

Disclaimer

This Comprehensive Annual Financial Report (CAFR) of the Hennepin County Regional Railroad Authority (HCRRA) contained on the County's web pages is historical information as of December 31, 2017. The information in the CAFR has not been updated for developments subsequent to the date of the independent auditor's report.

The County has taken reasonable security measures to protect the integrity of its website and information posted thereon. However, no web site can fully ensure against infiltration. Absent any unauthorized act that deletes, edits, or somehow manipulates the words or data, this publication represents the presentation of the HCRRA's CAFR dated December 31, 2017.

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



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

Comprehensive Annual Financial Report

Year Ended December 31, 2017





Introductory Section



Hennepin County Regional Railroad Authority
A Component Unit of Hennepin County, Minnesota
2017 Comprehensive Annual Financial Report
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HENNEPIN COUNTY

REGIONAL RAILROAD AUTHORITY

July 20, 2018

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

Minnesota Statutes require all governmental agencies to issue an annual report on its financial position and activity prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants or the state auditor. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the Hennepin County Regional Railroad Authority (HCRRA) for the fiscal year ended December 31, 2017.

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, 2017. 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. During 2017, the HCRRA advised and participated with the Metropolitan Council, Metro Transit, the Minnesota Department of Transportation, and the Counties Transit Improvement Board (CTIB). CTIB was created as a joint powers entity in April 2008 when the five metropolitan counties of Anoka, Dakota, Hennepin, Ramsey and Washington each approved a transit-dedicated .25% sales and use tax and a \$20 per vehicle excise tax. CTIB provided annual grants for a portion of the capital and operating needs of regional transportation projects. CTIB was dissolved effective September 30, 2017 by resolution of the CTIB Board and its member counties. Concurrently with the action to dissolve CTIB, the County imposed a .5% sales and use tax and a \$20 per vehicle excise tax, effective October 1, 2017. The County may use the new tax revenues for the capital/operating costs of designated transportation and transit projects, and other expenditures allowed under state law. The tax revenues will be used to help advance HCRRA projects, as authorized by the County Board.

