

Disclaimer

This Comprehensive Annual Financial Report (CAFR) of the Hennepin County Regional Railroad Authority (HCRRA) contained on the County's web pages is historical information as of December 31, 2018. The information in the CAFR 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 CAFR dated December 31, 2018.

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HENNEPIN COUNTY REGIONAL RAILROAD AUTHORITY
A Component Unit of Hennepin County, Minnesota

Comprehensive Annual Financial Report

Year Ended December 31, 2018





Introductory Section



Hennepin County Regional Railroad Authority
A Component Unit of Hennepin County, Minnesota
2018 Comprehensive Annual Financial Report
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HENNEPIN COUNTY

REGIONAL RAILROAD AUTHORITY

July 17, 2019

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 comprehensive annual financial report of the Hennepin County Regional Railroad Authority (HCRRA) for the fiscal year ended December 31, 2018.

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, 2018. 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 Comprehensive Annual 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.

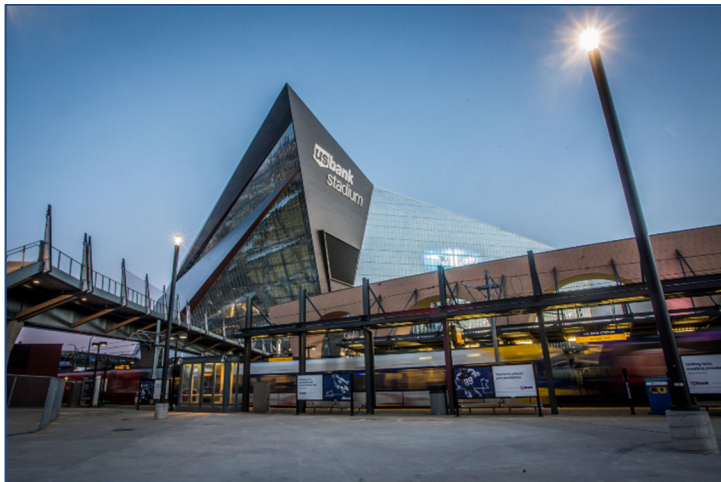


Profile of the Government

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. Ridership in 2018 totaled 11.1 million, a record, and the route had an average weekday ridership of 32,921. Three-car trains are used on weekdays, as well as for Minnesota Twins baseball games at Target Field and Vikings

football games at US Bank Stadium. 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 2018. The METRO Blue Line operates with a fleet of 44 vehicles.

Target Field Station Regional Multimodal Facility

Target Field Station involved development of a site adjacent to the downtown Minneapolis Target Field Stadium to provide connections between bus routes, the Cedar Lake Bike Trail, and the existing and future light rail and commuter rail lines. The station opened in 2014, with an initial focus on light rail transit enhancements relating to the METRO Blue and Green Lines.



The facility is designed to accommodate future light rail transit services to Eden Prairie (METRO Green Line Extension) and Brooklyn Park (METRO Blue Line Extension.) The Station provides improved pedestrian and bicycle access to Target Field from the North Loop neighborhood, and has safe, spacious queueing areas for light rail passengers after events at Target Field. Public events at Target Field Station are scheduled through the Minnesota Twins. In 2018, over 80 events were programmed, in addition to activities for

the Twins' 81 home games. Target Field Station is a catalyst for development in the North Loop Area. Construction in the area included The Nordic, a 10-story mixed-use project at 729 Washington Avenue North, the North Loop Office Building, a 10-story project on 5th Avenue North, and the 156-room Element by Westin Hotel and Fillmore music venue on 5th Street North, immediately adjacent to Target Field Station.

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. 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. In 2018, total ridership was 13.8 million, a record, with average weekday ridership of 42,572. METRO Green Line ridership in 2018 was 16.2% of Metro Transit's annual total ridership. A total of 47 Light Rail Vehicles are assigned to the Green Line.



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 has five peak-direction trips on weekdays, with one reverse-commute trip. Three round trips are scheduled for Saturday and Sunday. Northstar serves all Minnesota Twins and Vikings home games, as well as select special events in downtown. In 2018 the Northstar Line carried 787,327 passengers, with an average weekday ridership of 2,814.

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 planned 14.5-mile light rail transit line between the existing Southwest Station in Eden Prairie and 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. In November 2018, the Federal Transit Administration granted the project a Letter of No Prejudice, which allowed the project to begin construction while the Metropolitan Council completes all necessary steps to secure the federal Full Funding Grant Agreement.
- **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 is at the 95% design level. However, progress in securing a federal Full Funding Grant Agreement is dependent on a 3rd-party agreement with BNSF Railway for use of part of the right-of-way.
- **METRO Orange Line – Bus Rapid Transit**
The METRO Orange Line is a 17-mile planned highway Bus Rapid Transit (BRT) line that will connect Minneapolis, Richfield, Bloomington, and Burnsville along Interstate 35W. The Orange Line will provide frequent, all-day service in both directions, seven days a week. The \$150.7 million project is scheduled to open in 2021. All local funding for the project has been secured. In 2018 the Minnesota Department of Transportation continued construction on the I-35W reconstruction/Orange Line northern improvements. In November 2018 the Federal Transit Administration announced the Orange Line will receive a \$74.1 million grant from the Capital Investment Grant program. With this grant, the project will be fully funded.

Interim Use of Properties Acquired for Future Projects

In 2018, the HCRRA conveyed 9 miles of rail corridor associated with the Southwest Light Rail Transit project to the Metropolitan Council. The HCRRA currently owns 46 miles of rail corridor; 7 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, has longstanding characteristics of strength and diversity in comparison to outstate, regional and even the national economy as shown in measurements of income and employment. Healthcare, medical device manufacturing, retail sales, financial services and insurance, high tech, and food processing are significant economic sectors providing a strong employment and wage base in the County. Many large international companies maintain their headquarters in Hennepin County. At year-end 2018, the County unemployment rate of 2.5% was improved from the previous year's rate of 3.2%. Again in 2018, the County unemployment rate remained lower than the State rate of 2.9% and the national rate of 3.9%.

