

Disclaimer

This Annual Comprehensive Financial Report (ACFR) of the Hennepin County Regional Railroad Authority (HCRRA) contained on the County's web pages is historical information as of December 31, 2023. The information in the ACFR has not been updated for developments subsequent to the date of the independent auditor's report.

The County has taken reasonable security measures to protect the integrity of its website and information posted thereon. However, no web site can fully ensure against infiltration. Absent any unauthorized act that deletes, edits, or somehow manipulates the words or data, this publication represents the presentation of the HCRRA's ACFR dated December 31, 2023.

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



HENNEPIN COUNTY REGIONAL RAILROAD AUTHORITY

A Component Unit of Hennepin County, Minnesota

Annual Comprehensive Financial Report

Year Ended December 31, 2023



Introductory Section



Hennepin County Regional Railroad Authority
A Component Unit of Hennepin County, Minnesota
2023 Annual Comprehensive Financial Report
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HENNEPIN COUNTY

REGIONAL RAILROAD AUTHORITY

August 22, 2024

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

Minnesota Statutes require all governmental agencies to issue an annual report on its financial position and activity prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants or the state auditor. Pursuant to that requirement, we hereby issue the annual comprehensive financial report of the Hennepin County Regional Railroad Authority (HCRRA) for the fiscal year ended December 31, 2023

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, 2023. The independent auditor’s report is located at the front of the financial section of this report.

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

Profile of the Government

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

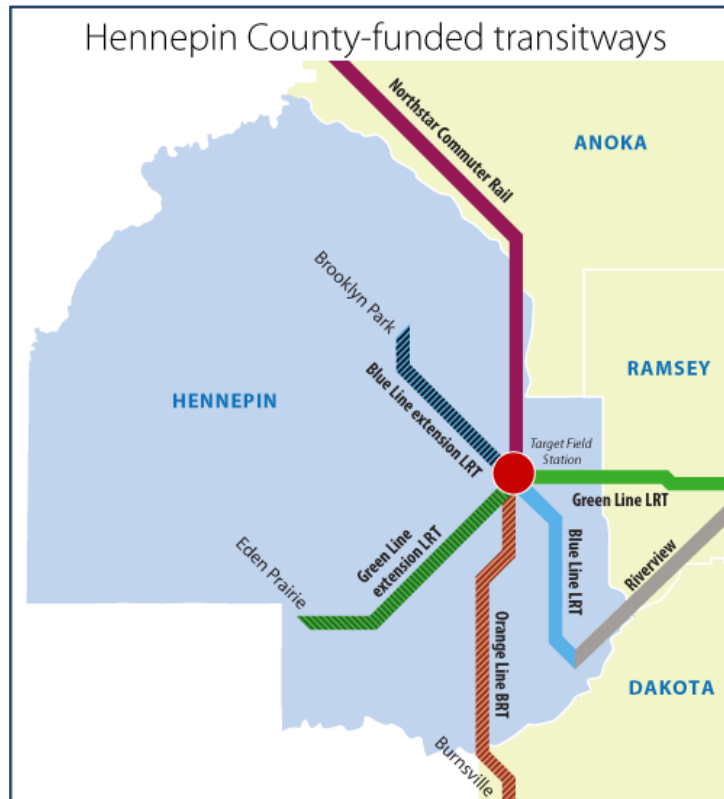
Although it is a legally separate entity, the HCRRA is in substance part of the operations of Hennepin County. Therefore, the HCRRA’s activity is combined with financial information of Hennepin County and reported as a special revenue fund within the County’s Annual Comprehensive Financial Report.

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



Profile of the Government – continued

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



METRO Blue Line – Light Rail Transit

The METRO Blue Line opened in 2004. The current 19-station line provides 12 miles of light rail transit between the Mall of America in Bloomington and Target Field Station in downtown Minneapolis. The line is served by two park and ride lots that provide more than 2,600 parking spaces to commuters. METRO Blue Line ridership statistics are shown below. Ridership improved in 2023 compared with 2022; however, it was still below the levels recorded prior to the pandemic.

<u>Year</u>	<u>Annual Ridership</u>	<u>Average Weekday Ridership</u>
2023	6.5 million	18,143
2022	5.4 million	14,801
2021	4.5 million	12,431
2020	4.2 million	12,170
2019	11.0 million	32,978

Frequency of service remained at 15 minutes, due mainly to operator shortages. Metro Transit operates the light rail, commuter rail, and most of the buses in the Twin Cities. The METRO Blue Line accounted for about 14.5% of Metro Transit’s total ridership in 2023. The METRO Blue Line operates with a fleet of 44 vehicles.

METRO Green Line – Light Rail Transit

The METRO Green Line is 9.8 miles of light rail transit between downtown St. Paul and downtown Minneapolis. This line opened in 2014 with 18 stations, as well as five stations shared with the METRO Blue Line. A total of 47 Light Rail Vehicles are assigned to the Green Line. It links five major centers of activity in the Twin Cities region – downtown Minneapolis, the University of Minnesota, the Midway area, the State Capitol complex and downtown St. Paul. It connects to the METRO Blue Line at the US Bank Stadium Station. Like the METRO Blue Line, ridership improved compared to 2022, although still below the levels before the pandemic. METRO Green Line ridership statistics are shown below.

Year	Annual Ridership	Average Weekday Ridership
2023	8.2 million	24,503
2022	7.0 million	20,641
2021	6.1 million	17,881
2020	7.2 million	18,271
2019	14.3 million	44,004

METRO Green Line ridership in 2023 was 18.3% of Metro Transit's annual total ridership.



Northstar Commuter Rail Line

Northstar Commuter Rail service between Big Lake and downtown Minneapolis is on a 40-mile segment of BNSF Railway along Highways 10 and 47. This service began in 2009. The Northstar stations are located in Big Lake, Elk River, Ramsey, Anoka, Coon Rapids, Fridley, and in downtown Minneapolis where Target Field Station provides a direct connection to the METRO Blue Line and METRO Green Line. Northstar rail service was greatly reduced due to the COVID-19 pandemic. From March 2020 through September 2023 only 2 weekday roundtrips and no weekend trips were operated, reducing weekly trips from 72 to 20. In October of 2023, service levels increased to 5 weekday trips. Northstar rail ridership in 2019 through 2023 is shown below:



Year	Annual Ridership	Average Weekday Ridership
2023	97,264	373
2022	77,077	303
2021	50,433	199
2020	152,456	582
2019	767,767	2,739

METRO Orange Line – Bus Rapid Transit

The METRO Orange Line is a 17-mile highway Bus Rapid Transit (BRT) line that connects Minneapolis, Richfield, Bloomington, and Burnsville along Interstate 35W. The Orange Line provides fast, reliable, all-day service in both directions seven days a week. The \$150.7 million project opened for services in December 2021. The project included street and highway improvements, upgraded transit stations, and improved bus routes. BRT provides high quality, reliable service like light rail transit but is less expensive to build and allows for a more flexible route. In 2023, Orange Line ridership was 441,301, with an average weekday ridership of 1,426. This is an increase from annual ridership of 309,272 and average weekday ridership of 1,038 in 2022.

Additional Projects

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

- **METRO Green Line Extension (Southwest Corridor) – Light Rail Transit**
The METRO Green Line Extension is a 14.5-mile light rail transit line from the existing Southwest Station in Eden Prairie through the communities of Minnetonka, Hopkins, and St Louis Park to downtown Minneapolis. When built, the line will be combined with the METRO Green Line, to create a continuous service from Eden Prairie to downtown St. Paul. The project was approximately 79% complete as of the end of 2023. It is anticipated that the METRO Green Line Extension will be operational in 2027.
- **METRO Blue Line Extension (Bottineau Corridor)– Light Rail Transit**
The METRO Blue Line Extension is a 13-mile, 11 station transitway corridor extending from the existing Target Field Station in downtown Minneapolis through North Minneapolis, Robbinsdale, Crystal, and Brooklyn Park. In September of 2023 the Metropolitan Council and Hennepin County recommended the route alignment and general station locations to be studied in the Supplemental Draft Environmental Impact Statement, which is expected to be completed in mid-2024.

