and analysis is intended to serve as an introduction to the HCRRA basic financial statements, which are comprised of two components: 1) combined government-wide and fund financial statements, and 2) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS – CONTINUED

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of HCRRA finances, in a manner that is similar to a private-sector business. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information about the HCRRA 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 HCRRA net position. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. There are two government-wide statements.

- *The Statement of Net Position* presents the HCRRA's assets and deferred outflows of resources, which are equal to the reported liabilities and *net position*. Over time, increases or decreases in net position may serve as an indicator of whether the financial position of the HCRRA is improving or deteriorating.
- *The Statement of Activities* presents information showing how the HCRRA net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g. uncollected taxes).

In both statements, HCRRA activities are reported as *governmental activities*, which are defined as functions that are principally supported by taxes and intergovernmental revenues.

Fund Financial Statements

The fund financial statements provide detailed information about the HCRRA major funds. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. HCRRA activity is reported in two major governmental funds, the General Fund and the Debt Service Fund. Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. This approach is known as using the flow of current financial resources measurement focus and the modified accrual basis of accounting. The fund statements provide a detailed short-term view of HCRRA finances that assists in determining whether there will be adequate financial resources available to meet current needs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the HCRRA's near-term financing decisions. Both the governmental funds balance sheets and the governmental funds statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds and governmental activities*. The reconciliations are presented in the adjustments column in each of the basic financial statements.

Notes to the Basic Financial Statements

The Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

As noted earlier, HCRRA assets and deferred outflows of resources were \$26,774,862 less than liabilities at December 31, 2021. The largest portion of HCRRA net position, \$25,340,556 reflects the HCRRA net investment in capital assets, while \$877,432 of net position is restricted for debt service. The negative unrestricted net position of \$52,992,850 exists because the HCRRA has incurred debt related to the Southwest Corridor project where the related capital assets are contributed to the Metropolitan Council.

Summary of Net Position

	2021	2020
Current assets	\$ 55,598,030	\$ 46,109,160
Noncurrent assets:		
Capital assets	25,340,556	26,840,079
Total assets	80,938,586	72,949,239
Deferred Outflows of Resources	85,667	180,211
Current liabilities	5,761,499	9,552,253
Noncurrent liabilities	102,037,616	109,339,014
Total liabilities	107,799,115	118,891,267
Net investment in capital assets	25,340,556	26,840,079
Restricted	877,432	458,361
Unrestricted	(52,992,850)	(73,060,257)
Total net position	\$ (26,774,862)	\$ (45,761,817)

Changes in Net Position

As shown in the table below, HCRRA net position increased by \$18,986,955 during 2021. The increase in net position is primarily due to a decrease in the local contribution requirement for the Orange Line Bus Rapid Transit project when additional Federal funds were secured.

Changes in Net Position

	Governmental Activities	
	2021	2020
Revenues:		
Program revenues:		
Charges for services	\$ 577,727	\$ 487,522
Operating grants and contributions	87,414	-
Capital grants and contributions	-	311,844
General revenues:		
Property taxes	29,699,616	30,348,691
Investment earnings (losses)	(288,597)	807,544
Total revenues	30,076,160	31,955,601
Expenses:		
HCRRA	11,409,510	79,733,397
Interest on long-term debt	1,767,558	3,633,455
Total expenses	13,177,068	83,366,852
Other Financing Sources:		
Gain on capital asset disposal	2,087,863	-
Change in net position	18,986,955	(51,411,251)
Net position - beginning	(45,761,817)	5,649,434
Net position - ending	\$ (26,774,862)	\$ (45,761,817)

FUND FINANCIAL ANALYSIS

Changes in Fund Balance

The focus of the *governmental funds* is to provide information on near-term inflows, near-term outflows, and balances of net resources. At the end of the fiscal year, the HCRRA's governmental funds reported total ending fund balances of \$54,391,590, an increase of \$13,482,706 from the prior year. The increase in fund balance is primarily due to a decrease in the local contribution requirement for the Orange Line Bus Rapid Transit project when additional Federal funds were secured. Of the ending fund balance, \$53,144,129 constitutes General Fund total fund balance, which may be used to meet the HCRRA's ongoing obligations in accordance with contractual agreements and fiscal policies. The remainder of fund balance is restricted for the payment of debt service.

Budgetary Highlights

At year-end, actual General Fund expenditures of \$11,270,898 were lower than the final 2021 budget of \$22,788,816. Capital outlay expenditures were \$16,110,324 less than budgeted due a decrease in the local contribution requirement for the Orange Line Bus Rapid Transit project when additional Federal funds were secured.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

HCRRA capital assets as of December 31, 2021 total \$25,340,556, net of accumulated depreciation. The investment in capital assets consists of land (including rail corridor) and buildings. The HCRRA's net investment in capital assets decreased \$1,499,523 from the prior year's balance, primarily due to the sale of land. Additional information on HCRRA capital assets can be found in Note 4 on page 23 of this report.

Debt administration

At the end of the current fiscal year, the HCRRA had total long-term, levy-supported bonds outstanding of \$106,382,616 (including unamortized premium). Additional information on HCRRA long-term debt can be found in Note 5 on page 23 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The \$21,925,937 2022 General Fund budget is \$862,879 less than the 2021 adjusted budget. In 2022, work will continue on the Bottineau Corridor Light Rail Transit project, with that project budget authority increasing \$1,500,000 to \$102,326,554.

The Debt Service Fund budget for 2022 was approved at \$8,785,351, an increase of \$13,751 from the final 2021 budget.

REQUESTS FOR INFORMATION

This financial report is designed to provide an overview for those interested in the HCRRA's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Hennepin County Regional Railroad Authority, 701 Fourth Avenue South, Suite 700, Minneapolis, MN 55415.

Hennepin County Regional Railroad Authority
A Component Unit of Hennepin County, Minnesota
Governmental Fund Balance Sheets and Statement of Net Position
December 31, 2021

	Governmental Funds			Adjustments (Note 1)	Statement of Net Position
	General Fund	Debt Service Fund	Total		
ASSETS					
Current assets:					
Interest in Hennepin County investment pool	\$ 53,465,431	\$ 1,247,461	\$ 54,712,892	\$ -	\$ 54,712,892
Delinquent taxes receivable, net	200,470	-	200,470	-	200,470
Due from other governmental agencies	1,375	-	1,375	-	1,375
Other receivables	150,170	-	150,170	-	150,170
Restricted cash and investments	533,123	-	533,123	-	533,123
Total current assets	<u>54,350,569</u>	<u>1,247,461</u>	<u>55,598,030</u>	<u>-</u>	<u>55,598,030</u>
Noncurrent assets:					
Capital assets:					
Land and rail corridor	-	-	-	23,078,834	23,078,834
Buildings	-	-	-	3,290,383	3,290,383
	-	-	-	26,369,217	26,369,217
Less accumulated depreciation	-	-	-	(1,028,661)	(1,028,661)
Net capital assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,340,556</u>	<u>25,340,556</u>
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,340,556</u>	<u>25,340,556</u>
Total assets	<u>\$ 54,350,569</u>	<u>\$ 1,247,461</u>	<u>\$ 55,598,030</u>	<u>25,340,556</u>	<u>80,938,586</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on debt refunding	\$ -	\$ -	\$ -	\$ 85,667	\$ 85,667
LIABILITIES					
Current liabilities:					
Accounts and contracts payable	\$ 1,046,470	\$ -	\$ 1,046,470	\$ -	\$ 1,046,470
Accrued liabilities	-	-	-	370,029	370,029
Current portion of long-term debt	-	-	-	4,345,000	4,345,000
Total current liabilities	<u>1,046,470</u>	<u>-</u>	<u>1,046,470</u>	<u>4,715,029</u>	<u>5,761,499</u>
Noncurrent liabilities:					
Noncurrent portion of long-term debt	-	-	-	102,037,616	102,037,616
Total liabilities	<u>1,046,470</u>	<u>-</u>	<u>1,046,470</u>	<u>106,752,645</u>	<u>107,799,115</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	159,970	-	159,970	(159,970)	-
FUND BALANCES/NET POSITION					
Fund balances:					
Restricted	-	1,247,461	1,247,461	(1,247,461)	-
Assigned	53,144,129	-	53,144,129	(53,144,129)	-
Total fund balances	<u>53,144,129</u>	<u>1,247,461</u>	<u>54,391,590</u>	<u>(54,391,590)</u>	<u>-</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 54,350,569</u>	<u>\$ 1,247,461</u>	<u>\$ 55,598,030</u>		
Net position:					
Net investment in capital assets				25,340,556	25,340,556
Restricted for debt service				877,432	877,432
Unrestricted				(52,992,850)	(52,992,850)
Total net position				<u>\$ (26,774,862)</u>	<u>\$ (26,774,862)</u>