Long-term Financial Planning. The overall State of Minnesota economic environment relating to the 2019 budget process was modestly weaker compared to the conditions of 2018. The February 2019 State budget and economic forecast predicted a \$563 million surplus for the biennium ending on June 30, 2019, an unfavorable \$157 million change compared to November's forecast of a \$720 million surplus. Annual employment growth is expected to slow from 1.2% in 2019 to 0.9% in 2020. The State expects the trend of slower growth to continue into fiscal years 2022-23.

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 2018

Board of Commissioners:

Peter McLaughlin, Chair

Mike Opat, Vice Chair

Linda Higgins, Secretary

Marion Greene, Treasurer

Debbie Goettel

Jan Callison

Jeff Johnson

Executive Director:

David J. Hough

Financial Section



Independent Auditor's Report

Hennepin County Regional Railroad Authority
Hennepin County, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major funds of Hennepin County Regional Railroad Authority (HCRRA), a component unit of Hennepin County, Minnesota, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise HCRRA's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major funds of HCRRA as of December 31, 2018, 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.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise HCRRA's basic financial statements. The accompanying supplementary information, as listed in the table of contents, and the other information, such as the introductory and statistical sections, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The 2018 supplementary 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. Such 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 2018 supplementary information is fairly stated, in all material respects, in relation to the 2018 basic financial statements taken as a whole.

We have also previously audited, in accordance with auditing standards generally accepted in the United States of America, HCRRA's 2017 basic financial statements (not presented herein) and have issued our report dated July 20, 2018, which contained unmodified opinions on the respective financial statements of the governmental activities and the major funds. The accompanying supplementary information, as listed in the table of contents, as of and for the year ended December 31, 2017, 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 2017 basic financial statements. The accompanying supplementary information has been subjected to the auditing procedures applied in the audit of the 2017 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 2017 supplementary information is fairly stated, in all material respects, in relation to the 2017 basic financial statements taken as a whole.

The introductory section and statistical section, as listed in the table of contents, have not been subjected to the auditing procedures applied to the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

RSM US LLP

Minneapolis, Minnesota
July 17, 2019

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, 2018. 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, 2018, the assets and deferred outflows of resources of the HCRRA exceeded its liabilities by \$15,294,942. The HCRRA's net investment in capital assets is \$23,791,958, and \$9,757,524 was restricted for debt service. The remainder consisted of negative unrestricted net position of \$18,254,540. 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 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, decreased by \$7,267,367 during 2018. The decrease in net position is primarily due to activities related to Southwest Corridor, Bottineau Corridor, and Orange Line projects. 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 \$20,931,340, an increase of \$4,446,233 from the prior year balance of \$16,485,107. The increase in fund balance is primarily due to the sale of surplus property.
- Total fund balance for the General Fund was \$11,074,266, or approximately 28% of total general fund expenditures for the year ended December 31, 2018, compared to \$11,892,653 and 22% for 2017.

Long-Term Debt

- The HCRRA's total long term debt decreased \$1,733,334 in 2018, primarily due to the scheduled principal payment.

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.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of HCRRA finances, in a manner similar to a private-sector business. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information about the

OVERVIEW OF THE FINANCIAL STATEMENTS – CONTINUED

Government-wide Financial Statements – continued

HCRRA as a whole 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, net position may serve as an indicator of a government's financial position. In the case of the HCRRA, assets and deferred outflows of resources exceeded liabilities by \$15,294,942 at December 31, 2018. The largest portion of HCRRA net position, \$23,791,958, reflects its net investment in capital assets (land, which includes rail corridor, and buildings). The HCRRA uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. An additional portion of the HCRRA's net position, \$9,757,524, represents resources that are subject to external restrictions on how they may be used. The remainder consists of negative unrestricted net position of \$18,254,540. 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.

Summary of Net Position

	2018	2017
Current assets	\$ 31,372,847	\$ 20,801,073
Noncurrent assets:		
Capital assets	23,791,958	37,284,173
Total assets	55,164,805	58,085,246
Deferred Outflows of Resources	1,156,930	1,244,521
Current liabilities	12,055,253	6,002,584
Noncurrent liabilities	28,971,540	30,764,874
Total liabilities	41,026,793	36,767,458
Net investment in capital assets	23,791,958	37,284,173
Restricted	9,757,524	4,488,729
Unrestricted	(18,254,540)	(19,210,593)
Total net position	\$ 15,294,942	\$ 22,562,309

Changes in Net Position

As shown in the table below, HCRRA net position decreased by \$7,267,367 during 2018. The decrease in net position is primarily related to spending on the Bottineau Corridor, Southwest Corridor and Orange Line projects, where capital assets and cash are contributed to the Metropolitan Council.

Changes in Net Position

	Governmental Activities	
	2018	2017
Revenues:		
Program revenues:		
Charges for services	\$ 488,816	\$ 713,873
Operating grants and contributions	4,932	4,928
General revenues:		
Property taxes	36,040,137	32,791,956
Investment earnings	428,961	427,339
Total revenues	36,962,846	33,938,096
Expenses:		
HCRRA	39,978,226	54,935,893
Interest on long-term debt	1,264,782	1,313,232
Total expenses	41,243,008	56,249,125
Other Financing Sources:		
Gain on capital asset disposal	(2,987,205)	628,685
Change in net position	(7,267,367)	(21,682,344)
Net position - beginning	22,562,309	44,244,653
Net position - ending	\$ 15,294,942	\$ 22,562,309

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 \$20,931,340, an increase of \$4,446,233 from the prior year. The increase in fund balance is primarily related to the sale of capital assets. Of the ending fund balance, \$11,074,266 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 \$39,956,020 were lower than the final budget of \$100,735,974. Contractual services expenditures were \$60,576,579 less than budgeted due to the Bottineau Corridor and Southwest Corridor projects progressing slower than expected.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

HCRRA capital assets as of December 31, 2018 total \$23,791,958, 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 \$13,492,215 from the prior year's balance, which was due to additional depreciation and the sale of capital assets during 2018. Additional information on HCRRA capital assets can be found in Note 4 on page 24 of this report.