Interim Use of Properties Acquired for Future Projects

The HCRRA currently owns 43 miles of rail corridor; five sites suitable for future park and ride lots or stations; and one 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.

Hennepin County, the geographic area in which the HCRRA is established, is at the core of one of the largest economic centers in the upper Midwest. The County is home to over 22% of the state's population. Trade, transportation and utilities, education and health related entities, professional and business services, government, manufacturing, leisure and hospitality and financial services represent significant economic sectors providing a diverse and strong employment and wage base in the County. Employment activity in 2023 was relatively stable compared to 2022. The County's 12-month average unemployment rate for 2023 increased to 2.7% compared to the 2022 average unemployment rate of 2.5%. The County's 2023 average unemployment rate of 2.7% was just below the 2.8% State of Minnesota average rate and lower than the 3.6% US 12-month average. Minnesota's economic recovery from the deep 2020 downturn continues, with the State just recovering to pre-pandemic employment levels in September 2023. This improvement still lags the national recovery of jobs post-pandemic, with the US exceeding its pre-pandemic employment levels in June 2022.

The State has a very tight labor market, which remains one of the most constrained in the nation. The unemployment rate does not capture Minnesotans that have left the workforce, including retirements and those who have opted to stay home to care for family members. In December 2023, Minnesota's total labor force was 28,400 below its level at the onset of the pandemic in February 2020. Minnesota's labor force declined by 6,600 in December 2023 alone, the third consecutive month of labor force declines. Minnesota Management and Budget's (MMB) February 2024 Budget and Economic Forecast predicts a subdued trajectory for employment growth statewide through 2027 due to an aging workforce and an increasing number of individuals transitioning into retirement.

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 2023

Board of Commissioners:

Chair – Marion Greene, District 3

Vice Chair – Angela Conley, District 4

Secretary and Treasurer – Jeff Lunde, District 1

Irene Fernando, District 2

Debbie Goettel, District 5

Vacant, District 6

Kevin Anderson, District 7

Executive Director:

David J. Hough

Financial Section



Independent Auditor's Report

Board of County Commissioners
Hennepin County Regional Railroad Authority
Hennepin County, Minnesota

Opinions

We have audited the financial statements of the governmental activities and each major fund of Hennepin County Regional Railroad Authority (HCRRA), a component unit of Hennepin County, Minnesota, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the HCRRA's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the HCRRA, as of December 31, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

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

Supplementary Information

Our audit as of and for the year ended December 31, 2023, was conducted for the purpose of forming opinions on the financial statements that collectively comprise the HCRRA's basic financial statements. The accompanying supplementary information, as listed in the table of contents, as of and for the year ended December 31, 2023, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended December 31, 2023, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the accompanying supplementary information, as listed in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole as of and for the year ended December 31, 2023.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the HCRRA as of and for the year ended December 31, 2022 (not presented herein), and have issued our report thereon dated August 10, 2023, which contained unmodified opinions on the respective financial statements of the governmental activities and each major fund. The accompanying supplementary information, as listed in the table of contents, as of and for the year ended December 31, 2022, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the 2022 financial statements. The information was subjected to the audit procedures applied in the audit of the 2022 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the 2022 accompanying supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole as of and for the year ended December 31, 2022.

Other Information

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

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

RSM US LLP

Minneapolis, Minnesota
August 22, 2024

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, 2023. 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, 2023, the assets and deferred outflows of resources of the HCRRA were \$21,283,788 more than its liabilities and deferred inflows. The HCRRA's net investment in capital assets is \$25,064,958, and net position restricted for debt service is \$816,744. The remainder consisted of negative unrestricted net position of \$4,597,914. Negative unrestricted net position exists because the HCRRA has incurred debt related to the Hiawatha Light Rail and Southwest Corridor projects where related capital assets and cash are contributed to the Metropolitan Council, which is not a part of this reporting entity. Future HCRRA revenues are expected to be sufficient to offset long-term debt liabilities as they come due.
- HCRRA total net position, as reported in the Statement of Activities, increased by \$23,162,074 during 2023. The increase in net position primarily resulted from approximately \$15,900,000 of postponed spending on capital projects and from improved investment earnings, which were \$2,744,261 more than budgeted.

Long-term Debt

- The HCRRA's total long-term debt decreased \$6,295,274 in 2023 due to the scheduled principal payments and amortization of premiums.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of HCRRA finances, in a manner that is similar to a private-sector business. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information about the HCRRA using the *economic resources measurement focus* and the *accrual basis of accounting*. The economic resources measurement focus results in the reporting of all inflows, outflows, and balances affecting or reflecting HCRRA net position. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

OVERVIEW OF THE FINANCIAL STATEMENTS – CONTINUED

Government-wide Financial Statements – continued

There are two government-wide statements.

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

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

Fund Financial Statements

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

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

Notes to the Basic Financial Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

As noted earlier, HCRRA assets and deferred outflows of resources were \$21,283,788 more than liabilities and deferred inflows at year-end. The largest portion of HCRRA net position, \$25,064,958 reflects the HCRRA net investment in capital assets, while \$816,744 of net position is restricted for debt service. The negative unrestricted net position of \$4,597,914 exists because the HCRRA has incurred debt related to the Hiawatha Light Rail and Southwest Corridor project where the related capital assets are contributed to the Metropolitan Council.

Summary of Net Position

	2023	2022
Current assets	\$ 92,015,774	\$ 74,727,046
Noncurrent assets:		
Capital assets	25,064,958	25,203,570
Total assets	117,080,732	99,930,616
Current liabilities	6,496,535	6,157,763
Long-term liabilities	89,196,988	95,642,262
Total liabilities	95,693,523	101,800,025
Deferred Inflows of Resources	103,421	8,877
Net investment in capital assets	25,064,958	25,203,570
Restricted	816,744	418,277
Unrestricted	(4,597,914)	(27,500,133)
Total net position	\$ 21,283,788	\$ (1,878,286)

Changes in Net Position

As shown in the table below, HCRRA net position increased by \$23,162,074 during 2023. The increase in net position primarily resulted from approximately \$15,900,000 of postponed spending on capital projects and from improved investment earnings, which were \$2,744,261 more than budgeted

Changes in Net Position

	Governmental Activities	
	2023	2022
Revenues:		
Program revenues:		
Charges for services	\$ 473,791	\$ 1,262,583
Operating grants and contributions	772,068	3,046,677
Capital grants and contributions	2,889	2,838
General revenues:		
Property taxes	31,150,163	30,877,829
Investment earnings (losses)	2,844,261	(2,786,669)
Total revenues	35,243,172	32,403,258
Expenses:		
HCRRA	9,614,840	4,815,246
Interest on long-term debt	2,466,258	2,691,436
Total expenses	12,081,098	7,506,682
Change in net position	23,162,074	24,896,576
Net position - beginning	(1,878,286)	(26,774,862)
Net position - ending	\$ 21,283,788	\$ (1,878,286)

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 \$89,457,501, an increase of \$16,142,018 from the prior year. The increase in fund balance is primarily related to approximately \$12,100,000 in contractual/contributions savings due to the postponed contracted spending on capital projects. The General Fund's \$88,414,944 ending fund balance may be used to meet the HCRRA's ongoing obligations in accordance with contractual agreements and fiscal policies. The Debt Service Fund's \$1,042,557 ending fund balance is restricted for the payment of debt service.