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

Hennepin County Regional Railroad Authority
A Component Unit of Hennepin County, Minnesota
**Statements of Governmental Fund Revenues, Expenditures,
and Changes in Fund Balances and Statement of Activities**
For the Year ended December 31, 2021

	Governmental Funds			Adjustments (Note 1)	Statement of Activities
	General Fund	Debt Service Fund	Total		
PROGRAM REVENUES					
Intergovernmental	\$ 87,414	\$ -	\$ 87,414	\$ (87,414)	\$ -
Charges for services	563,636	-	563,636	14,091	577,727
Other	14,091	-	14,091	(14,091)	-
Operating grants and contributions	-	-	-	87,414	87,414
Total program revenues	<u>665,141</u>	<u>-</u>	<u>665,141</u>	<u>-</u>	<u>665,141</u>
GENERAL REVENUES					
Property taxes	20,526,403	9,173,483	29,699,886	(270)	29,699,616
Investment earnings (losses)	(288,597)	-	(288,597)	-	(288,597)
Total general revenues	<u>20,237,806</u>	<u>9,173,483</u>	<u>29,411,289</u>	<u>(270)</u>	<u>29,411,019</u>
EXPENDITURES/EXPENSES					
Regional Railroad:					
Current:					
Commodities	15,478	-	15,478	-	15,478
Contractual services	11,067,378	-	11,067,378	-	11,067,378
Depreciation	-	-	-	138,612	138,612
Other	188,042	-	188,042	-	188,042
Debt service:					
Principal retirement	-	4,125,000	4,125,000	(4,125,000)	-
Interest and fiscal charges	-	4,646,600	4,646,600	(2,879,042)	1,767,558
Total expenditures/expenses	<u>11,270,898</u>	<u>8,771,600</u>	<u>20,042,498</u>	<u>(6,865,430)</u>	<u>13,177,068</u>
Excess (deficiency) of revenues over expenditures/expenses	<u>9,632,049</u>	<u>401,883</u>	<u>10,033,932</u>	<u>6,865,160</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	3,448,774	-	3,448,774	(3,448,774)	-
Gain on capital asset disposal	-	-	-	2,087,863	2,087,863
Total other financing sources (uses)	<u>3,448,774</u>	<u>-</u>	<u>3,448,774</u>	<u>(1,360,911)</u>	<u>2,087,863</u>
Net change in fund balances	13,080,823	401,883	13,482,706	(13,482,706)	-
Change in net position	-	-	-	18,986,955	18,986,955
FUND BALANCES/NET POSITION					
Beginning	<u>40,063,306</u>	<u>845,578</u>	<u>40,908,884</u>	<u>(86,670,701)</u>	<u>(45,761,817)</u>
Ending	<u>\$ 53,144,129</u>	<u>\$ 1,247,461</u>	<u>\$ 54,391,590</u>	<u>\$ (81,166,452)</u>	<u>\$ (26,774,862)</u>

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

Hennepin County Regional Railroad Authority
A Component Unit of Hennepin County, Minnesota
Notes to the Basic Financial Statements
December 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Reporting Entity

The Hennepin County Regional Railroad Authority (HCRRA) was established in 1980 for the purpose of the preservation, improvement, and implementation of local rail service in accordance with the powers and authorities granted in Laws of Minnesota Chapter 616. In the course of light rail transit development, the HCRRA purchases rail corridors (land), park/ride sites, and maintenance facilities.

The HCRRA 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 HCRRA board and exercise financial accountability. Employees of Hennepin County staff the projects of the HCRRA. The HCRRA has no employees.

The financial statements of the HCRRA 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 Financial Statement 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. In the government-wide financial statements, 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.
- Certain assets are not available to pay for current-period expenditures and, therefore, are not reported as revenues in the current period fund financial statements, but instead are reported either as unearned revenue or deferred inflow of resources. Revenues in the Statement of Activities that do not provide financial resources are not reported as revenues in the fund financial statements.
- Long-term liabilities are reported in the government-wide Statement of Net Position, and related transactions are reported in the Statement of Activities. Long-term liabilities, including bonds payable that are not due and payable in the current period and unamortized bond premiums that are amortized as interest expense, are not reported in the fund financial statements.

Hennepin County Regional Railroad Authority
A Component Unit of Hennepin County, Minnesota
Notes to the Basic Financial Statements
December 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Measurement Focus, Basis of Accounting and Financial Statement Presentation – Continued

Government-wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the government entity using the *economic resources measurement focus* and the *accrual basis of accounting*. The economic resources measurement focus results in the reporting of all inflows, outflows, and balances affecting or reflecting the HCRRA's net position. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which the taxes are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The structure of the two government-wide financial statements is described in the following two paragraphs.

Statement of Net Position – This statement is designed to display the financial position of the HCRRA. The HCRRA reports all capital assets and long-term liabilities, such as long-term debt. The net position of the HCRRA is broken down into three categories: 1) net investment in capital assets; 2) restricted; and 3) unrestricted. Restrictions reported are those imposed by parties outside the HCRRA, 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.

Statement of Activities – This statement demonstrates the degree to which expenses of a given function are offset by program revenues. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and investment earnings (losses) not properly included among program revenues are reported as general revenues. Just as the Statement of Net Position includes all capital assets, the Statement of Activities includes depreciation expense.

Fund Financial Statements

The accounts of the HCRRA are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. All individual funds are considered major and are reported as separate columns in the fund financial statements. Governmental Funds are used to account for the HCRRA'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 and intergovernmental revenues are considered measurable when applicable eligibility requirements have been met. "Available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The HCRRA 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 on general long-term debt, which is recognized when due.

Hennepin County Regional Railroad Authority
A Component Unit of Hennepin County, Minnesota
Notes to the Basic Financial Statements
December 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Measurement Focus, Basis of Accounting and Financial Statement Presentation – Continued

Fund Financial Statements – continued

The HCRRA reports the following major governmental funds:

- The General Fund is the HCRRA's primary operating fund. It accounts for all financial resources of the general government except those required to be accounted for in another fund.
- The Debt Service Fund accounts for the servicing of general long-term debt.

Interest in Hennepin County Investment Pool and Restricted Cash and Investments

The HCRRA's cash is deposited in pooled accounts of the Hennepin County Investment Pool (the Pool), an internal investment pool. Cash surpluses in these accounts are invested by the County, and investment earnings (losses), including gains and losses on sales of securities, are allocated to the HCRRA on the basis of average monthly cash and investment balances. The HCRRA's portion of the pool is presented as Interest in Hennepin 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 cost.