Debt administration

At the end of the current fiscal year, the HCRRA had total long-term levy supported bonds outstanding of \$30,701,540 (including unamortized premium). Additional information on HCRRA long-term debt can be found in Note 5 on page 24 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The 2019 General Fund budget is \$59,093,156 less than the final 2018 budget. In 2019, work will continue on several high priority projects. The General Fund is budgeting \$29,189,037 for the Southwest Corridor and \$2,400,000 for the Midtown Greenway Corridor Bridges.

The Debt Service Fund budget for 2019 was approved at \$2,903,000, a decrease of \$5,350,000 over the final 2018 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 400, 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, 2018

	Governmental Funds			Adjustments (Note 1)	Statement of Net Position
	General Fund	Debt Service Fund	Total		
ASSETS					
Current assets:					
Interest in Hennepin County investment pool	\$ 20,728,862	\$ 9,857,074	\$ 30,585,936	\$ -	\$ 30,585,936
Delinquent taxes receivable	224,404	-	224,404	-	224,404
Other receivables	84,994	-	84,994	-	84,994
Restricted cash and investments	477,513	-	477,513	-	477,513
Total current assets	<u>21,515,773</u>	<u>9,857,074</u>	<u>31,372,847</u>	<u>-</u>	<u>31,372,847</u>
Noncurrent assets:					
Capital assets:					
Land and rail corridor	-	-	-	23,636,512	23,636,512
Buildings	-	-	-	962,280	962,280
	-	-	-	24,598,792	24,598,792
Less accumulated depreciation	-	-	-	(806,834)	(806,834)
Net capital assets	-	-	-	23,791,958	23,791,958
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,791,958</u>	<u>23,791,958</u>
Total assets	<u>\$ 21,515,773</u>	<u>\$ 9,857,074</u>	<u>\$ 31,372,847</u>	<u>23,791,958</u>	<u>55,164,805</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on debt refunding	-	-	-	1,156,930	1,156,930
LIABILITIES					
Current liabilities:					
Accounts and contracts payable	10,225,703	-	10,225,703	-	10,225,703
Accrued liabilities	-	-	-	99,550	99,550
Current portion of long-term debt	-	-	-	1,730,000	1,730,000
Total current liabilities	<u>10,225,703</u>	<u>-</u>	<u>10,225,703</u>	<u>1,829,550</u>	<u>12,055,253</u>
Noncurrent liabilities:					
Noncurrent portion of long-term debt	-	-	-	28,971,540	28,971,540
Total liabilities	<u>10,225,703</u>	<u>-</u>	<u>10,225,703</u>	<u>30,801,090</u>	<u>41,026,793</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	215,804	-	215,804	(215,804)	-
FUND BALANCES/NET POSITION					
Fund balances:					
Restricted	-	9,857,074	9,857,074	(9,857,074)	-
Assigned	11,074,266	-	11,074,266	(11,074,266)	-
Total fund balances	<u>11,074,266</u>	<u>9,857,074</u>	<u>20,931,340</u>	<u>(20,931,340)</u>	<u>-</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 21,515,773</u>	<u>\$ 9,857,074</u>	<u>\$ 31,372,847</u>		
Net position:					
Net investment in capital assets				23,791,958	23,791,958
Restricted for debt service				9,757,524	9,757,524
Unrestricted				(18,254,540)	(18,254,540)
Total net position				<u>\$ 15,294,942</u>	<u>\$ 15,294,942</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, 2018

	Governmental Funds			Adjustments (Note 1)	Statement of Activities
	General Fund	Debt Service Fund	Total		
PROGRAM REVENUES					
Intergovernmental	\$ 4,932	\$ -	\$ 4,932	\$ (4,932)	\$ -
Charges for services	389,773	-	389,773	99,043	488,816
Other	99,043	-	99,043	(99,043)	-
Operating grants and contributions	-	-	-	4,932	4,932
Total program revenues	<u>493,748</u>	<u>-</u>	<u>493,748</u>	<u>-</u>	<u>493,748</u>
GENERAL REVENUES					
Property taxes	27,732,120	8,179,320	35,911,440	128,697	36,040,137
Investment earnings	428,961	-	428,961	-	428,961
Total general revenues	<u>28,161,081</u>	<u>8,179,320</u>	<u>36,340,401</u>	<u>128,697</u>	<u>36,469,098</u>
EXPENDITURES/EXPENSES					
Regional Railroad:					
Current:					
Commodities	1,156	-	1,156	-	1,156
Contractual services	39,807,645	-	39,807,645	-	39,807,645
Depreciation	-	-	-	22,206	22,206
Other	147,219	-	147,219	-	147,219
Debt service:					
Principal retirement	-	1,670,000	1,670,000	(1,670,000)	-
Interest and fiscal charges	-	1,244,700	1,244,700	20,082	1,264,782
Total expenditures/expenses	<u>39,956,020</u>	<u>2,914,700</u>	<u>42,870,720</u>	<u>(1,627,712)</u>	<u>41,243,008</u>
Excess (deficiency) of revenues over expenditures/expenses	<u>(11,301,191)</u>	<u>5,264,620</u>	<u>(6,036,571)</u>	<u>1,756,409</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	10,482,804	-	10,482,804	(10,482,804)	-
Gain (loss) on capital asset disposal	-	-	-	(2,987,205)	(2,987,205)
Total other financing sources (uses)	<u>10,482,804</u>	<u>-</u>	<u>10,482,804</u>	<u>(13,470,009)</u>	<u>(2,987,205)</u>
Net change in fund balances	(818,387)	5,264,620	4,446,233	(4,446,233)	-
Change in net position	-	-	-	(7,267,367)	(7,267,367)
FUND BALANCES/NET POSITION					
Beginning	11,892,653	4,592,454	16,485,107	6,077,202	22,562,309
Ending	<u>\$ 11,074,266</u>	<u>\$ 9,857,074</u>	<u>\$ 20,931,340</u>	<u>\$ (5,636,398)</u>	<u>\$ 15,294,942</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, 2018

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 Comprehensive Annual 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, are not due and payable in the current period and, therefore, 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, 2018

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, 2018

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 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.