Budgetary Highlights

At year-end, actual General Fund expenditures of \$9,476,228 were lower than the final 2023 budget of \$22,816,742. Capital outlay expenditures were \$14,038,257 less than budgeted due postponed contracted spending on capital projects.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

HCRRA capital assets as of December 31, 2023 total \$25,064,958, 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 \$138,612 from the prior year's balance due to depreciation. Additional information on HCRRA capital assets can be found in Note 4 on page 23 of this report.

Debt administration

At the end of the current fiscal year, the HCRRA had total long-term, levy-supported bonds outstanding of \$93,916,988 (including unamortized premium). Additional information on HCRRA long-term debt can be found in Note 5 on page 23 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The \$24,951,947 General Fund budget for 2024 is \$2,135,205 more than the 2023 adjusted budget. In 2024, work will continue on the Bottineau Corridor Light Rail Transit project, with that project's budget authority increasing \$3,000,000 to \$108,426,554.

The Debt Service Fund budget for 2024 was approved at \$8,803,250, an increase of \$10,150 from the final 2023 budget.

REQUESTS FOR INFORMATION

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

Hennepin County Regional Railroad Authority
A Component Unit of Hennepin County, Minnesota
Governmental Fund Balance Sheets and Statement of Net Position
December 31, 2023

	Governmental Funds			Adjustments (Note 1)	Statement of Net Position
	General Fund	Debt Service Fund	Total		
ASSETS					
Current assets:					
Interest in Hennepin County investment pool	\$ 89,284,574	\$ 1,042,557	\$ 90,327,131	\$ -	\$ 90,327,131
Delinquent taxes receivable, net	273,294	-	273,294	-	273,294
Due from other governmental agencies	716,015	-	716,015	-	716,015
Other receivables	119,373	-	119,373	-	119,373
Restricted cash and investments	579,961	-	579,961	-	579,961
Total current assets	<u>90,973,217</u>	<u>1,042,557</u>	<u>92,015,774</u>	<u>-</u>	<u>92,015,774</u>
Noncurrent assets:					
Capital assets:					
Land and rail corridor	-	-	-	23,080,460	23,080,460
Buildings	-	-	-	3,290,383	3,290,383
	-	-	-	26,370,843	26,370,843
Less accumulated depreciation	-	-	-	(1,305,885)	(1,305,885)
Net capital assets	-	-	-	<u>25,064,958</u>	<u>25,064,958</u>
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,064,958</u>	<u>25,064,958</u>
Total assets	<u>\$ 90,973,217</u>	<u>\$ 1,042,557</u>	<u>\$ 92,015,774</u>	<u>25,064,958</u>	<u>117,080,732</u>
LIABILITIES					
Current liabilities:					
Accounts and contracts payable	\$ 1,493,063	\$ -	\$ 1,493,063	\$ -	\$ 1,493,063
Unearned revenue	57,659	-	57,659	-	57,659
Accrued liabilities	-	-	-	225,813	225,813
Current portion of long-term debt	-	-	-	4,720,000	4,720,000
Total current liabilities	1,550,722	-	1,550,722	4,945,813	6,496,535
Noncurrent liabilities:					
Noncurrent portion of long-term debt	-	-	-	89,196,988	89,196,988
Total liabilities	<u>1,550,722</u>	<u>-</u>	<u>1,550,722</u>	<u>94,142,801</u>	<u>95,693,523</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	232,594	-	232,594	(232,594)	-
Unavailable revenue - intergovernmental	774,957	-	774,957	(774,957)	-
Deferred amount on debt refunding	-	-	-	103,421	103,421
Total deferred inflows of resources	<u>1,007,551</u>	<u>-</u>	<u>1,007,551</u>	<u>(904,130)</u>	<u>103,421</u>
FUND BALANCES/NET POSITION					
Fund balances:					
Restricted	-	1,042,557	1,042,557	(1,042,557)	-
Assigned	88,414,944	-	88,414,944	(88,414,944)	-
Total fund balances	<u>88,414,944</u>	<u>1,042,557</u>	<u>89,457,501</u>	<u>(89,457,501)</u>	<u>-</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 90,973,217</u>	<u>\$ 1,042,557</u>	<u>\$ 92,015,774</u>		
Net position:					
Net investment in capital assets				25,064,958	25,064,958
Restricted for debt service				816,744	816,744
Unrestricted				(4,597,914)	(4,597,914)
Total net position				<u>\$ 21,283,788</u>	<u>\$ 21,283,788</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, 2023

	Governmental Funds			Adjustments (Note 1)	Statement of Activities
	General Fund	Debt Service Fund	Total		
PROGRAM REVENUES					
Charges for services	\$ 363,925	\$ -	\$ 363,925	\$ 109,866	\$ 473,791
Other	109,866	-	109,866	(109,866)	-
Operating grants and contributions	-	-	-	772,068	772,068
Capital grants and contributions	-	-	-	2,889	2,889
Total program revenues	<u>473,791</u>	<u>-</u>	<u>473,791</u>	<u>774,957</u>	<u>1,248,748</u>
GENERAL REVENUES					
Property taxes	22,027,839	9,065,455	31,093,294	56,869	31,150,163
Investment earnings (losses)	2,844,261	-	2,844,261	-	2,844,261
Total general revenues	<u>24,872,100</u>	<u>9,065,455</u>	<u>33,937,555</u>	<u>56,869</u>	<u>33,994,424</u>
EXPENDITURES/EXPENSES					
Regional Railroad:					
Current:					
Commodities	286,622	-	286,622	-	286,622
Contractual services	9,065,955	-	9,065,955	-	9,065,955
Depreciation	-	-	-	138,612	138,612
Other	123,651	-	123,651	-	123,651
Debt service:					
Principal retirement	-	4,570,000	4,570,000	(4,570,000)	-
Interest and fiscal charges	-	4,223,100	4,223,100	(1,756,842)	2,466,258
Total expenditures/expenses	<u>9,476,228</u>	<u>8,793,100</u>	<u>18,269,328</u>	<u>(6,188,230)</u>	<u>12,081,098</u>
Excess (deficiency) of revenues over expenditures/expenses	<u>15,869,663</u>	<u>272,355</u>	<u>16,142,018</u>	<u>7,020,056</u>	<u>-</u>
Net change in fund balances	15,869,663	272,355	16,142,018	(16,142,018)	-
Change in net position	-	-	-	23,162,074	23,162,074
FUND BALANCES/NET POSITION					
Beginning	<u>72,545,281</u>	<u>770,202</u>	<u>73,315,483</u>	<u>(75,193,769)</u>	<u>(1,878,286)</u>
Ending	<u>\$ 88,414,944</u>	<u>\$ 1,042,557</u>	<u>\$ 89,457,501</u>	<u>\$ (68,173,713)</u>	<u>\$ 21,283,788</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, 2023

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 conjunction with light rail transit development, the HCRRA purchases rail corridors (land), park/ride sites, and maintenance facilities.

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The annual financial report includes two separate sets of statements, the government-wide financial statements and the fund financial statements. The measurement focus, basis of accounting and basis of presentation differs between the government-wide financial statements and the fund financial statements. These differences, along with an explanation of the differing purposes and information provided by these separate financial statements, are described in the sections below.