HCRRA cash and investments due to others are reported as restricted cash and investments, and an offsetting liability is reported. Unspent bond proceeds restricted by bond covenants are also reported as restricted cash and investments.

Capital Assets

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. In governmental funds, capital outlay and capital projects expenditures include expenditures for capital assets, as well as for items that are capital in nature but do not qualify for financial reporting as capital assets under the HCRRA's capitalization policy. The costs of 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.

Hennepin County Regional Railroad Authority
A Component Unit of Hennepin County, Minnesota
Notes to the Basic Financial Statements
December 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Long-Term Obligations

In the government-wide financial statements, long-term debt is reported as a liability. Bonds payable are reported net of the applicable bond premiums and discounts, which are deferred and amortized over the life of the bonds using the interest method. Bond issuance costs are expensed in the period issued. In the fund financial statements, the proceeds from the issuance of debt and debt premiums are reported as other financing sources, discounts on debt issuances are reported as other financing uses, and issuance costs and debt principal payments are reported as expenditures.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The HCRRA reports a deferred charge on refunding in this manner in the government-wide Statement of Net Position. A deferred charge on debt refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. Only the HCRRA's governmental fund unavailable revenue items are in this category. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Fund Balance and Net Position

Fund balance. In the governmental fund financial statements, fund balance is displayed 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).
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, or higher levels of government) or imposed by law through enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by the HCRRA Board as approved or rescinded in a Board Resolution.
- Assigned fund balance – amounts constrained by the HCRRA's intent to be used for specific purposes but are neither restricted nor committed. The HCRRA 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, and deficit fund balances of other funds.

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.

Hennepin County Regional Railroad Authority
A Component Unit of Hennepin County, Minnesota
Notes to the Basic Financial Statements
December 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fund Balance and Net Position – continued

Net position. In the government-wide financial statements, the net investment in capital assets (net capital assets less applicable 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, liabilities, and deferred inflows of resources that are not included in the determination of the other two components of net position.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, deferred outflows/inflows, 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

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. Cash from all funds is pooled for deposit and investment purposes. At December 31, 2021, the HCRRA’s total interest in the pool, including restricted balances, comprised \$55,246,015 or 3.2% of the County’s total pooled cash and investments, excluding the County’s fiduciary investments. 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, repurchase agreements, interest rate risk, credit risk, concentration of credit risk, and custodial credit risk can be obtained directly from the County’s 2021 financial statements. Investment earnings (losses) are allocated based on average monthly cash balances. The realized and unrealized components of the 2021 HCRRA investment earnings (losses) are presented below.

	2021
Investment income and realized gains and losses	\$ 159,348
Net increase (decrease) in the fair value of investments	(447,945)
Total Investment Earnings (Losses)	\$ (288,597)

Assets are reported as restricted based on externally enforceable constraints on how they may be used. Restrictions indicate the asset may only be used for a specific purpose that is narrower than the purpose of the fund or funds indicated by the column heading. The \$533,123 of RRA restricted cash is due to a separate legal entity.

Hennepin County Regional Railroad Authority
A Component Unit of Hennepin County, Minnesota
Notes to the Basic Financial Statements
December 31, 2021

3. RECEIVABLES

The HCRRA 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. Estimated uncollectible delinquent taxes total \$75,871 at December 31, 2021. Other receivables relate to building and land rentals.

4. 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 (including rail corridor)	\$ 24,439,745	\$ -	\$ (1,360,911)	\$ 23,078,834
<i>Capital assets being depreciated:</i>				
Buildings	3,290,383	-	-	3,290,383
Less accumulated depreciation	890,049	138,612	-	1,028,661
Total capital assets being depreciated, net	2,400,334	(138,612)	-	2,261,722
Capital Assets, Net	\$ 26,840,079	\$ (138,612)	\$ (1,360,911)	\$ 25,340,556

5. LONG-TERM OBLIGATIONS

In 2019, the HCRRA issued Series 2019A Limited Tax Bonds totaling \$80,000,000 to finance the HCRRA's portion of the Southwest Light Rail Transit project. Also, in 2019, the HCRRA issued \$22,345,000 of Series 2019D Limited Tax Refunding Bonds, to refund the \$28,135,000 callable amount of HCRRA Series 2010A. Current year information is shown in the following section.

Limited Tax Levy Debt

Changes in long-term obligations for the year ended December 31, 2021 are as follows:

Beginning Balance	\$ 94,705,000
Additions	-
Reductions	<u>(4,125,000)</u>
Ending Balance	90,580,000
Unamortized premium	15,802,616
Less amount due within one year	<u>(4,345,000)</u>
Noncurrent portion of long-term debt	<u>\$ 102,037,616</u>

Hennepin County Regional Railroad Authority
A Component Unit of Hennepin County, Minnesota
Notes to the Basic Financial Statements
December 31, 2021

5. LONG-TERM OBLIGATIONS – CONTINUED

Debt Service Requirements

Annual debt service requirements as of December 31 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 4,345,000	\$ 4,440,350	\$ 8,785,350
2023	4,570,000	4,223,100	8,793,100
2024	4,720,000	4,083,250	8,803,250
2025	4,965,000	3,847,250	8,812,250
2026	5,225,000	3,599,000	8,824,000
2027-2031	30,500,000	13,793,750	44,293,750
2032-2036	24,605,000	6,722,750	31,327,750
2037-2038	11,650,000	880,750	12,530,750
	<u>\$ 90,580,000</u>	<u>\$ 41,590,200</u>	<u>\$ 132,170,200</u>

6. RISK MANAGEMENT

The HCRRA is exposed to various risks of loss related to general and professional liability torts; and theft of, damage to, and destruction of assets. The HCRRA has chosen to retain the risk of torts. Commercial property insurance is purchased by the County on behalf of the HCRRA to cover the HCRRA’s buildings, money, and securities, subject to deductible amounts. Settled claims from insured losses for the HCRRA have not exceeded commercial insurance coverage for the past three years. Because commercial liability insurance is not purchased to provide for funding any future claims, \$100,000 has been assigned for tort liability risk retention (see Note 8).

7. COMMITMENTS

Commitments for the capital costs of light rail and bus rapid transit projects will be paid from future property tax revenues received by the HCRRA, as well as debt with debt service paid from future HCRRA property tax revenues. As of December 31, 2021 the HCRRA has committed to expend:

- \$149,600,000 for the Bottineau (METRO Blue Line Extension) light rail transit project capital costs. As of December 31, the HCRRA has contributed \$47,375,272 to the project. The total remaining commitment is \$102,224,728; and
- \$12,790,000 for the Orange Line bus rapid transit project capital costs. As of December 31, the HCRRA has contributed \$4,750,000 to the project. The total remaining commitment is \$8,040,000.

Hennepin County Regional Railroad Authority
A Component Unit of Hennepin County, Minnesota
Notes to the Basic Financial Statements
December 31, 2021

8. GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

Governmental fund balance classifications and the constraints imposed on the uses of those resources at December 31, 2021 consisted of \$1,247,461 restricted for debt service, \$100,000 assigned for tort liability risk retention, and \$53,044,129 assigned for specific regional rail projects. The classifications are described in greater detail in the Fund Balance and Net Position section of Note 1.

9. NEW ACCOUNTING PRONOUNCEMENTS

Accounting Standards Adopted in the Current Year

GASB Statement No. 98, *The Annual Comprehensive Financial Report*, was implemented and the new term and its acronym ACFR replace instances of *Comprehensive Annual Financial Report* and its acronym in this report.

Accounting Standards Not Yet Adopted

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

GASB Statement No. 92 *Omnibus 2020*, is effective for the HCRRA 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.