Restricted HCRRA cash and investments are held on behalf of others, and an offsetting liability is reported.

Capital Assets

Capital assets are reported in the government-wide financial statements at historical cost. 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, 2018

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, 2018

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, 2018, the HCRRA’s total interest in the pool, including restricted balances, comprised \$31,063,449 or 2.6% of the County’s total pooled cash and investments, excluding fiduciary investments. As of December 31, 2018, the County investment pool had 81.6% of investments invested in U.S. government and agency issues, 13.3% in repurchase agreements, 4.7% in commercial paper, and 0.4% invested in money market funds. Detailed information about the County’s deposits with financial institutions, repurchase agreements, interest rate risk, credit risk, concentration of credit risk, and custodial credit risk can be obtained directly from the County’s 2018 financial statements. Investment earnings (losses) are allocated based on average monthly cash balances. The realized and unrealized components of the 2018 HCRRA investment earnings (losses) are presented below.

	2018
Investment income and realized gains and losses	\$ 325,224
Net increase in the fair value of investments	103,737
Total Investment Earnings	\$ 428,961

Hennepin County Regional Railroad Authority
A Component Unit of Hennepin County, Minnesota
Notes to the Basic Financial Statements
December 31, 2018

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 \$87,030 at December 31, 2018. Other miscellaneous receivables relate to building and land rentals.

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018 was as follows:

	Balance		Balance
	January 1, 2018	Additions	Deletions
			December 31, 2018
<i>Capital assets not being depreciated:</i>			
Land (including rail corridor)	\$ 37,106,521	\$ -	\$ (13,470,009)
			\$ 23,636,512
<i>Capital assets being depreciated:</i>			
Buildings	1,034,780	-	(72,500)
Less accumulated depreciation	857,128	22,206	(72,500)
			806,834
Total capital assets being depreciated, net	177,652	(22,206)	-
			155,446
Capital Assets, Net	\$ 37,284,173	\$ (22,206)	\$ (13,470,009)
			\$ 23,791,958

5. LONG-TERM OBLIGATIONS

Limited Tax Levy Debt

The HCRRA's outstanding limited tax obligation debt has remaining interest rates range from 3.0% to 4.0% with payments due through 2031. There are no significant limitations or restrictions contained in the debt indentures. Changes in long-term debt for the year ended December 31, 2018 are as follows:

Beginning Balance	\$ 31,535,000
Reductions	(1,670,000)
Ending Balance	<u>29,865,000</u>
Unamortized premium	836,540
Less amount due within one year	<u>(1,730,000)</u>
Noncurrent portion of long-term debt	<u>\$ 28,971,540</u>

Hennepin County Regional Railroad Authority
A Component Unit of Hennepin County, Minnesota
Notes to the Basic Financial Statements
December 31, 2018

5. LONG-TERM OBLIGATIONS – CONTINUED

Debt Service Requirements

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

	Principal	Interest	Total
2019	\$ 1,730,000	\$ 1,194,600	\$ 2,924,600
2020	1,810,000	1,125,400	2,935,400
2021	1,895,000	1,053,000	2,948,000
2022	1,985,000	977,200	2,962,200
2023	2,075,000	897,800	2,972,800
2024-2028	11,865,000	3,167,200	15,032,200
2029-2031	8,505,000	690,800	9,195,800
	<u>\$ 29,865,000</u>	<u>\$ 9,106,000</u>	<u>\$ 38,971,000</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 County and 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, 2018 the HCRRA has committed to expend:

- \$199,548,000 for the Southwest (METRO Green Line Extension) light rail transit project capital costs. As of December 31, the RRA has contributed \$82,200,508 to the project. The total remaining commitment is \$117,347,492; and
- \$149,600,000 for the Bottineau (METRO Blue Line Extension) light rail transit project capital costs. As of December 31, the RRA has contributed \$47,368,773 to the project. The total remaining commitment is \$102,231,227; and
- \$12,790,000 for the Orange Line bus rapid transit project capital costs. As of December 31, the RRA 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, 2018

8. GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

Governmental fund balance classifications and the constraints imposed on the uses of those resources at December 31, 2018 consisted of \$9,857,074 restricted for debt service, \$100,000 assigned for tort liability risk retention, and \$10,974,266 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. SUBSEQUENT EVENTS

On March 12, 2019, the Hennepin County Regional Railroad Authority issued \$80,000,000 of Limited Tax Bonds, Series 2019A for the METRO Green Line Extension (Southwest Light Rail Transit) project.



Hennepin County Regional Railroad Authority
A Component Unit of Hennepin County, Minnesota
**Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
General Fund**

For the Year Ended December 31, 2018
With Comparative Actual Amounts for the Year Ended December 31, 2017

	2018				2017 Actual
	Budgeted Amounts		Actual	Variance with Final Budget	
	Original	Final			
REVENUES					
Property taxes	\$ 27,056,469	\$ 27,056,469	\$ 27,732,120	\$ 675,651	\$ 25,506,469
Intergovernmental	1,100,000	1,100,000	4,932	(1,095,068)	4,928
Investment earnings (losses)	100,000	100,000	428,961	328,961	427,339
Charges for services	660,000	660,000	389,773	(270,227)	709,945
Other	4,000	4,000	99,043	95,043	3,928
Total revenues	<u>28,920,469</u>	<u>28,920,469</u>	<u>28,654,829</u>	<u>(265,640)</u>	<u>26,652,609</u>
EXPENDITURES					
Current:					
Commodities	18,750	18,750	1,156	17,594	24,225
Contractual services	100,431,406	100,384,224	39,807,645	60,576,579	54,833,336
Other	333,000	333,000	147,219	185,781	44,694
Total expenditures	<u>100,783,156</u>	<u>100,735,974</u>	<u>39,956,020</u>	<u>60,779,954</u>	<u>54,902,255</u>
Excess (deficiency) of revenues over expenditures	<u>(71,862,687)</u>	<u>(71,815,505)</u>	<u>(11,301,191)</u>	<u>60,514,314</u>	<u>(28,249,646)</u>
OTHER FINANCING SOURCES (USES)					
Issuance of debt	71,862,687	71,862,687	-	(71,862,687)	-
Sale of capital assets	-	-	10,482,804	10,482,804	1,094,855
Total other financing sources	<u>71,862,687</u>	<u>71,862,687</u>	<u>10,482,804</u>	<u>(61,379,883)</u>	<u>1,094,855</u>
Net change in fund balances	-	47,182	(818,387)	<u>(865,569)</u>	(27,154,791)
Fund Balances - Beginning	<u>11,892,653</u>	<u>11,892,653</u>	<u>11,892,653</u>		<u>39,047,444</u>
Fund Balances - Ending	<u>\$ 11,892,653</u>	<u>\$ 11,939,835</u>	<u>\$ 11,074,266</u>		<u>\$ 11,892,653</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, 2018