As a special-purpose government engaged in a single governmental program, the government-wide statements and the fund financial statements have been combined in one statement. An adjustments column reflects the following differences between the two types of statements:

- Governmental funds report capital outlays as expenditures. In the government-wide financial statements, capital assets are reported in the Statement of Net Position at historical cost and in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.
- Certain assets are not available to pay for current-period expenditures and, therefore, are not reported as revenues in the current period fund financial statements, but instead are reported either as unearned revenue or deferred inflow of resources. Revenues in the Statement of Activities that do not provide financial resources are not reported as revenues in the fund financial statements.
- Long-term liabilities are reported in the government-wide Statement of Net Position, and related transactions are reported in the Statement of Activities. Long-term liabilities, including bonds payable that are not due and payable in the current period and unamortized bond premiums that are amortized as interest expense, are not reported in the fund financial statements.

Hennepin County Regional Railroad Authority
A Component Unit of Hennepin County, Minnesota
Notes to the Basic Financial Statements
December 31, 2023

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, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

Fund Financial Statements – continued

The HCRRA reports the following major governmental funds:

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

Interest in Hennepin County Investment Pool and Restricted Cash and Investments

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

Investments authorized by State law include the following instruments: U.S. government and agency issues; repurchase agreements; reverse repurchase agreements; certificates of deposit; money market funds; general obligations of state, local, and housing finance agencies that are rated "A" or better by a national bond rating service; revenue obligations of any state or local government that are rated "AA" or better by a national bond rating service; bankers acceptances; commercial paper; futures contracts; guaranteed investment contracts; options; and shares of certain investment companies.

Investments in the Pool are stated at fair value or at amortized cost. The fair value of investments is based on quoted market prices or inputs other than quoted prices that are observable for the investment, either directly or indirectly. Certain money market funds that have a maturity of one year or less at the time of purchase are reported at amortized cost. Certain nonparticipating interest-earning contracts (repurchase agreements) that have a maturity of one year or less at the time of purchase are reported at cost.

HCRRA cash and investments due to others are reported as restricted cash and investments, and an offsetting liability is reported.

Capital Assets

Capital assets are reported in the government-wide financial statements at historical cost. Donated capital assets are recorded at acquisition value at the date of donation. The HCRRA capital asset threshold for land and buildings is \$500,000. Buildings are depreciated using the straight-line method over their 20-year estimated useful lives. 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, 2023

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, 2023

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, 2023, the HCRRA’s total interest in the pool, including restricted balances, comprised \$90,907,092 or 5.3% of the County’s total pooled cash and investments, excluding the County’s fiduciary investments. As of December 31, 2023, the County investment pool had 94.5% of investments invested in U.S. government and agency issues, 3.2% in repurchase agreements, 1.9% in money market funds, and 0.4% in municipal securities. Detailed information about the County’s deposits with financial institutions, repurchase agreements, interest rate risk, credit risk, concentration of credit risk, and custodial credit risk can be obtained directly from the County’s 2023 financial statements. Investment earnings (losses) are allocated based on average monthly cash balances. The realized and unrealized components of the 2023 HCRRA investment earnings (losses) are presented below.

	2023
Investment income and realized gains and losses	\$ 1,821,334
Net increase (decrease) in the fair value of investments	1,022,927
Total Investment Earnings	\$ 2,844,261

Assets are reported as restricted based on externally enforceable constraints on how they may be used. Restrictions indicate the asset may only be used for a specific purpose that is narrower than the purpose of the fund or funds indicated by the column heading. The \$579,961 of RRA restricted cash is held for a separate legal entity.

Hennepin County Regional Railroad Authority
A Component Unit of Hennepin County, Minnesota
Notes to the Basic Financial Statements
December 31, 2023

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. Year-end delinquent taxes receivable is reported at \$273,294, which is net of the estimated uncollectible delinquent taxes totaling \$127,411. The HCRRA also reported \$716,015 of receivables due from other government agencies and \$119,373 of other receivables that primarily relate to building and land rental agreements.

4. CAPITAL ASSETS

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

	Balance January 1, 2023	Additions	Deletions	Balance December 31, 2023
<i>Capital assets not being depreciated:</i>				
Land (including rail corridor)	\$ 23,080,460	\$ -	\$ -	\$ 23,080,460
<i>Capital assets being depreciated:</i>				
Buildings	3,290,383	-	-	3,290,383
Less accumulated depreciation	1,167,273	138,612	-	1,305,885
Total capital assets being depreciated, net	2,123,110	(138,612)	-	1,984,498
Capital Assets, Net	\$ 25,203,570	\$ (138,612)	\$ -	\$ 25,064,958

5. LONG-TERM OBLIGATIONS

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

Limited Tax Levy Debt

Changes in long-term obligations for the year ended December 31, 2023 are as follows:

Beginning Balance	\$ 86,235,000
Additions	-
Reductions	<u>(4,570,000)</u>
Ending Balance	81,665,000
Unamortized premium	12,251,988
Less amount due within one year	<u>(4,720,000)</u>
Noncurrent portion of long-term debt	<u>\$ 89,196,988</u>

Hennepin County Regional Railroad Authority
A Component Unit of Hennepin County, Minnesota
Notes to the Basic Financial Statements
December 31, 2023

5. LONG-TERM OBLIGATIONS – CONTINUED

Debt Service Requirements

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

	Principal	Interest	Total
2024	\$ 4,720,000	\$ 4,083,250	\$ 8,803,250
2025	4,965,000	3,847,250	8,812,250
2026	5,225,000	3,599,000	8,824,000
2027	5,495,000	3,337,750	8,832,750
2028	5,785,000	3,063,000	8,848,000
2029-2032	23,675,000	9,205,750	32,880,750
2033-2038	31,800,000	5,790,750	37,590,750
	\$ 81,665,000	\$ 32,926,750	\$ 114,591,750

6. RISK MANAGEMENT

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

7. COMMITMENTS

Commitments for the capital costs of light rail and bus rapid transit projects will be paid from future property tax revenues received by the HCRRA, as well as debt with debt service paid from future HCRRA property tax revenues. As of December 31, 2023, the HCRRA has committed to expend \$149,600,000 for the Bottineau (METRO Blue Line Extension) light rail transit project capital costs. As of December 31, the HCRRA has contributed \$50,773,772 to the project. The total remaining commitment is \$98,826,228. The HCRRA has also committed to expend \$12,790,000 for the Orange Line bus rapid transit project capital costs. As of December 31, 2023, the HCRRA has contributed \$4,750,000 to the project. The total remaining commitment is \$8,040,000.

8. GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

Governmental fund balance classifications and the constraints imposed on the uses of those resources at December 31, 2023 consisted of \$1,042,557 restricted for debt service, \$100,000 assigned for tort liability risk retention, and \$88,314,944 assigned for specific regional rail projects. The classifications are described in greater detail in the Fund Balance and Net Position section of Note 1.

Hennepin County Regional Railroad Authority
A Component Unit of Hennepin County, Minnesota
Notes to the Basic Financial Statements
December 31, 2023

9. NEW ACCOUNTING PRONOUNCEMENTS

Accounting Standards Adopted in the Current Year

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

- GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, was adopted by the HCRRA on January 1, 2023. This statement supersedes GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, and establishes standards of accounting and financial reporting for Public-private and public-public partnerships and availability payment arrangements.
- GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, was adopted by the HCRRA during 2023. This statement requires government subscribers to recognize subscription liabilities and intangible assets, and report amortization expense, interest expense, and note disclosures about the subscriptions.
- The GASB Statement No. 99, *Omnibus 2022* requirements related to leases and certain other arrangements were adopted the HCRRA on January 1, 2023.

Accounting Standards Not Yet Adopted

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

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

10. SUBSEQUENT EVENTS

The HCRRA has evaluated subsequent events through August 22, 2024, the date these financial statements were available to be issued.