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

10. SUBSEQUENT EVENTS

The HCRRA 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 HCRRA. 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 Regional Railroad Authority
A Component Unit of Hennepin County, Minnesota
Required Supplementary Information (Unaudited)
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
General Fund

For the Year Ended December 31, 2021
With Comparative Actual Amounts for the Year Ended December 31, 2020

	2021				
	Budgeted Amounts		Actual	Variance with Final Budget	2020 Actual
	Original	Final			
REVENUES					
Property taxes	\$ 20,477,972	\$ 20,477,972	\$ 20,526,403	\$ 48,431	\$ 20,785,469
Intergovernmental	-	-	87,414	87,414	361,727
Investment earnings (losses)	100,000	100,000	(288,597)	(388,597)	807,544
Charges for services	10,000	10,000	563,636	553,636	480,011
Other	500,000	500,000	14,091	(485,909)	7,511
Total revenues	<u>21,087,972</u>	<u>21,087,972</u>	<u>20,902,947</u>	<u>(185,025)</u>	<u>22,442,262</u>
EXPENDITURES					
Current:					
Commodities	23,200	23,200	15,478	7,722	95,911
Contractual services	6,381,272	6,398,792	11,067,378	(4,668,586)	77,975,813
Capital outlay	15,927,000	16,110,324	-	16,110,324	3,131,336
Other	256,500	256,500	188,042	68,458	1,600,665
Total expenditures	<u>22,587,972</u>	<u>22,788,816</u>	<u>11,270,898</u>	<u>11,517,918</u>	<u>82,803,725</u>
Excess (deficiency) of revenues over expenditures	<u>(1,500,000)</u>	<u>(1,700,844)</u>	<u>9,632,049</u>	<u>11,332,893</u>	<u>(60,361,463)</u>
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	1,500,000	1,500,000	3,448,774	1,948,774	-
Net change in fund balances	-	(200,844)	13,080,823	<u>\$ 13,281,667</u>	(60,361,463)
Fund Balances - Beginning	<u>40,063,306</u>	<u>40,063,306</u>	<u>40,063,306</u>		<u>100,424,769</u>
Fund Balances - Ending	<u>\$ 40,063,306</u>	<u>\$ 39,862,462</u>	<u>\$ 53,144,129</u>		<u>\$ 40,063,306</u>

See notes to required supplementary information

Hennepin County Regional Railroad Authority
A Component Unit of Hennepin County, Minnesota
Notes to Required Supplementary Information
December 31, 2021

Legal Compliance – Budgets

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 and debt service funds 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.

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

Year	Appropriated Budget	Actual Expenditures	Remaining Budget
2018 and prior	\$ 259,825,416	\$ 117,026,694	\$ 142,798,722
2019	31,589,037	39,340,464	(7,751,427)
2020	20,366,683	72,104,421	(51,737,738)
2021	12,992,000	6,669,699	6,322,301
	\$ 324,773,136	\$ 235,141,278	\$ 89,631,858

The HCRRA 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 no later than December 31.

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.

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

	<u>2021</u>	<u>2020</u>
ASSETS		
Interest in Hennepin County investment pool	\$ 53,465,431	\$ 44,416,523
Delinquent taxes receivable, net	200,470	225,740
Due from other governmental agencies	1,375	-
Other receivables	150,170	101,504
Restricted cash and investments	<u>533,123</u>	<u>519,815</u>
Total assets	<u>\$ 54,350,569</u>	<u>\$ 45,263,582</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES		
Liabilities:		
Accounts and contracts payable	\$ <u>1,046,470</u>	\$ <u>5,040,036</u>
Total liabilities	<u>1,046,470</u>	<u>5,040,036</u>
 Deferred inflows of resources:		
Unavailable revenue - property taxes	<u>159,970</u>	<u>160,240</u>
 Fund balances:		
Assigned	<u>53,144,129</u>	<u>40,063,306</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 54,350,569</u>	<u>\$ 45,263,582</u>

Hennepin County Regional Railroad Authority
A Component Unit of Hennepin County, Minnesota
Balance Sheet
Debt Service Fund
December 31, 2021 and 2020

	2021	2020
ASSETS		
Interest in Hennepin County investment pool	\$ 1,247,461	\$ 845,578
	\$ 1,247,461	\$ 845,578
FUND BALANCES		
Restricted	\$ 1,247,461	\$ 845,578
	\$ 1,247,461	\$ 845,578

Hennepin County Regional Railroad Authority
A Component Unit of Hennepin County, Minnesota
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
Debt Service Fund
For the Year Ended December 31, 2021
With Comparative Actual Amounts for the Year Ended December 31, 2020

	2021			2020	
	Budgeted Amounts		Actual	Variance with Final Budget	Actual
	Original	Final			
REVENUES					
Property taxes	\$ 8,771,600	\$ 8,771,600	\$ 9,173,483	\$ 401,883	\$ 9,592,828
EXPENDITURES					
Debt service:					
Principal retirement	4,125,000	4,125,000	4,125,000	-	3,680,000
Interest and fiscal charges	4,646,600	4,646,600	4,646,600	-	5,078,878
Total expenditures	8,771,600	8,771,600	8,771,600	-	8,758,878
Excess (deficiency) of revenues over expenditures	-	-	401,883	401,883	833,950
Net change in fund balance	-	-	401,883	\$ 401,883	833,950
Fund balance - beginning	845,578	845,578	845,578		11,628
Fund balance - ending	\$ 845,578	\$ 845,578	\$ 1,247,461		\$ 845,578

Statistical Section



Hennepin County Regional Railroad Authority
A Component Unit of Hennepin County, Minnesota

Statistical Section Contents

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Table 1

Hennepin County Regional Railroad Authority
A Component Unit of Hennepin County, Minnesota
Government-wide Net Position
Last Ten Years

		Governmental Activities Net Position			
		Net Investment in Capital Assets	Restricted	Unrestricted	Total
2012	\$	39,465,430	\$ 233,019	\$ (9,327,788)	\$ 30,370,661
2013		39,761,958	225,024	(12,384,900)	27,602,082
2014		39,720,154	2,640,871	(6,304,209)	36,056,816
2015		37,825,785	193,863	788,632	38,808,280
2016		37,783,981	189,324	6,271,348	44,244,653
2017		37,284,173	4,488,729	(19,210,593)	22,562,309
2018		23,791,958	9,757,524	(18,254,540)	15,294,942
2019		23,769,751	38,286,901	(56,407,218)	5,649,434
2020		26,840,079	458,361	(73,060,257)	(45,761,817)
2021		25,340,556	877,432	(52,992,850)	(26,774,862)

Unaudited



Hennepin County Regional Railroad Authority
A Component Unit of Hennepin County, Minnesota
Government-wide Change in Net Position
Last Ten Years