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
2015	\$ 31,800,000	\$ 18,405,391	\$ 13,394,609
2016	50,100,000	14,009,691	36,090,309
2017	85,189,000	49,595,447	35,593,553
2018	92,736,416	35,016,165	57,720,251
	\$ 259,825,416	\$ 117,026,694	\$ 142,798,722

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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Interest in Hennepin County investment pool	\$ 20,728,862	\$ 15,465,439
Delinquent taxes receivable	224,404	168,910
Other receivables	84,994	118,430
Restricted cash and investments	<u>477,513</u>	<u>455,840</u>
Total assets	<u>\$ 21,515,773</u>	<u>\$ 16,208,619</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES		
Liabilities:		
Accounts and contracts payable	\$ 10,225,703	\$ 2,181,607
Unearned revenue	<u>-</u>	<u>2,047,252</u>
Total liabilities	<u>10,225,703</u>	<u>4,228,859</u>
 Deferred inflows of resources:		
Unavailable revenue - property taxes	<u>215,804</u>	<u>87,107</u>
 Fund balances:		
Assigned	<u>11,074,266</u>	<u>11,892,653</u>
Total fund balances	<u>11,074,266</u>	<u>11,892,653</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 21,515,773</u>	<u>\$ 16,208,619</u>

Hennepin County Regional Railroad Authority
A Component Unit of Hennepin County, Minnesota
Balance Sheet
Debt Service Fund
December 31, 2018 and 2017

	2018	2017
ASSETS		
Interest in Hennepin County investment pool	\$ <u>9,857,074</u>	\$ <u>4,592,454</u>
 FUND BALANCES		
Restricted	\$ <u>9,857,074</u>	\$ <u>4,592,454</u>

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, 2018
With Comparative Actual Amounts for the Year Ended December 31, 2017

	2018			2017	
	Budgeted Amounts		Actual	Variance with Final Budget	Actual
	Original	Final			
REVENUES					
Property taxes	\$ 8,253,000	\$ 8,253,000	\$ 8,179,320	\$ (73,680)	\$ 7,198,380
EXPENDITURES					
Debt service:					
Principal retirement	6,960,000	6,960,000	1,670,000	5,290,000	1,610,000
Interest and fiscal charges	1,293,000	1,293,000	1,244,700	48,300	1,293,000
Total expenditures	8,253,000	8,253,000	2,914,700	5,338,300	2,903,000
Excess (deficiency) of revenues over expenditures	-	-	5,264,620	5,264,620	4,295,380
Net change in fund balance	-	-	5,264,620	\$ 5,264,620	4,295,380
Fund balance - beginning	4,592,454	4,592,454	4,592,454		297,074
Fund balance - ending	\$ 4,592,454	\$ 4,592,454	\$ 9,857,074		\$ 4,592,454

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
2009	\$ 37,265,994	\$ 172,533	\$ (16,162,760)	\$ 21,275,767
2010	37,094,176	345,647	(13,795,823)	23,644,000
2011	36,922,358	255,532	(8,238,993)	28,938,897
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

Unaudited



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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Governmental Activities:					
Expenses					
General Government	\$ 8,436,570	\$ 12,506,371	\$ 12,328,586	\$ 17,873,512	\$ 23,854,434
Intergovernmental	-	-	-	-	28,474,955
Debt Service	<u>2,084,043</u>	<u>1,426,853</u>	<u>1,417,299</u>	<u>1,390,041</u>	<u>1,449,665</u>
Total expenses	<u>10,520,613</u>	<u>13,933,224</u>	<u>13,745,885</u>	<u>19,263,553</u>	<u>53,779,054</u>
Program Revenues					
Intergovernmental	196,576	814,086	487,693	-	-
Charges for services	341,862	824,724	575,690	794,155	737,357
Other	76,201	61,749	111,020	-	-
Operating grants and contributions	-	-	-	-	29,089,665
Capital grants and contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,757,299</u>	<u>338,332</u>
Total program revenues	<u>614,639</u>	<u>1,700,559</u>	<u>1,174,403</u>	<u>2,551,454</u>	<u>30,165,354</u>
Net expense	<u>(9,905,974)</u>	<u>(12,232,665)</u>	<u>(12,571,482)</u>	<u>(16,712,099)</u>	<u>(23,613,700)</u>
General Revenues					
Property taxes	6,886,542	14,410,241	17,306,595	17,988,328	20,959,619
Investment earnings (losses)	<u>618,822</u>	<u>190,657</u>	<u>559,784</u>	<u>417,896</u>	<u>(114,498)</u>
Total general revenues	<u>7,505,364</u>	<u>14,600,898</u>	<u>17,866,379</u>	<u>18,406,224</u>	<u>20,845,121</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>\$ (2,400,610)</u>	<u>\$ 2,368,233</u>	<u>\$ 5,294,897</u>	<u>\$ 1,694,125</u>	<u>\$ (2,768,579)</u>