Hennepin County Regional Railroad Authority
A Component Unit of Hennepin County, Minnesota
Required Supplementary Information (Unaudited)
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
General Fund
For the Year Ended December 31, 2023

	2023			
	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Property taxes	\$ 22,428,061	\$ 22,428,061	\$ 22,027,839	\$ (400,222)
Intergovernmental	50,000	50,000	-	(50,000)
Investment earnings (losses)	100,000	100,000	2,844,261	2,744,261
Charges for services	310,000	310,000	363,925	53,925
Other	-	-	109,866	109,866
Total revenues	<u>22,888,061</u>	<u>22,888,061</u>	<u>25,345,891</u>	<u>2,457,830</u>
EXPENDITURES				
Current:				
Commodities	22,200	5,806	286,622	(280,816)
Contractual services	8,467,885	8,483,053	9,065,955	(582,902)
Capital outlay	14,210,100	14,038,257	-	14,038,257
Other	287,876	289,626	123,651	165,975
Total expenditures	<u>22,988,061</u>	<u>22,816,742</u>	<u>9,476,228</u>	<u>13,340,514</u>
Excess (deficiency) of revenues over expenditures	(100,000)	71,319	15,869,663	15,798,344
OTHER FINANCING SOURCES				
Sale of capital assets	100,000	100,000	-	(100,000)
Net change in fund balances	-	171,319	15,869,663	\$ 15,698,344
Fund Balances - Beginning	<u>72,545,281</u>	<u>72,545,281</u>	<u>72,545,281</u>	
Fund Balances - Ending	<u>\$ 72,545,281</u>	<u>\$ 72,716,600</u>	<u>\$ 88,414,944</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, 2023

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
2010 and prior	\$311,781,136	\$228,471,579	\$ 83,309,557
2021	12,992,000	6,669,699	6,322,301
2022	13,088,305	(32,021)	13,120,326
2023	12,092,775	3,398,500	8,694,275
Projects closed	<u>(182,956,582)</u>	<u>(182,956,582)</u>	-
	<u>\$166,997,634</u>	<u>\$55,551,175</u>	<u>\$111,446,459</u>

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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Interest in Hennepin County investment pool	\$ 89,284,574	\$ 73,073,951
Delinquent taxes receivable, net	273,294	194,825
Due from other governmental agencies	716,015	-
Other receivables	119,373	133,333
Restricted cash and investments	<u>579,961</u>	<u>554,735</u>
Total assets	<u>\$ 90,973,217</u>	<u>\$ 73,956,844</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES		
Liabilities:		
Accounts and contracts payable	\$ 1,493,063	\$ 1,235,527
Unearned revenue	<u>57,659</u>	<u>311</u>
Total liabilities	<u>1,550,722</u>	<u>1,235,838</u>
 Deferred inflows of resources:		
Unavailable revenue - property taxes	232,594	175,725
Unavailable revenue - intergovernmental	<u>774,957</u>	<u>-</u>
Total deferred inflows of resources	<u>1,007,551</u>	<u>175,725</u>
 Fund balances:		
Assigned	<u>88,414,944</u>	<u>72,545,281</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 90,973,217</u>	<u>\$ 73,956,844</u>

Hennepin County Regional Railroad Authority
A Component Unit of Hennepin County, Minnesota
Balance Sheet
Debt Service Fund
December 31, 2023 and 2022

	2023	2022
ASSETS		
Interest in Hennepin County investment pool	\$ <u>1,042,557</u>	\$ <u>770,202</u>
 FUND BALANCES		
Restricted	\$ <u>1,042,557</u>	\$ <u>770,202</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, 2023
With Comparative Actual Amounts for the Year Ended December 31, 2022

	2023			2022	
	Budgeted Amounts		Actual	Variance with Final Budget	Actual
	Original	Final			
REVENUES					
Property taxes	\$ 8,793,100	\$ 8,793,100	\$ 9,065,455	\$ 272,355	\$ 8,308,091
EXPENDITURES					
Debt service:					
Principal retirement	4,570,000	4,570,000	4,570,000	-	4,345,000
Interest and fiscal charges	4,223,100	4,223,100	4,223,100	-	4,440,350
Total expenditures	8,793,100	8,793,100	8,793,100	-	8,785,350
Excess (deficiency) of revenues over expenditures	-	-	272,355	272,355	(477,259)
Net change in fund balance	-	-	272,355	\$ 272,355	(477,259)
Fund balance - beginning	770,202	770,202	770,202		1,247,461
Fund balance - ending	\$ 770,202	\$ 770,202	\$ 1,042,557		\$ 770,202

Statistical Section



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

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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
2014	\$ 39,720,154	\$ 2,640,871	\$ (6,304,209)	\$ 36,056,816
2015	37,825,785	193,863	788,632	38,808,280
2016	37,783,981	189,324	6,271,348	44,244,653
2017	37,284,173	4,488,729	(19,210,593)	22,562,309
2018	23,791,958	9,757,524	(18,254,540)	15,294,942
2019	23,769,751	38,286,901	(56,407,218)	5,649,434
2020	26,840,079	458,361	(73,060,257)	(45,761,817)
2021	25,340,556	877,432	(52,992,850)	(26,774,862)
2022	25,203,570	418,277	(27,500,133)	(1,878,286)
2023	25,064,958	816,744	(4,597,914)	21,283,788

Unaudited



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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<u>Governmental Activities:</u>				
Expenses				
Regional Railroad	\$ 29,098,244	\$ 23,810,157	\$ 24,579,915	\$ 54,935,893
Intergovernmental	1,964,484	2,006,547	-	-
Debt Service	<u>1,420,907</u>	<u>1,391,441</u>	<u>1,359,882</u>	<u>1,313,232</u>
Total expenses	<u>32,483,635</u>	<u>27,208,145</u>	<u>25,939,797</u>	<u>56,249,125</u>
Program Revenues				
Charges for services	788,761	685,494	768,950	713,873
Operating grants and contributions	16,027,438	1,867,334	521,706	4,928
Capital grants and contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total program revenues	<u>16,816,199</u>	<u>2,552,828</u>	<u>1,290,656</u>	<u>718,801</u>
Net expense	<u>(15,667,436)</u>	<u>(24,655,317)</u>	<u>(24,649,141)</u>	<u>(55,530,324)</u>
General Revenues				
Property taxes	23,754,226	27,125,736	29,916,050	32,791,956
Investment earnings (losses)	<u>367,944</u>	<u>281,045</u>	<u>169,464</u>	<u>427,339</u>
Total general revenues	<u>24,122,170</u>	<u>27,406,781</u>	<u>30,085,514</u>	<u>33,219,295</u>
Other Financing Sources				
Gain (loss) on capital asset disposal	<u>-</u>	<u>-</u>	<u>-</u>	<u>628,685</u>
Change in net position	<u>\$ 8,454,734</u>	<u>\$ 2,751,464</u>	<u>\$ 5,436,373</u>	<u>\$ (21,682,344)</u>