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<u>Governmental Activities:</u>					
Expenses					
General Government	\$ 17,873,512	\$ 23,854,434	\$ 29,098,244	\$ 23,810,157	\$ 24,579,915
Intergovernmental	-	28,474,955	1,964,484	2,006,547	-
Debt Service	<u>1,390,041</u>	<u>1,449,665</u>	<u>1,420,907</u>	<u>1,391,441</u>	<u>1,359,882</u>
Total expenses	<u>19,263,553</u>	<u>53,779,054</u>	<u>32,483,635</u>	<u>27,208,145</u>	<u>25,939,797</u>
Program Revenues					
Charges for services	794,155	737,357	788,761	685,494	768,950
Operating grants and contributions	-	29,089,665	16,027,438	1,867,334	521,706
Capital grants and contributions	<u>1,757,299</u>	<u>338,332</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total program revenues	<u>2,551,454</u>	<u>30,165,354</u>	<u>16,816,199</u>	<u>2,552,828</u>	<u>1,290,656</u>
Net expense	<u>(16,712,099)</u>	<u>(23,613,700)</u>	<u>(15,667,436)</u>	<u>(24,655,317)</u>	<u>(24,649,141)</u>
General Revenues					
Property taxes	17,988,328	20,959,619	23,754,226	27,125,736	29,916,050
Investment earnings (losses)	<u>417,896</u>	<u>(114,498)</u>	<u>367,944</u>	<u>281,045</u>	<u>169,464</u>
Total general revenues	<u>18,406,224</u>	<u>20,845,121</u>	<u>24,122,170</u>	<u>27,406,781</u>	<u>30,085,514</u>
Other Financing Sources					
Gain (loss) on capital asset disposal	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	<u>\$ 1,694,125</u>	<u>\$ (2,768,579)</u>	<u>\$ 8,454,734</u>	<u>\$ 2,751,464</u>	<u>\$ 5,436,373</u>

Unaudited

Table 2

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
\$	54,935,893	\$ 39,978,226	\$ 44,636,119	\$ 79,733,397	\$ 11,409,510
	-	-	-	-	-
	<u>1,313,232</u>	<u>1,264,782</u>	<u>4,068,529</u>	<u>3,633,455</u>	<u>1,767,558</u>
	<u>56,249,125</u>	<u>41,243,008</u>	<u>48,704,648</u>	<u>83,366,852</u>	<u>13,177,068</u>
	713,873	488,816	497,835	487,522	577,727
	4,928	4,932	356,362	-	87,414
	-	-	-	311,844	-
	<u>718,801</u>	<u>493,748</u>	<u>854,197</u>	<u>799,366</u>	<u>665,141</u>
	<u>(55,530,324)</u>	<u>(40,749,260)</u>	<u>(47,850,451)</u>	<u>(82,567,486)</u>	<u>(12,511,927)</u>
	32,791,956	36,040,137	36,117,094	30,348,691	29,699,616
	<u>427,339</u>	<u>428,961</u>	<u>2,087,849</u>	<u>807,544</u>	<u>(288,597)</u>
	<u>33,219,295</u>	<u>36,469,098</u>	<u>38,204,943</u>	<u>31,156,235</u>	<u>29,411,019</u>
	<u>628,685</u>	<u>(2,987,205)</u>	<u>-</u>	<u>-</u>	<u>2,087,863</u>
\$	<u><u>(21,682,344)</u></u>	<u><u>(7,267,367)</u></u>	<u><u>(9,645,508)</u></u>	<u><u>(51,411,251)</u></u>	<u><u>18,986,955</u></u>

Hennepin County Regional Railroad Authority
A Component Unit of Hennepin County, Minnesota
Fund Balances - Governmental Funds
Last Ten Years

Year	General Fund			All Other Governmental Funds			
	Restricted	Assigned	Unassigned	Total	Restricted	Unassigned	Total
2012	\$ -	\$ 4,870,742	\$ 13,943,663	\$ 18,814,405	\$ 10,853,877	\$ -	\$ 10,853,877
2013	-	3,177,259	21,146,258	24,323,517	341,615	(27,950,047)	(27,608,432)
2014	-	15,406,729	12,112,160	27,518,889	2,755,012	-	2,755,012
2015	-	35,090,471	-	35,090,471	305,488	-	305,488
2016	-	39,047,444	-	39,047,444	297,074	-	297,074
2017	-	11,892,653	-	11,892,653	4,592,454	-	4,592,454
2018	-	11,074,266	-	11,074,266	9,857,074	-	9,857,074
2019	38,286,901	62,137,868	-	100,424,769	11,628	-	11,628
2020	-	40,063,306	-	40,063,306	845,578	-	845,578
2021	-	53,144,129	-	53,144,129	1,247,461	-	1,247,461

Unaudited



Hennepin County Regional Railroad Authority
A Component Unit of Hennepin County, Minnesota
Change in Fund Balances - Governmental Funds
Last Ten Years

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Revenues					
Property taxes	\$ 17,988,328	\$ 20,959,619	\$ 23,754,226	\$ 27,125,736	\$ 29,916,050
Intergovernmental	603,211	953,042	42,537,909	3,831,818	521,706
Investment earnings (losses)	417,896	(114,498)	367,944	281,045	169,464
Charges for services	945,561	699,759	695,240	662,779	755,575
Other	<u>15,417</u>	<u>37,598</u>	<u>93,521</u>	<u>22,715</u>	<u>13,375</u>
Total revenues	<u>19,970,413</u>	<u>22,535,520</u>	<u>67,448,840</u>	<u>31,924,093</u>	<u>31,376,170</u>
Expenditures					
General government	17,614,103	13,114,157	29,056,440	23,768,353	24,538,111
Capital outlay	1,560,802	11,036,805	-	-	-
Intergovernmental	-	28,474,955	1,964,484	153,982	-
Debt service:					
Principal	1,395,000	1,435,000	1,470,000	1,510,000	1,550,000
Interest	<u>1,455,700</u>	<u>1,427,800</u>	<u>1,399,100</u>	<u>1,369,700</u>	<u>1,339,500</u>
Total expenditures	<u>22,025,605</u>	<u>55,488,717</u>	<u>33,890,024</u>	<u>26,802,035</u>	<u>27,427,611</u>
Excess (deficiency) of revenues over expenditures	<u>(2,055,192)</u>	<u>(32,953,197)</u>	<u>33,558,816</u>	<u>5,122,058</u>	<u>3,948,559</u>
Other Financing Sources (Uses)					
Issuance of debt	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-
Transfers in	10,800,000	-	9,900,000	2,436,320	-
Transfers out	(10,800,000)	-	(9,900,000)	(2,436,320)	-
Sale of capital assets	-	-	-	-	-
Debt premiums	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ (2,055,192)</u>	<u>\$ (32,953,197)</u>	<u>\$ 33,558,816</u>	<u>\$ 5,122,058</u>	<u>\$ 3,948,559</u>
Debt service as a percentage of noncapital expenditures	13.9%	6.4%	8.5%	10.7%	10.5%

Unaudited

Table 4

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
\$	32,704,849	\$ 35,911,440	\$ 36,143,052	\$ 30,378,297	\$ 29,699,886
	4,928	4,932	306,479	361,727	87,414
	427,339	428,961	2,087,849	807,544	(288,597)
	709,945	389,773	493,443	480,011	563,636
	<u>3,928</u>	<u>99,043</u>	<u>4,392</u>	<u>7,511</u>	<u>14,091</u>
	<u>33,850,989</u>	<u>36,834,149</u>	<u>39,035,215</u>	<u>32,035,090</u>	<u>30,076,430</u>
	54,902,255	39,956,020	44,613,912	79,672,389	11,270,898
	-	-	-	3,131,336	-
	-	-	-	-	-
	1,610,000	1,670,000	5,690,000	3,680,000	4,125,000
	<u>1,293,000</u>	<u>1,244,700</u>	<u>4,253,792</u>	<u>5,078,878</u>	<u>4,646,600</u>
	<u>57,805,255</u>	<u>42,870,720</u>	<u>54,557,704</u>	<u>91,562,603</u>	<u>20,042,498</u>
	<u>(23,954,266)</u>	<u>(6,036,571)</u>	<u>(15,522,489)</u>	<u>(59,527,513)</u>	<u>10,033,932</u>
	-	-	102,345,000	-	-
	-	-	(28,135,000)	-	-
	-	-	-	-	-
	-	-	-	-	-
	1,094,855	10,482,804	-	-	3,448,774
	<u>-</u>	<u>-</u>	<u>20,817,546</u>	<u>-</u>	<u>-</u>
	<u>1,094,855</u>	<u>10,482,804</u>	<u>95,027,546</u>	<u>-</u>	<u>3,448,774</u>
\$	<u>(22,859,411)</u>	<u>\$ 4,446,233</u>	<u>\$ 79,505,057</u>	<u>\$ (59,527,513)</u>	<u>\$ 13,482,706</u>
	5.0%	6.8%	18.2%	9.9%	43.8%