Unaudited

Table 2

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$	29,098,244	\$ 23,810,157	\$ 24,579,915	\$ 54,935,893	\$ 39,978,226
	1,964,484	2,006,547	-	-	-
	<u>1,420,907</u>	<u>1,391,441</u>	<u>1,359,882</u>	<u>1,313,232</u>	<u>1,264,782</u>
	<u>32,483,635</u>	<u>27,208,145</u>	<u>25,939,797</u>	<u>56,249,125</u>	<u>41,243,008</u>
	-	-	-	-	-
	788,761	685,494	768,950	713,873	488,816
	-	-	-	-	-
	16,027,438	1,867,334	521,706	4,928	4,932
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>16,816,199</u>	<u>2,552,828</u>	<u>1,290,656</u>	<u>718,801</u>	<u>493,748</u>
	<u>(15,667,436)</u>	<u>(24,655,317)</u>	<u>(24,649,141)</u>	<u>(55,530,324)</u>	<u>(40,749,260)</u>
	23,754,226	27,125,736	29,916,050	32,791,956	36,040,137
	<u>367,944</u>	<u>281,045</u>	<u>169,464</u>	<u>427,339</u>	<u>428,961</u>
	<u>24,122,170</u>	<u>27,406,781</u>	<u>30,085,514</u>	<u>33,219,295</u>	<u>36,469,098</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>628,685</u>	<u>(2,987,205)</u>
\$	<u><u>8,454,734</u></u>	<u><u>2,751,464</u></u>	<u><u>5,436,373</u></u>	<u><u>(21,682,344)</u></u>	<u><u>(7,267,367)</u></u>

Hennepin County Regional Railroad Authority
A Component Unit of Hennepin County, Minnesota
Fund Balances - Governmental Funds ¹
Last Ten Years

Year	General Fund					All Other Governmental Funds			
	Reserved	Unreserved	Assigned	Unassigned	Total	Unreserved, Reported in Debt Service Fund	Restricted	Unassigned	Total
2009	\$ 63,502	\$ 26,414,403	\$ -	\$ -	\$ 26,477,905	\$ 342,587	\$ -	\$ -	\$ 342,587
2010	-	-	13,203,465	14,075,922	27,279,387	-	469,222	-	469,222
2011	-	-	17,808,605	13,538,029	31,346,634	-	376,840	-	376,840
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

¹ Governmental Accounting Standards Board Statement 54 was effective for 2011, resulting in new fund balance categories. The new categories are shown for 2010 for comparison purposes, but data was not available for prior years.

Unaudited



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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Revenues					
Property taxes	\$ 6,886,542	\$ 14,410,241	\$ 17,306,595	\$ 17,988,328	\$ 20,959,619
Intergovernmental	196,576	814,086	487,693	603,211	953,042
Investment earnings (losses)	618,822	190,657	559,784	417,896	(114,498)
Charges for services	341,862	824,724	408,867	945,561	699,759
Other	<u>76,201</u>	<u>61,749</u>	<u>111,020</u>	<u>15,417</u>	<u>37,598</u>
Total revenues	<u>8,120,003</u>	<u>16,301,457</u>	<u>18,873,959</u>	<u>19,970,413</u>	<u>22,535,520</u>
Expenditures					
General government	8,254,918	12,192,225	12,056,194	17,614,103	13,114,157
Capital outlay	-	276,475	-	1,560,802	11,036,805
Intergovernmental	-	-	-	-	28,474,955
Debt service:					
Principal	1,045,000	1,825,000	1,360,000	1,395,000	1,435,000
Interest	<u>2,081,144</u>	<u>1,385,991</u>	<u>1,482,900</u>	<u>1,455,700</u>	<u>1,427,800</u>
Total expenditures	<u>11,381,062</u>	<u>15,679,691</u>	<u>14,899,094</u>	<u>22,025,605</u>	<u>55,488,717</u>
Excess (deficiency) of revenues over expenditures	<u>(3,261,059)</u>	<u>621,766</u>	<u>3,974,865</u>	<u>(2,055,192)</u>	<u>(32,953,197)</u>
Other Financing Sources (Uses)					
Issuance of debt	-	42,595,000	-	-	-
Payment to refunded bond escrow agent	-	(43,682,001)	-	-	-
Transfers in	-	-	-	10,800,000	-
Transfers out	-	-	-	(10,800,000)	-
Sale of capital assets	-	-	-	-	-
Debt premiums	-	1,393,352	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>306,351</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ (3,261,059)</u>	<u>\$ 928,117</u>	<u>\$ 3,974,865</u>	<u>\$ (2,055,192)</u>	<u>\$ (32,953,197)</u>
Debt service as a percentage of noncapital expenditures	27.5%	20.8%	19.1%	13.9%	6.4%

Unaudited

Table 4

	2014	2015	2016	2017	2018
\$	23,754,226	\$ 27,125,736	\$ 29,916,050	\$ 32,704,849	\$ 35,911,440
	42,537,909	3,831,818	521,706	4,928	4,932
	367,944	281,045	169,464	427,339	428,961
	695,240	662,779	755,575	709,945	389,773
	93,521	22,715	13,375	3,928	99,043
	<u>67,448,840</u>	<u>31,924,093</u>	<u>31,376,170</u>	<u>33,850,989</u>	<u>36,834,149</u>
	29,056,440	23,768,353	24,538,111	54,902,255	39,956,020
	-	-	-	-	-
	1,964,484	153,982	-	-	-
	1,470,000	1,510,000	1,550,000	1,610,000	1,670,000
	<u>1,399,100</u>	<u>1,369,700</u>	<u>1,339,500</u>	<u>1,293,000</u>	<u>1,244,700</u>
	<u>33,890,024</u>	<u>26,802,035</u>	<u>27,427,611</u>	<u>57,805,255</u>	<u>42,870,720</u>
	<u>33,558,816</u>	<u>5,122,058</u>	<u>3,948,559</u>	<u>(23,954,266)</u>	<u>(6,036,571)</u>
	-	-	-	-	-
	-	-	-	-	-
	9,900,000	2,436,320	-	-	-
	(9,900,000)	(2,436,320)	-	-	-
	-	-	-	1,094,855	10,482,804
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,094,855</u>	<u>10,482,804</u>
\$	<u><u>33,558,816</u></u>	<u><u>5,122,058</u></u>	<u><u>3,948,559</u></u>	<u><u>(22,859,411)</u></u>	<u><u>4,446,233</u></u>
	8.5%	10.7%	10.5%	5.0%	6.8%