Unaudited

Table 2

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
\$	44,636,119	\$ 79,733,397	\$ 11,409,510	\$ 4,815,246	\$ 9,614,840
	-	-	-	-	-
	<u>4,068,529</u>	<u>3,633,455</u>	<u>1,767,558</u>	<u>2,691,436</u>	<u>2,466,258</u>
	<u>48,704,648</u>	<u>83,366,852</u>	<u>13,177,068</u>	<u>7,506,682</u>	<u>12,081,098</u>
	497,835	487,522	577,727	1,262,583	473,791
	356,362	-	87,414	3,046,677	772,068
	<u>-</u>	<u>311,844</u>	<u>-</u>	<u>2,838</u>	<u>2,889</u>
	<u>854,197</u>	<u>799,366</u>	<u>665,141</u>	<u>4,312,098</u>	<u>1,248,748</u>
	<u>(47,850,451)</u>	<u>(82,567,486)</u>	<u>(12,511,927)</u>	<u>(3,194,584)</u>	<u>(10,832,350)</u>
	36,117,094	30,348,691	29,699,616	30,877,829	31,150,163
	<u>2,087,849</u>	<u>807,544</u>	<u>(288,597)</u>	<u>(2,786,669)</u>	<u>2,844,261</u>
	<u>38,204,943</u>	<u>31,156,235</u>	<u>29,411,019</u>	<u>28,091,160</u>	<u>33,994,424</u>
	<u>-</u>	<u>-</u>	<u>2,087,863</u>	<u>-</u>	<u>-</u>
\$	<u><u>(9,645,508)</u></u>	<u><u>(51,411,251)</u></u>	<u><u>18,986,955</u></u>	<u><u>24,896,576</u></u>	<u><u>23,162,074</u></u>

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

Year	General Fund			All Other Governmental Funds			
	Restricted	Assigned	Unassigned	Total	Restricted	Unassigned	Total
2014	\$ -	\$ 15,406,729	\$ 12,112,160	\$ 27,518,889	\$ 2,755,012	\$ -	\$ 2,755,012
2015	-	35,090,471	-	35,090,471	305,488	-	305,488
2016	-	39,047,444	-	39,047,444	297,074	-	297,074
2017	-	11,892,653	-	11,892,653	4,592,454	-	4,592,454
2018	-	11,074,266	-	11,074,266	9,857,074	-	9,857,074
2019	38,286,901	62,137,868	-	100,424,769	11,628	-	11,628
2020	-	40,063,306	-	40,063,306	845,578	-	845,578
2021	-	53,144,129	-	53,144,129	1,247,461	-	1,247,461
2022	-	72,545,281	-	72,545,281	770,202	-	770,202
2023	-	88,414,944	-	88,414,944	1,042,557	-	1,042,557

Unaudited



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

	2014	2015	2016	2017	2018
Revenues					
Property taxes	\$ 23,754,226	\$ 27,125,736	\$ 29,916,050	\$ 32,704,849	\$ 35,911,440
Intergovernmental	42,537,909	3,831,818	521,706	4,928	4,932
Investment earnings (losses)	367,944	281,045	169,464	427,339	428,961
Charges for services	695,240	662,779	755,575	709,945	389,773
Other	93,521	22,715	13,375	3,928	99,043
Total revenues	67,448,840	31,924,093	31,376,170	33,850,989	36,834,149
Expenditures					
Regional Railroad	29,056,440	23,768,353	24,538,111	54,902,255	39,956,020
Capital outlay	-	-	-	-	-
Intergovernmental	1,964,484	153,982	-	-	-
Debt service:					
Principal	1,470,000	1,510,000	1,550,000	1,610,000	1,670,000
Interest	1,399,100	1,369,700	1,339,500	1,293,000	1,244,700
Total expenditures	33,890,024	26,802,035	27,427,611	57,805,255	42,870,720
Excess (deficiency) of revenues over expenditures	33,558,816	5,122,058	3,948,559	(23,954,266)	(6,036,571)
Other Financing Sources (Uses)					
Issuance of debt	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-
Transfers in	9,900,000	2,436,320	-	-	-
Transfers out	(9,900,000)	(2,436,320)	-	-	-
Sale of capital assets	-	-	-	1,094,855	10,482,804
Debt premiums	-	-	-	-	-
Total other financing sources (uses)	-	-	-	1,094,855	10,482,804
Net change in fund balances	\$ 33,558,816	\$ 5,122,058	\$ 3,948,559	\$ (22,859,411)	\$ 4,446,233
Debt service as a percentage of noncapital expenditures	8.5%	10.7%	10.5%	5.0%	6.8%

Unaudited

Table 4

	2019	2020	2021	2022	2023
\$	36,143,052	\$ 30,378,297	\$ 29,699,886	\$ 30,862,074	\$ 31,093,294
	306,479	361,727	87,414	3,049,515	-
	2,087,849	807,544	(288,597)	(2,786,669)	2,844,261
	493,443	480,011	563,636	794,538	363,925
	4,392	7,511	14,091	468,045	109,866
	<u>39,035,215</u>	<u>32,035,090</u>	<u>30,076,430</u>	<u>32,387,503</u>	<u>34,411,346</u>
	44,613,912	79,672,389	11,270,898	4,676,634	9,476,228
	-	3,131,336	-	15,000	-
	-	-	-	-	-
	5,690,000	3,680,000	4,125,000	4,345,000	4,570,000
	4,253,792	5,078,878	4,646,600	4,440,350	4,223,100
	<u>54,557,704</u>	<u>91,562,603</u>	<u>20,042,498</u>	<u>13,476,984</u>	<u>18,269,328</u>
	<u>(15,522,489)</u>	<u>(59,527,513)</u>	<u>10,033,932</u>	<u>18,910,519</u>	<u>16,142,018</u>
	102,345,000	-	-	-	-
	(28,135,000)	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	3,448,774	13,374	-
	20,817,546	-	-	-	-
	<u>95,027,546</u>	<u>-</u>	<u>3,448,774</u>	<u>13,374</u>	<u>-</u>
\$	<u>79,505,057</u>	<u>(59,527,513)</u>	<u>13,482,706</u>	<u>18,923,893</u>	<u>16,142,018</u>
	18.2%	9.9%	43.8%	65.3%	48.1%

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

Real Estate					
	Residential Property	Multiple Dwelling	Commercial & Industrial	Agricultural	Public Utilities & Miscellaneous
2014	\$ 95,014,228 61.0 %	10,607,391 6.8	26,807,208 17.2	689,117 0.4	33,456 0.0
2015	\$ 100,213,026 60.5 %	12,777,974 7.7	29,127,324 17.6	653,729 0.4	33,007 0.0
2016	\$ 105,538,203 60.2 %	15,110,310 8.6	31,057,471 17.7	626,311 0.4	37,624 0.0
2017	\$ 112,595,483 60.5 %	16,998,612 9.1	32,745,319 17.6	625,310 0.3	40,490 0.0
2018	\$ 121,055,934 58.6 %	19,169,684 9.3	34,298,045 16.6	609,956 0.3	39,389 0.0
2019	\$ 128,325,438 58.9 %	21,698,642 9.9	36,083,870 16.5	667,926 0.3	41,859 0.0
2020	\$ 133,004,321 58.2 %	24,449,210 10.7	38,388,183 16.8	704,655 0.3	51,000 0.0
2021	\$ 140,180,412 59.4 %	26,135,254 11.0	37,657,061 15.9	735,793 0.3	51,253 0.0
2022	\$ 161,754,523 60.8 %	29,108,360 10.9	40,067,014 15.1	858,481 0.3	53,914 0.0
2023	\$ 170,867,685 61.0 %	31,278,220 11.1	43,265,513 15.4	860,686 0.3	54,798 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