Hennepin County Regional Railroad Authority
A Component Unit of Hennepin County, Minnesota
Property Estimated Market Value (000s omitted)¹
Last Ten Years

		Real Estate				
		Residential Property	Multiple Dwelling	Commercial & Industrial	Agricultural	Public Utilities & Miscellaneous
2012	\$	87,386,034 60.4 %	8,465,660 5.8	25,628,865 17.7	645,946 0.4	31,188 0.0
2013	\$	87,277,599 59.8 %	9,013,557 6.2	26,048,651 17.9	656,586 0.5	28,944 0.0
2014	\$	95,014,228 61.0 %	10,607,391 6.8	26,807,208 17.2	689,117 0.4	33,456 0.0
2015	\$	100,213,026 60.5 %	12,777,974 7.7	29,127,324 17.6	653,729 0.4	33,007 0.0
2016	\$	105,538,203 60.2 %	15,110,310 8.6	31,057,471 17.7	626,311 0.4	37,624 0.0
2017	\$	112,595,483 60.5 %	16,998,612 9.1	32,745,319 17.6	625,310 0.3	40,490 0.0
2018	\$	121,055,934 58.6 %	19,169,684 9.3	34,298,045 16.6	609,956 0.3	39,389 0.0
2019	\$	128,325,438 58.9 %	21,698,642 9.9	36,083,870 16.5	667,926 0.3	41,859 0.0
2020	\$	133,004,321 58.2 %	24,449,210 10.7	38,388,183 16.8	704,655 0.3	51,000 0.0
2021	\$	140,180,412 59.4 %	26,135,254 11.0	37,657,061 15.9	735,793 0.3	51,253 0.0

¹ Property estimated market value is for the assessment year indicated. Applicable taxes are collectible in the subsequent year.

² The tax rate is applied to tax capacity, which is determined by multiplying the taxable market value of each property by the statutory class rates for the specific use(s) on the property.

Source: Hennepin County Property Information System.

Unaudited

Table 5

<u>Exempt</u>	<u>Total Real Estate</u>	<u>Personal Property</u>	<u>Total Estimated Market Value Including Exempt Property</u>	<u>Total Estimated Market Value</u>	<u>Total Direct Tax Rate²</u>
21,249,594 14.7	143,407,287 99.0	1,449,118 1.0	144,856,405 100.0 %	\$ 123,606,811	1.294 %
21,249,594 14.6	144,274,931 99.0	1,482,731 1.0	145,757,662 100.0 %	\$ 124,508,068	1.561 %
21,249,594 13.6	154,400,994 99.0	1,540,312 1.0	155,941,306 100.0 %	\$ 134,691,712	1.777 %
21,249,594 12.8	164,054,654 99.0	1,604,661 1.0	165,659,315 100.0 %	\$ 144,409,721	1.817 %
21,249,594 12.1	173,619,513 99.0	1,750,967 1.0	175,370,480 100.0 %	\$ 154,120,886	1.879 %
21,249,594 11.4	184,254,808 99.0	1,825,398 1.0	186,080,206 100.0 %	\$ 164,830,612	1.925 %
29,293,485 14.2	204,466,493 99.0	1,993,722 1.0	206,460,215 100.0 %	\$ 177,166,730	1.962 %
29,293,485 13.4	216,111,220 99.0	2,103,357 1.0	218,214,577 100.0 %	\$ 188,921,092	1.807 %
29,807,594 13.0	226,404,963 99.0	2,187,136 1.0	228,592,099 100.0 %	\$ 198,784,505	1.388 %
29,826,817 12.6	234,586,590 99.2	1,986,516 0.8	236,573,106 100.0 %	\$ 206,746,289	1.323 %

Hennepin County Regional Railroad Authority
A Component Unit of Hennepin County, Minnesota
Property Tax Rates and Levies - Direct and Overlapping Governments¹
Last Ten Years

Payable Year	HCRRA Direct Taxes		Hennepin County Tax	
	Tax Rates	Tax Levies	Tax Rates	Tax Levies
2012	1.294 %	\$ 18,000,000	47.670 %	\$ 2,560,977,362
2013	1.561	21,000,000	49.540	2,599,562,626
2014	1.777	24,000,000	46.245	2,668,058,025
2015	1.817	27,000,000	45.330	2,716,541,472
2016	1.879	30,000,000	45.730	2,839,712,621
2017	1.925	33,000,000	42.768	2,925,325,463
2018	1.962	36,000,000	41.806	3,073,776,988
2019	1.807	36,000,000	41.035	3,239,426,285
2020	1.388	30,000,000	38.189	3,373,480,198
2021	1.323	30,000,000	38.513	3,382,246,511

¹ The Metropolitan Airport Commission, an overlapping government, receives all of its revenue from sources other than property taxes.

Unaudited

Table 6

Metropolitan Transit Commission Tax		Metropolitan Council Tax		Metropolitan Mosquito Control District Tax	
<u>Tax Rates</u>	<u>Tax Levies</u>	<u>Tax Rates</u>	<u>Tax Levies</u>	<u>Tax Rates</u>	<u>Tax Levies</u>
1.607 %	\$ 21,217,262	0.940 %	\$ 13,046,142	0.537 %	\$ 7,481,049
1.689	21,903,368	0.997	13,568,768	0.556	7,584,690
1.703	22,134,343	1.069	14,520,773	0.563	7,688,848
1.523	21,820,724	0.976	14,656,486	0.507	7,623,950
1.491	22,787,462	0.925	14,881,601	0.483	7,767,028
1.463	23,980,023	0.883	15,228,763	0.475	8,170,878
1.383	24,308,615	0.844	15,562,741	0.456	8,405,155
1.456	27,329,788	0.659	13,329,568	0.427	8,490,764
1.433	28,854,952	0.616	13,078,674	0.412	8,723,923
1.256	27,307,385	0.631	14,198,800	0.381	8,658,865

Hennepin County Regional Railroad Authority
A Component Unit of Hennepin County, Minnesota
Principal Taxpayers¹
Current Year and Nine Years Ago

Taxpayer	2021			2012		
	Tax Capacity	Rank	Percentage of Total Tax Capacity	Tax Capacity	Rank	Percentage of Total Tax Capacity
MOAC Mall Holdings	\$ 16,499,250	1	0.71 %	\$ 11,143,890	1	0.81 %
Xcel Energy (NSP)	8,774,778	2	0.38	4,265,608	2	0.31
BRI 1855 IDS Center LLC	6,384,150	3	0.27			
WFM Office Owner LLC	5,878,450	4	0.25	3,179,250	5	0.23
SRI Eleven Mpls 225 LLC	5,354,050	5	0.23	3,275,250	4	0.24
City Center 33 So Prop LLC	5,245,550	6	0.22			
Wells REIT	4,444,650	7	0.19	2,633,250	6	0.19
US Bank Corp	4,264,150	8	0.18	2,609,250	7	0.19
South Sixth Office LLC	3,605,450	9	0.15			
BAM 701 LLC	3,428,350	10	0.15			
MB Minneapolis 8th St LLC				3,425,250	3	0.25
Best Buy Co Inc				2,369,250	8	0.17
Ridgedale Joint Venture				2,359,250	9	0.17
Hilton Hotels Corporation				2,289,250	10	0.17
Total	\$ <u>63,878,828</u>		<u>2.73 %</u>	\$ <u>37,549,498</u>		<u>2.73 %</u>

¹ Xcel Energy includes both real and personal property tax capacity. All others are based on the tax capacity of individual parcels.