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

Real Estate					
	<u>Residential Property</u>	<u>Multiple Dwelling</u>	<u>Commercial & Industrial</u>	<u>Agricultural</u>	<u>Public Utilities & Miscellaneous</u>
2009	\$ 102,430,703 63.7 %	8,628,975 5.4	28,723,247 17.9	773,764 0.5	58,310 0.0
2010	\$ 95,810,842 62.4 %	8,126,550 5.3	26,455,131 17.2	686,687 0.5	50,655 0.0
2011	\$ 92,367,575 61.9 %	8,141,313 5.5	25,566,334 17.1	667,293 0.4	32,528 0.0
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

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>
18,965,624 11.8	159,580,623 99.2	1,238,596 0.8	\$ 160,819,219 100 %	\$ 141,853,595	0.380 %
21,249,594 13.8	152,379,459 99.2	1,295,495 0.8	\$ 153,674,954 100 %	\$ 132,425,360	1.000 %
21,249,594 14.2	148,024,637 99.1	1,333,422 0.9	\$ 149,358,059 100 %	\$ 128,108,465	1.246 %
21,249,594 14.7	143,407,287 99.0	1,449,118 1.0	144,856,405 100 %	\$ 123,606,811	1.294 %
21,249,594 14.6	144,274,931 99.0	1,482,731 1.0	145,757,662 100 %	\$ 124,508,068	1.561 %
21,249,594 13.6	154,400,994 99.0	1,540,312 1.0	155,941,306 100 %	\$ 134,691,712	1.777 %
21,249,594 12.8	164,054,654 99.0	1,604,661 1.0	165,659,315 100 %	\$ 144,409,721	1.817 %
21,249,594 12.1	173,619,513 99.0	1,750,967 1.0	175,370,480 100 %	\$ 154,120,886	1.879 %
21,249,594 11.4	184,254,808 99.0	1,825,398 1.0	186,080,206 100 %	\$ 164,830,612	1.925 %
29,293,485 14.2	204,466,493 99.0	1,993,722 1.0	206,460,215 100 %	\$ 177,166,730	1.962 %

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
2009	0.380 %	\$ 7,000,000	40.413 %	\$ 2,535,570,232
2010	1.000	15,000,000	42.640	2,544,559,665
2011	1.246	18,000,000	45.840	2,568,972,956
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

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>
1.273 %	\$ 19,455,492	0.817 %	\$ 13,156,461	0.489 %	\$ 7,874,542
1.366	20,612,822	0.793	12,720,347	0.461	7,417,379
1.539	21,333,915	0.885	12,917,499	0.525	7,648,210
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

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

Taxpayer	2018			2009		
	Tax Capacity	Rank	Percentage of Total Tax Capacity	Tax Capacity	Rank	Percentage of Total Tax Capacity
MOA Mall Holdings LLC	\$ 16,799,250	1	0.85 %	\$ 10,953,250	1	0.68 %
Xcel Energy (NSP)	7,362,884	2	0.37	2,562,838	10	0.16
BRI 1855 IDS Center LLC	5,489,450	3	0.28			
NWC Limited Partnership	5,082,250	4	0.26	3,775,250	4	0.23
SRI Eleven Mpls 225 LLC	4,891,850	5	0.25	4,167,250	3	0.26
City Center 33 So Prop LLC	4,329,850	6	0.22			
US Bank N.A.	3,669,250	7	0.19	3,191,250	5	0.20
Wells REIT	3,615,450	8	0.18	3,139,250	6	0.19
Hilton Hotels Corporation	3,069,250	9	0.16			
South Sixth Office LLC	2,908,050	10	0.15			
MB Minneapolis 8th St LLC				4,185,250	2	0.26
Best Buy Co Inc				2,757,790	7	0.17
Flanagan-AMEX				2,657,250	8	0.16
Riversource Life Insurance Co				2,599,250	9	0.16
Total	\$ <u>57,217,534</u>		<u>2.91 %</u>	\$ <u>39,988,628</u>		<u>2.47 %</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
2009	\$ 7,000,000	\$ 6,889,690	98.42 %	\$ 190,829	\$ 7,080,519	101.15 %
2010	15,000,000	14,716,813	98.11	101,228	14,818,041	98.79
2011	18,000,000	17,728,170	98.49	87,701	17,815,871	98.98
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

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
2009	\$ 1,161,337,991	\$ 104,631,351,200	\$ 439,141,541	\$ 36,953,274,630
2010	1,082,056,515	97,304,713,300	394,912,341	34,860,700,280
2011	1,025,993,612	90,736,199,171	371,615,754	32,064,749,581
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	104,113,040,700	454,641,259	40,296,679,900
2016	1,225,469,292	110,053,361,401	493,479,516	44,067,523,400
2017	1,304,690,419	116,882,680,100	533,535,674	47,947,932,200
2018	1,392,585,502	124,441,323,900	586,430,142	52,725,405,700

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
\$	1,600,479,532	\$ 141,584,625,830	1.1 %	72.6 %	27.4 %
	1,476,968,856	132,165,413,580	1.1	73.3	26.7
	1,397,609,366	122,800,948,752	1.1	73.4	26.6
	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	144,409,720,600	1.1	71.6	28.4
	1,718,948,808	154,120,884,801	1.1	71.3	28.7
	1,838,226,093	164,830,612,300	1.1	71.0	29.0
	1,979,015,644	177,166,729,600	1.1	70.4	29.6

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 ^{1,4}			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			
2009	\$ 42,850,000	\$ 342,587	\$ 42,507,413	0.03%	0.07%	\$ 37.25
2010	41,865,000	469,222	41,395,778	0.03%	0.07%	35.80
2011	40,505,000	376,840	40,128,160	0.03%	0.06%	34.82
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

¹ HCRRA 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.

⁴ Due to the implementation of GASB 65, deferred charges on refundings are not reported with outstanding debt in 2012 or later. Due to limited availability of data, deferred charges on refundings remain included with the applicable debt prior to 2012.