Exempt	Total Real Estate	Personal Property	Total Estimated Market Value Including Exempt Property	Total Estimated Market Value	Total Direct Tax Rate ²
21,249,594 13.6	154,400,994 99.0	1,540,312 1.0	155,941,306 100.0 %	\$ 134,691,712	1.777 %
21,249,594 12.8	164,054,654 99.0	1,604,661 1.0	165,659,315 100.0 %	\$ 144,409,721	1.817 %
21,249,594 12.1	173,619,513 99.0	1,750,967 1.0	175,370,480 100.0 %	\$ 154,120,886	1.879 %
21,249,594 11.4	184,254,808 99.0	1,825,398 1.0	186,080,206 100.0 %	\$ 164,830,612	1.925 %
29,293,485 14.2	204,466,493 99.0	1,993,722 1.0	206,460,215 100.0 %	\$ 177,166,730	1.962 %
29,293,485 13.4	216,111,220 99.0	2,103,357 1.0	218,214,577 100.0 %	\$ 188,921,092	1.807 %
29,807,594 13.0	226,404,963 99.0	2,187,136 1.0	228,592,099 100.0 %	\$ 198,784,505	1.388 %
29,826,817 12.6	234,586,590 99.2	1,986,516 0.8	236,573,106 100.0 %	\$ 206,746,289	1.323 %
32,694,206 12.3	264,536,498 99.4	1,473,804 0.6	266,010,302 100.0 %	\$ 233,316,096	1.329 %
32,694,206 11.7	279,021,108 99.5	1,513,040 0.5	280,534,148 100.0 %	\$ 247,839,942	1.188 %

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
2014	1.777 %	\$ 24,000,000	46.245 %	\$ 2,668,058,025
2015	1.817	27,000,000	45.330	2,716,541,472
2016	1.879	30,000,000	45.730	2,839,712,621
2017	1.925	33,000,000	42.768	2,925,325,463
2018	1.962	36,000,000	41.806	3,073,776,988
2019	1.807	36,000,000	41.035	3,239,426,285
2020	1.388	30,000,000	38.189	3,373,480,198
2021	1.323	30,000,000	38.513	3,382,246,511
2022	1.329	31,000,000	34.542	3,488,955,301
2023	1.188	32,000,000	34.681	3,657,919,162

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

Unaudited

Table 6

<u>Metropolitan Transit Commission Tax</u>		<u>Metropolitan Council Tax</u>		<u>Metropolitan Mosquito Control District Tax</u>	
<u>Tax Rates</u>	<u>Tax Levies</u>	<u>Tax Rates</u>	<u>Tax Levies</u>	<u>Tax Rates</u>	<u>Tax Levies</u>
1.703 %	\$ 22,134,343	1.069 %	\$ 14,520,773	0.563 %	\$ 7,688,848
1.523	21,820,724	0.976	14,656,486	0.507	7,623,950
1.491	22,787,462	0.925	14,881,601	0.483	7,767,028
1.463	23,980,023	0.883	15,228,763	0.475	8,170,878
1.383	24,308,615	0.844	15,562,741	0.456	8,405,155
1.456	27,329,788	0.659	13,329,568	0.427	8,490,764
1.433	28,854,952	0.616	13,078,674	0.412	8,723,923
1.256	27,307,385	0.631	14,198,800	0.381	8,658,865
1.201	26,785,331	0.659	15,275,522	0.377	8,793,964
1.066	27,141,537	0.576	15,544,175	0.331	8,929,216

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

Taxpayer	2023			2014		
	Tax Capacity	Rank	Percentage of Total Tax Capacity	Tax Capacity	Rank	Percentage of Total Tax Capacity
MOAC Mall Holdings	\$ 15,019,250	1	0.53 %	\$ 12,984,250	1	0.87 %
BRI 1855 IDS Center LLC	5,397,050	2	0.19	3,859,250	3	0.26
SRI Eleven Mpls 225 LLC	5,014,650	3	0.18	3,533,250	5	0.24
WFM Office Owner LLC	4,735,250	4	0.17	3,577,250	4	0.24
CenterPoint Energy	4,614,156	5	0.16			
City Center 33 So Prop LLC	4,388,450	6	0.15	2,593,250	8	0.17
US Bank Corp	3,895,050	7	0.14	2,761,250	7	0.19
Wells REIT	3,659,250	8	0.13	2,911,250	6	0.20
South Sixth Office LLC	3,130,850	9	0.11			
AE Lender LLC	3,005,050	10	0.11			
Xcel Energy (NSP)				7,292,432	2	0.49
Hilton Hotels Corporation				2,529,250	9	0.17
Ridgedale Joint Venture				2,459,250	10	0.17
Total	\$ 52,859,006		1.87 %	\$ 44,500,682		3.00 %

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

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
2014	\$ 24,000,000	\$ 23,788,566	99.12 %	\$ (18,858)	\$ 23,769,708	99.04 %
2015	27,000,000	26,814,866	99.31	33,139	26,848,005	99.44
2016	30,000,000	29,766,940	99.22	4,936	29,771,876	99.24
2017	33,000,000	32,718,321	99.15	(21,116)	32,697,205	99.08
2018	36,000,000	35,685,267	99.13	(21,163)	35,664,104	99.07
2019	36,000,000	35,687,812	99.13	142,713	35,830,525	99.53
2020	30,000,000	29,747,026	99.16	124,171	29,871,197	99.57
2021	30,000,000	29,906,977	99.69	82,350	29,989,327	99.96
2022	31,000,000	30,781,326	99.29	173,895	30,955,221	99.86
2023	32,000,000	31,520,042	98.50	(128,952)	31,391,091	98.10

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
2014	\$ 1,079,365,752	\$ 94,514,474,174	\$ 410,514,191	\$ 35,136,247,648
2015	1,147,830,415	100,627,634,030	454,641,259	38,952,721,161
2016	1,225,469,292	106,688,710,677	493,479,516	42,812,588,043
2017	1,304,690,419	113,730,370,808	533,535,674	46,774,230,040
2018	1,392,585,502	121,532,445,186	586,430,142	51,664,025,894
2019	1,487,545,247	129,895,715,054	625,162,153	55,348,967,846
2020	1,563,969,055	136,857,875,524	697,098,964	58,391,790,384
2021	1,631,381,661	143,141,564,535	704,727,774	59,717,760,945
2022	1,911,697,254	166,949,089,587	760,971,267	63,788,249,391
2023	2,052,772,775	177,218,629,896	806,678,443	66,635,499,909

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
\$	1,489,879,943	\$ 129,650,721,822	1.1 %	72.4 %	27.6 %
	1,602,471,674	139,580,355,191	1.1	71.6	28.4
	1,718,948,808	149,501,298,720	1.1	71.3	28.7
	1,838,226,093	160,504,600,848	1.1	71.0	29.0
	1,979,015,644	173,196,471,080	1.1	70.4	29.6
	2,112,707,400	185,244,682,900	1.1	70.4	29.6
	2,261,068,019	195,249,665,908	1.2	69.2	30.8
	2,336,109,435	202,859,325,480	1.2	69.8	30.2
	2,672,668,521	230,737,338,978	1.2	71.5	28.5
	2,859,451,218	243,854,129,805	1.2	71.8	28.2

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

Year	Limited Tax General Obligation Debt ¹			Net Limited Tax General Obligation Debt as a Percentage of Property Estimated Market Value ²	Net Limited Tax General Obligation Debt as a Percentage of Personal Income ³	Net Limited Tax General Obligation Debt Per Capita ³
	Total	Less Amount Available for Debt Service	Net			
2014	\$ 36,205,000	\$ 318,692	\$ 35,886,308	0.03%	0.05%	\$ 29.61
2015	34,695,000	305,488	34,389,512	0.02%	0.04%	28.37
2016	33,145,000	297,074	32,847,926	0.02%	0.04%	26.86
2017	31,535,000	4,592,454	26,942,546	0.02%	0.03%	21.86
2018	29,865,000	9,857,074	20,007,926	0.01%	0.02%	15.98
2019	98,385,000	11,628	98,373,372	0.05%	0.10%	78.11
2020	94,705,000	845,578	93,859,422	0.05%	0.10%	74.15
2021	90,580,000	1,247,461	89,332,539	0.04%	0.09%	69.71
2022	86,235,000	770,202	85,464,798	0.04%	0.08%	67.43
2023	81,665,000	1,042,557	80,622,443	0.03%	0.07%	63.98

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

² See Table 5 for taxable estimated market value data.