Source: Hennepin County Property Information System.

Unaudited

Hennepin County Regional Railroad Authority
A Component Unit of Hennepin County, Minnesota
Property Tax Levies and Collections
Last Ten Years

Year	Taxes Levied ¹	Collected in the Year Levied		Subsequent Year Collections Net of Refunds ²	Total Collections to Date	
		Tax Collections Net of Refunds	Percentage of Levy		Tax Collections Net of Refunds ²	Percentage of Levy ²
2012	\$ 18,000,000	\$ 17,780,743	98.78 %	\$ 52,537	\$ 17,833,280	99.07 %
2013	21,000,000	20,763,750	98.88	126,326	20,890,076	99.48
2014	24,000,000	23,788,566	99.12	(18,858)	23,769,708	99.04
2015	27,000,000	26,814,866	99.31	33,139	26,848,005	99.44
2016	30,000,000	29,766,940	99.22	4,936	29,771,876	99.24
2017	33,000,000	32,718,321	99.15	(21,116)	32,697,205	99.08
2018	36,000,000	35,685,267	99.13	(21,163)	35,664,104	99.07
2019	36,000,000	35,687,812	99.13	142,713	35,830,525	99.53
2020	30,000,000	29,747,026	99.16	124,171	29,871,197	99.57
2021	30,000,000	29,906,977	99.69	82,350	29,989,327	99.96

¹ Including current year adjustments (i.e., abatements, cancellations, and increases to the current year levy).

² Subsequent year collections are shown in the year they are collected, rather than for the levy year relating to the collection. As a result, collections during a year may exceed the total levy for that year.

Unaudited

Hennepin County Regional Railroad Authority
A Component Unit of Hennepin County, Minnesota
Net Tax Capacity and Taxable Market Value of Property
Last Ten Years

Assessment Year	Property Outside the City of Minneapolis		Minneapolis	
	Net Tax Capacity	Taxable Market Value	Net Tax Capacity	Taxable Market Value
2012	\$ 996,253,340	\$ 87,086,742,774	\$ 373,715,553	\$ 31,019,695,820
2013	993,329,908	87,321,591,088	374,174,247	31,706,298,572
2014	1,079,365,752	94,514,474,174	410,514,191	35,136,247,648
2015	1,147,830,415	100,627,634,030	454,641,259	38,952,721,161
2016	1,225,469,292	106,688,710,677	493,479,516	42,812,588,043
2017	1,304,690,419	113,730,370,808	533,535,674	46,774,230,040
2018	1,392,585,502	121,532,445,186	586,430,142	51,664,025,894
2019	1,487,545,247	129,895,715,054	625,162,153	55,348,967,846
2020	1,563,969,055	136,857,875,524	697,098,964	58,391,790,384
2021	1,631,381,661	143,141,564,535	704,727,774	59,717,760,945

Unaudited

Table 9

	Total		Net Tax Capacity to Taxable Market Value	Percentage of Total HCRRA Net Tax Capacity	
	Net Tax Capacity	Taxable Market Value		Outside Minneapolis	Minneapolis
\$	1,369,968,893	\$ 118,106,438,594	1.2 %	72.7 %	27.3 %
	1,367,504,155	119,027,889,660	1.1	72.6	27.4
	1,489,879,943	129,650,721,822	1.1	72.4	27.6
	1,602,471,674	139,580,355,191	1.1	71.6	28.4
	1,718,948,808	149,501,298,720	1.1	71.3	28.7
	1,838,226,093	160,504,600,848	1.1	71.0	29.0
	1,979,015,644	173,196,471,080	1.1	70.4	29.6
	2,112,707,400	185,244,682,900	1.1	70.4	29.6
	2,261,068,019	195,249,665,908	1.2	69.2	30.8
	2,336,109,435	202,859,325,480	1.2	69.8	30.2

Hennepin County Regional Railroad Authority
A Component Unit of Hennepin County, Minnesota
Ratios of Outstanding Debt by Type
Last Ten Years

Year	Limited Tax General Obligation Debt ¹			Net Limited Tax General Obligation Debt as a Percentage of Property Estimated Market Value ²	Net Limited Tax General Obligation Debt as a Percentage of Personal Income ³	Net Limited Tax General Obligation Debt Per Capita ³
	Total	Less Amount Available for Debt Service	Net			
2012	\$ 39,110,000	\$ 352,002	\$ 38,757,998	0.03%	0.06%	\$ 33.17
2013	37,675,000	341,615	37,333,385	0.03%	0.05%	31.52
2014	36,205,000	318,692	35,886,308	0.03%	0.05%	29.94
2015	34,695,000	305,488	34,389,512	0.02%	0.04%	28.37
2016	33,145,000	297,074	32,847,926	0.02%	0.04%	26.86
2017	31,535,000	4,592,454	26,942,546	0.02%	0.03%	21.86
2018	29,865,000	9,857,074	20,007,926	0.01%	0.02%	15.98
2019	98,385,000	11,628	98,373,372	0.05%	0.10%	78.11
2020	94,705,000	845,578	93,859,422	0.05%	0.10%	74.15
2021	90,580,000	1,247,461	89,332,539	0.04%	0.09%	69.71

¹ HCRRRA debt has historically consisted solely of limited tax general obligation bonds, which are by definition secured in whole or part by the authority to levy taxes on real estate. Per M.S. 475.51, the net limited tax general obligation debt is determined by deducting from the total limited tax general obligation debt the cash available for servicing the debt and debt intended to be financed primarily by means other than a real estate tax levy.

² See Table 5 for taxable estimated market value data.

³ See Table 14 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

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Hennepin County Regional Railroad Authority
A Component Unit of Hennepin County, Minnesota
Direct and Overlapping General Obligation Debt
December 31, 2021

Governmental Unit	Debt ¹		Percent Applicable To HCRRA ²	Amount Applicable to HCRRA
	Total	Net		
Direct -				
Hennepin County Regional Railroad	\$ 90,580,000	\$ 89,332,539	100.00 %	\$ 89,332,539
Total Direct Debt	90,580,000	89,332,539		89,332,539
Overlapping:				
Hennepin County	1,045,660,000	1,029,190,604	100.00	1,029,190,604
Metropolitan Council ³	1,897,693,968	73,049,600	47.42	34,640,120
Metropolitan Airport Commission	1,341,915,000	-	-	-
Total Overlapping Debt	4,285,268,968	1,102,240,204		1,063,830,724
Total	\$ 4,375,848,968	\$ 1,191,572,743		\$ 1,153,163,263

¹ Debt that is secured in whole or part by the authority to levy taxes on real estate. Per M.S. 475.51, net general obligation debt is determined by deducting from the total general obligation debt the cash available for servicing the debt and debt that is intended to be financed primarily by means other than a real estate tax levy. Debt premiums and deferred amounts on refundings are not included in the amounts shown.

² The percentages reflect the portion of the general obligation debt secured by taxable real estate located within the County.

³ Includes Metropolitan Council Transit Operations debt.