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Hennepin County Regional Railroad Authority
A Component Unit of Hennepin County, Minnesota
Direct and Overlapping General Obligation Debt
December 31, 2018

Governmental Unit	Debt ¹		Percent Applicable To HCRRA ²	Amount Applicable to HCRRA
	Total	Net		
Direct -				
Hennepin County Regional Railroad	\$ 29,865,000	\$ 20,007,926	100.00 %	\$ 20,007,926
Total Direct Debt	<u>29,865,000</u>	<u>20,007,926</u>		<u>20,007,926</u>
Overlapping:				
Hennepin County	1,047,170,000	1,037,202,224	100.00	1,037,202,224
Metropolitan Council ³	1,549,087,966	75,902,689	51.20	38,862,177
Metropolitan Airport Commission	1,402,780,000	-	-	-
Total Overlapping Debt	<u>3,999,037,966</u>	<u>1,113,104,913</u>		<u>1,076,064,401</u>
Total	<u>\$ 4,028,902,966</u>	<u>\$ 1,133,112,839</u>		<u>\$ 1,096,072,327</u>

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.

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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>
2009	\$ 2,831,692,517	\$ 657,521,805	\$ 2,174,170,712	23.22 %
2010	3,964,962,407	751,148,403	3,213,814,004	18.94
2011	3,684,028,463	763,313,156	2,920,715,307	20.72
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

Computation of 2018 Legal Debt Margin

2018 market value of taxable property		<u>\$ 177,166,729,600</u>
Debt limit, 3% of taxable market value		\$ 5,315,001,888
Amount of levy supported debt	\$ 1,203,274,926	
Less amount available for debt service	<u>21,718,920</u>	<u>1,181,556,006</u>
Legal Debt Margin		<u>\$ 4,133,445,882</u>

¹ The debt limit was 2% of market value until 2010, when it became 3% of market value. 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		
2009	\$ 1,045,000	\$ 2,081,144	\$ 3,126,144	\$ 11,381,062	27.47 %
2010	1,825,000	1,385,991	3,210,991	15,679,691	20.48
2011	1,360,000	1,482,900	2,842,900	14,899,094	19.08
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

Unaudited

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

<u>Year</u>	<u>Population</u> ¹	<u>Per Capita Income</u> ²	<u>Total Income</u>	<u>Median Age</u> ³	<u>Persons 25 years and older who are high school graduates</u> ³	<u>K - 12 School Enrollment</u> ⁴	<u>Unemployment Rate</u> ⁶
2009	1,156,212	\$ 54,008	\$ 62,444,697,696	35.9	92.1 %	156,320	7.5 %
2010	1,152,425	54,949	63,324,601,325	35.9	92.1	157,170	6.6
2011	1,168,431	57,476	67,156,740,156	35.9	92.1	158,431	6.1
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	N/A ⁵	N/A ⁵	N/A ⁵	93.0	177,653	2.5

Sources:

¹ Office of the State Demographer and U.S. Census Bureau² U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Accounts Annual Average Personal Income³ 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 seasonably unadjusted figures)

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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
2009	661,816	7.5 %	1,855,914	7.8 %	2,967,967	8.0 %	154,015,250	9.3 %
2010	663,880	6.6	1,860,461	6.9	2,963,402	7.3	153,889,000	9.7
2011	660,986	6.1	1,850,365	6.4	2,977,919	6.4	153,624,000	8.9
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

Source: Minnesota Department of Employment and Economic Development (12-month average of seasonably unadjusted figures)

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

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

Industry	Hennepin County Industry Ranking									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
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
Government and government enterprises	3	3	3	3	3	3	3	3	3	3
Finance and insurance	5	4	4	4	4	4	4	4	4	4
Retail trade	4	5	5	5	5	5	5	5	5	5
Manufacturing	6	6	6	6	6	6	6	6	6	6
Accommodation and food services	8	7	8	8	8	8	8	8	8	7
Administrative and waste services	7	8	7	7	7	7	7	7	7	8
Wholesale trade	9	9	9	9	9	9	9	9	9	9
Other services, except public administration	11	10	10	11	10	10	10	10	10	10
Real estate	10	11	11	10	11	12	12	12	11	11
Management of companies and enterprises	12	12	12	12	12	11	11	11	12	12
Transportation and warehousing	14	13	13	13	13	14	13	13	13	13
Construction	13	14	14	14	14	13	14	14	14	14
Arts, entertainment, and recreation	15	15	15	16	15	15	15	15	15	15
Educational services	17	16	16	15	16	16	16	16	16	16
Information	16	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: 2018 information was not available at the time of publication.

Source: United States Department of Commerce, Bureau of Economic Analysis

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

<u>State of Minnesota Principal Employers</u>	2018 ²			2009 ¹		
	Employees (rounded to nearest 1,000)	Rank	Percentage of Total State Employment	Employees (rounded to nearest 1,000)	Rank	Percentage of Total County Employment
Mayo Foundation	42,000	1	1.40%			
State of Minnesota	40,000	2	1.33%			
United States Federal Government	34,000	3	1.13%			
Fairview Health Services	33,000	4	1.10%	8,000	3	1.20%
Allina Health	28,000	5	0.93%			
Target Corporation	27,000	6	0.90%			
University of Minnesota	27,000	7	0.90%	17,000	1	2.54%
HealthPartners	24,000	8	0.80%			
Wells Fargo Bank Minnesota	19,000	9	0.63%			
UnitedHealth Group, Inc.	18,000	10	0.60%			
Hennepin County				8,000	2	1.20%
Ameriprise Financial				7,000	4	1.05%
Methodist Hospital				7,000	5	1.05%
Best Buy Co Inc				6,000	6	0.90%
Park Nicollet Health Systems				6,000	7	0.90%
Abbott Northwestern Hospital				5,300	8	0.79%
Fairview Southdale Hospital				5,000	9	0.75%
General Mills				5,000	10	0.75%
	<u>292,000</u>		<u>9.72%</u>	<u>74,300</u>		<u>11.13%</u>

¹ Source for 2009: ACINT.ORG and Hennepin County Office of Budget and Finance.

² Beginning in 2018, data specific to Hennepin County is not available, so statewide information is shown. Statewide information is from the Minnesota Department of Employment and Economic Development.

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