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

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Hennepin County Regional Railroad Authority
A Component Unit of Hennepin County, Minnesota
Direct and Overlapping General Obligation Debt
December 31, 2023

Governmental Unit	Debt ¹		Percent Applicable To HCRRA ²	Amount Applicable to HCRRA
	Total	Net		
Direct -				
Hennepin County Regional Railroad	\$ 81,665,000	\$ 80,622,443	100.00 %	\$ 80,622,443
Total Direct Debt	<u>81,665,000</u>	<u>80,622,443</u>		<u>80,622,443</u>
Overlapping:				
Hennepin County	1,065,365,000	1,050,774,757	100.00	1,050,774,757
Metropolitan Council ³	1,694,829,000	89,723,130	46.33	41,568,726
Metropolitan Airport Commission	1,471,225,000	-	-	-
Total Overlapping Debt	<u>4,231,419,000</u>	<u>1,140,497,887</u>		<u>1,092,343,483</u>
Total	<u>\$ 4,313,084,000</u>	<u>\$ 1,221,120,330</u>		<u>\$ 1,172,965,926</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.

Unaudited

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

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

	<u>Debt Limit ¹</u>	<u>Total Net Debt Applicable to Limit</u>	<u>Legal Debt Margin</u>	<u>Net Debt Applicable to Limit as a Percentage of Debt Limit</u>
2014	\$ 3,889,521,655	\$ 827,572,993	\$ 3,061,948,662	21.28 %
2015	4,332,291,618	759,580,774	3,572,710,844	17.53
2016	4,623,626,544	941,107,894	3,682,518,650	20.35
2017	4,944,918,369	1,048,753,405	3,896,164,964	21.21
2018	5,315,001,888	1,181,556,006	4,133,445,882	22.23
2019	5,667,632,760	1,259,445,885	4,408,186,875	22.22
2020	5,963,535,150	1,349,632,489	4,613,902,661	22.63
2021	6,202,388,670	1,367,863,635	4,834,525,035	22.05
2022	6,999,482,880	1,318,856,547	5,680,626,333	18.84
2023	7,435,198,260	1,339,007,770	6,096,190,490	18.01

Computation of 2022 Legal Debt Margin

2023 market value of taxable property		<u>\$ 247,839,942,000</u>
Debt limit, 3% of taxable market value		\$ 7,435,198,260
Amount of levy supported debt	\$ 1,357,224,808	
Less amount available for debt service	<u>18,217,038</u>	<u>1,339,007,770</u>
Legal Debt Margin		<u>\$ 6,096,190,490</u>

¹ See MN Statute 475.53.

Unaudited

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

Year	Debt Service Expenditures			Total Expenditures	Debt Service Expenditures to Total Expenditures
	Principal	Interest and Fiscal Charges	Total		
2014	\$ 1,470,000	\$ 1,399,100	\$ 2,869,100	\$ 33,890,024	8.47 %
2015	1,510,000	1,369,700	2,879,700	26,802,035	10.74
2016	1,550,000	1,339,500	2,889,500	27,427,611	10.54
2017	1,610,000	1,293,000	2,903,000	57,805,255	5.02
2018	1,670,000	1,244,700	2,914,700	42,870,720	6.80
2019	5,690,000	4,253,792	9,943,792	54,557,704	18.23
2020	3,680,000	5,078,878	8,758,878	91,562,603	9.57
2021	4,125,000	4,646,600	8,771,600	20,042,498	43.77
2022	4,345,000	4,440,350	8,785,350	13,476,984	65.19
2023	4,570,000	4,223,100	8,793,100	18,269,328	48.13

Unaudited

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

Year	Population ¹	Per Capita Income ²	Total Income	Median Age ³	Persons 25 years and older who are high school graduates ³	K - 12 School Enrollment ⁴	Unemploy- ment Rate ⁶
2014	1,212,064	\$ 65,033	\$ 78,824,158,112	36.1	92.3 %	164,151	3.7 %
2015	1,223,149	65,231	79,787,232,419	36.1	92.7	166,106	3.3
2016	1,232,483	67,427	83,102,631,241	36.2	92.6	168,629	3.4
2017	1,252,024	71,067	88,977,589,608	36.5	92.8	170,683	3.2
2018	1,259,428	74,698	94,076,752,744	36.5	93.0	177,653	2.5
2019	1,265,843	76,552	96,902,813,336	36.8	93.2	178,657	2.8
2020	1,281,565	79,183	101,478,161,395	36.7	93.3	173,481	6.2
2021	1,267,416	85,505	108,370,405,080	37.4	93.6	171,453	3.6
2022	1,260,121	89,851	113,223,131,971	37.7	93.9	170,899	2.5
2023	1,258,713	N/A ⁵	N/A ⁵	N/A ⁵	93.8	171,344	2.7

Sources:

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

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

	Hennepin County		Metropolitan Area ¹		State		National	
	Labor Force	Unemployment Rate	Labor Force	Unemployment Rate	Labor Force	Unemployment Rate	Labor Force	Unemployment Rate
2014	672,114	3.7 %	1,917,301	3.9 %	2,974,102	4.1 %	155,921,833	6.2 %
2015	679,549	3.3	1,938,858	3.4	3,010,367	3.7	157,129,917	5.3
2016	679,285	3.4	1,938,642	3.6	3,001,131	3.9	159,106,500	4.9
2017	694,060	3.2	1,979,780	3.3	3,046,697	3.6	160,319,750	4.4
2018	707,209	2.5	2,016,208	2.7	3,099,006	2.9	162,075,000	3.9
2019	711,530	2.8	2,023,566	3.0	3,113,673	3.3	163,538,667	3.7
2020 ²	706,189	6.2	2,005,559	6.0	3,075,445	5.8	160,742,333	8.1
2021	693,226	3.6	1,973,734	3.6	3,024,835	3.6	161,298,000	5.4
2022	703,572	2.5	2,009,050	2.6	3,077,500	2.7	164,287,167	3.7
2023	708,690	2.7	2,025,415	2.8	3,099,923	2.8	167,116,417	3.6

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

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

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

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

<u>Industry</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Health care and social assistance	1	1	1	1	1	1	1	1	1	1
Professional and technical services	2	2	2	2	2	2	2	2	2	2
Finance and insurance	4	4	4	4	4	4	3	3	3	3
Government and government enterprises	3	3	3	3	3	3	4	4	4	4
Retail trade	5	5	5	5	5	5	5	5	5	5
Manufacturing	6	6	6	6	6	6	6	6	6	6
Administrative and waste services	7	7	7	7	8	8	8	7	7	7
Accommodation and food services	11	11	11	12	12	13	9	8	9	8
Real estate	8	8	8	8	7	7	7	9	10	9
Transportation and warehousing	12	12	12	11	11	10	10	10	11	10
Management of companies and enterprises	14	13	13	13	13	12	12	13	8	11
Wholesale trade	9	9	9	9	9	9	13	11	12	12
Other services, except public administration	10	10	10	10	10	11	11	12	13	13
Construction	13	14	14	14	14	14	14	14	14	14
Arts, entertainment, and recreation	15	15	15	15	15	15	15	16	15	15
Educational services	16	16	16	16	16	16	16	15	16	16
Information	17	17	17	17	17	17	17	17	17	17
Utilities	18	18	18	18	18	18	18	18	18	18
Forestry, fishing, mining, other	19	19	19	19	19	19	19	19	19	19
Farm	20	20	20	20	20	20	20	20	20	20

Note: 2023 information was not available at the time of publication.

Source: Bureau of Economic Analysis

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