Unaudited

Hennepin County Regional Railroad Authority
A Component Unit of Hennepin County, Minnesota
Legal Debt Margin Information
Last Ten Years

The HCRRA is subject to the legal debt limit of Hennepin County as a whole, which is described below:

	<u>Debt Limit ¹</u>	<u>Total Net Debt Applicable to Limit</u>	<u>Legal Debt Margin</u>	<u>Net Debt Applicable to Limit as a Percentage of Debt Limit</u>
2012	\$ 3,543,193,158	\$ 710,177,297	\$ 2,833,015,861	20.04 %
2013	3,570,836,690	786,395,706	2,784,440,984	22.02
2014	3,889,521,655	827,572,993	3,061,948,662	21.28
2015	4,332,291,618	759,580,774	3,572,710,844	17.53
2016	4,623,626,544	941,107,894	3,682,518,650	20.35
2017	4,944,918,369	1,048,753,405	3,896,164,964	21.21
2018	5,315,001,888	1,181,556,006	4,133,445,882	22.23
2019	5,667,632,760	1,259,445,885	4,408,186,875	22.22
2020	5,963,535,150	1,349,632,489	4,613,902,661	22.63
2021	6,202,388,670	1,367,863,635	4,834,525,035	22.05

Computation of 2021 Legal Debt Margin

2021 market value of taxable property		<u>\$ 206,746,289,000</u>
Debt limit, 3% of taxable market value		\$ 6,202,388,670
Amount of levy supported debt	\$ 1,386,151,867	
Less amount available for debt service	<u>18,288,232</u>	<u>1,367,863,635</u>
Legal Debt Margin		<u>\$ 4,834,525,035</u>

¹ See MN Statute 475.53.

Unaudited

Hennepin County Regional Railroad Authority
 A Component Unit of Hennepin County, Minnesota
**Ratio of Debt Service Expenditures for General Obligation
 Debt to Total Governmental Fund Expenditures**
 Last Ten Years

Year	Debt Service Expenditures			Total Expenditures	Debt Service Expenditures to Total Expenditures
	Principal	Interest and Fiscal Charges	Total		
2012	\$ 1,395,000	\$ 1,455,700	\$ 2,850,700	\$ 22,025,605	12.94 %
2013	1,435,000	1,427,800	2,862,800	55,488,717	5.16
2014	1,470,000	1,399,100	2,869,100	33,890,024	8.47
2015	1,510,000	1,369,700	2,879,700	26,802,035	10.74
2016	1,550,000	1,339,500	2,889,500	27,427,611	10.54
2017	1,610,000	1,293,000	2,903,000	57,805,255	5.02
2018	1,670,000	1,244,700	2,914,700	42,870,720	6.80
2019	5,690,000	4,253,792	9,943,792	54,557,704	18.23
2020	3,680,000	5,078,878	8,758,878	91,562,603	9.57
2021	4,125,000	4,646,600	8,771,600	20,042,498	43.77

Unaudited

Hennepin County Regional Railroad Authority
A Component Unit of Hennepin County, Minnesota
Demographic and Economic Statistics
Last Ten Years

Year	Population ¹	Per Capita Income ²	Total Income	Median Age ³	Persons 25 years and older who are high school graduates ³	K - 12 School Enrollment ⁴	Unemployment Rate ⁶
2012	1,184,576	\$ 58,898	\$ 69,769,157,248	35.9	92.1 %	161,409	5.3 %
2013	1,198,778	60,601	72,647,145,578	36.0	92.2	162,827	4.7
2014	1,212,064	65,033	78,824,158,112	36.1	92.3	164,151	3.7
2015	1,223,149	65,231	79,787,232,419	36.1	92.7	166,106	3.3
2016	1,232,483	67,427	83,102,631,241	36.2	92.6	168,629	3.4
2017	1,252,024	71,067	88,977,589,608	36.5	92.8	170,683	3.2
2018	1,259,428	74,698	94,076,752,744	36.5	93.0	177,653	2.5
2019	1,265,843	76,552	96,902,813,336	36.8	93.2	178,657	2.8
2020	1,281,565	79,183	101,478,161,395	36.7	93.3	173,481	6.2
2021	1,267,416	N/A ⁵	N/A ⁵	N/A ⁵	93.6	171,453	3.6

Sources:

¹ U.S. Census Bureau² Bureau of Economic Analysis, County Table³ U.S. Census Bureau, U.S. Community Survey Estimates⁴ Fall registration for public schools - Minnesota State Department of Education⁵ Information not available at time of publication.⁶ Minnesota Department of Employment and Economic Development (12-month average of figures not seasonably adjusted)

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Hennepin County Regional Railroad Authority
A Component Unit of Hennepin County, Minnesota
Labor Force Size and Unemployment Rate
Last Ten Years

	Hennepin County		Metropolitan Area ¹		State		National	
	Labor Force	Unemployment Rate	Labor Force	Unemployment Rate	Labor Force	Unemployment Rate	Labor Force	Unemployment Rate
2012	660,668	5.3 %	1,857,894	5.1 %	2,969,366	5.7 %	154,974,583	8.0 %
2013	667,999	4.7	1,876,212	4.9	2,974,397	5.1	155,389,167	7.4
2014	672,114	3.7	1,917,301	3.9	2,974,102	4.1	155,921,833	6.2
2015	679,549	3.3	1,938,858	3.4	3,010,367	3.7	157,129,917	5.3
2016	679,285	3.4	1,938,642	3.6	3,001,131	3.9	159,106,500	4.9
2017	694,060	3.2	1,979,780	3.3	3,046,697	3.6	160,319,750	4.4
2018	707,209	2.5	2,016,208	2.7	3,099,006	2.9	162,075,000	3.9
2019	711,530	2.8	2,023,566	3.0	3,113,673	3.3	163,538,667	3.7
2020 ²	706,189	6.2	2,005,559	6.0	3,075,445	5.8	160,742,333	8.1
2021 ²	693,226	3.6	1,973,734	3.6	3,024,835	3.6	161,298,000	5.4

Source: Minnesota Department of Employment and Economic Development (12-month average of figures not seasonably adjusted)

¹ Labor statistics for the metropolitan area include Anoka, Carver, Chisago, Dakota, Hennepin, Isanti, Ramsey, Scott, St. Croix, Washington and Wright counties.

² Unemployment rates reflect adverse impacts of the COVID-19 pandemic.

Unaudited

Hennepin County Regional Railroad Authority
A Component Unit of Hennepin County, Minnesota
Employment Information by Industry
Last Ten Years

Industry	Hennepin County Industry Ranking									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Health care and social assistance	1	1	1	1	1	1	1	1	1	1
Professional and technical services	2	2	2	2	2	2	2	2	2	2
Finance and insurance	4	4	4	4	4	4	4	4	3	3
Government and government enterprises	3	3	3	3	3	3	3	3	4	4
Retail trade	5	5	5	5	5	5	5	5	5	5
Manufacturing	6	6	6	6	6	6	6	6	6	6
Administrative and waste services	7	7	7	7	7	7	8	8	8	7
Management of companies and enterprises	12	12	11	11	11	12	12	13	9	8
Accommodation and food services	8	8	8	8	8	8	7	7	7	9
Real estate	10	11	12	12	12	11	11	10	10	10
Wholesale trade	9	9	9	9	9	9	9	9	13	11
Other services, except public administration	11	10	10	10	10	10	10	11	11	12
Transportation and warehousing	13	13	14	13	13	13	13	12	12	13
Construction	14	14	13	14	14	14	14	14	14	14
Educational services	15	16	16	16	16	16	16	16	16	15
Arts, entertainment, and recreation	16	15	15	15	15	15	15	15	15	16
Information	17	17	17	17	17	17	17	17	17	17
Utilities	18	18	18	18	18	18	18	18	18	18
Forestry, fishing, mining, other	19	19	19	19	19	19	19	19	19	19
Farm	20	20	20	20	20	20	20	20	20	20

Note: 2021 information was not available at the time of publication.

Source: Bureau of Economic Analysis

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