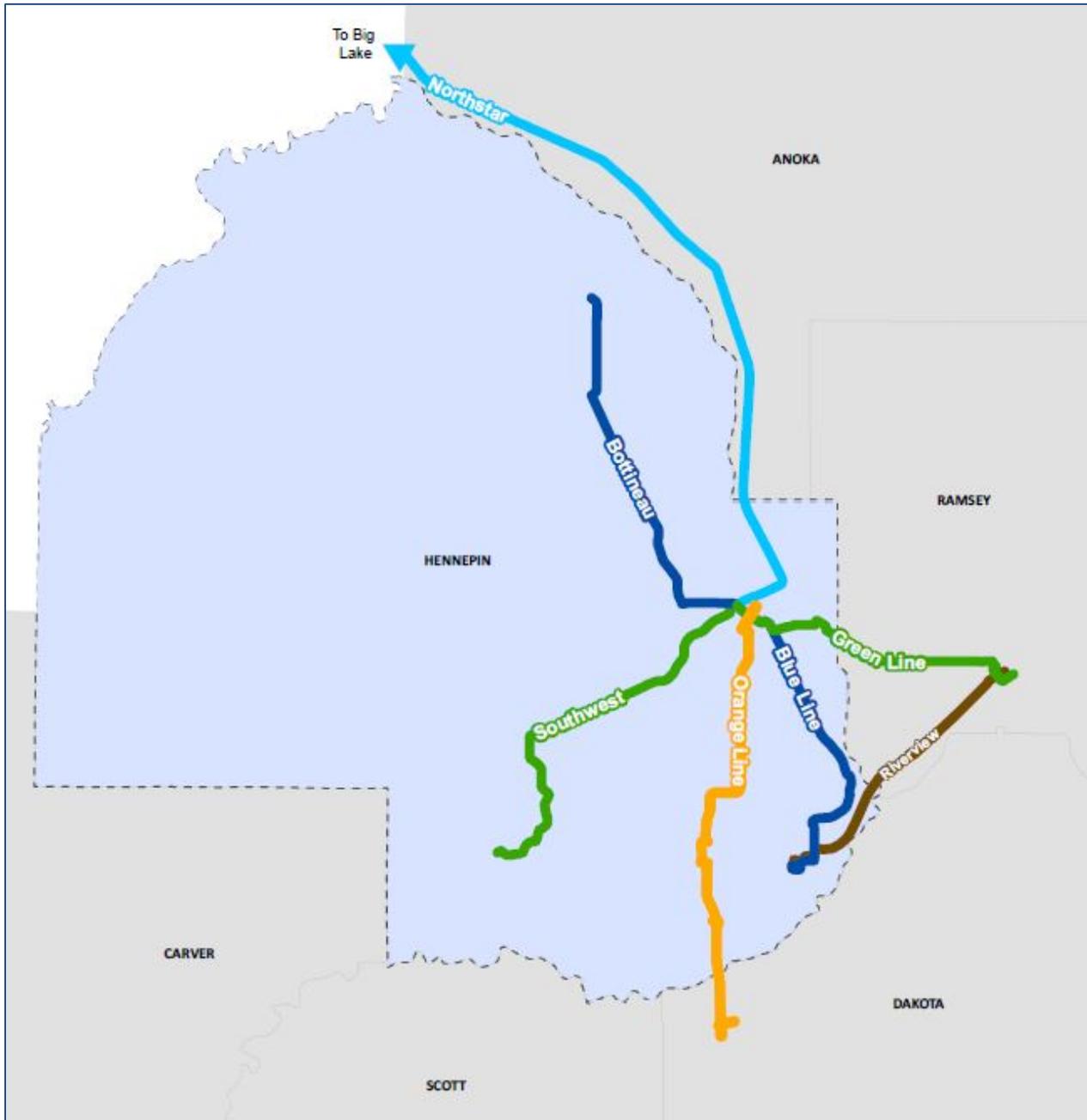
Although it is a legally separate entity, the HCRRA is in substance part of the operations of Hennepin County. Therefore, the HCRRA’s activity is combined with financial information of Hennepin County and reported as a special revenue fund within the County’s Comprehensive Annual Financial Report.

Hennepin County Regional Railroad Authority
701 Fourth Avenue South, Suite 400, Minneapolis, MN 55415
hennepin.us/hcrra



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.

The HCRRA's focus is on the transitways shown in the map below, and more detail is provided on the following pages.



METRO Blue Line – Light Rail Transit



The METRO Blue Line opened in 2004. The current 19-station line provides 12 miles of light rail transit between the Mall of America in Bloomington and Target Field Station in downtown Minneapolis. The line is served by two park and ride lots that provide more than 2,600 parking spaces to commuters. Ridership in 2017 totaled 10.7 million, and the route had an average weekday ridership of 31,510. The Target Field Station provides a direct connection to the Northstar Commuter Rail Line. Three-car trains are used on weekdays, as well as for Minnesota Twins baseball and Vikings football games.

Metro Transit operates the light rail, commuter rail, and most of the buses in the Twin Cities. The METRO Blue Line accounted for about 13.0% of Metro Transit's total ridership in 2017. 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. It links five major centers of activity in the Twin Cities region – downtown Minneapolis, the University of Minnesota, the Midway area, the State Capitol complex and downtown St. Paul. It connects to the METRO Blue Line at the US Bank Stadium Station. In 2017, total ridership was 13.1 million with average weekday ridership of 40,554. METRO Green Line ridership in 2017 was 16.0% of Metro Transit's annual total ridership. The Metropolitan Council was responsible for the design, construction and operations of the METRO Green Line. A total of 47 Light Rail Vehicles are assigned to the Green Line.



Target Field Station Regional Multimodal Facility

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



The facility is designed to accommodate future light rail transit services to Eden Prairie (METRO Green Line Extension) and Brooklyn Park (METRO Blue Line Extension.) The Station provides improved pedestrian and bicycle access to Target Field from the North Loop neighborhood, and has safe, spacious queuing areas for light rail passengers after events at Target Field. Public events at Target Field Station

are scheduled through the Minnesota Twins. In 2017, over 70 events were programmed, in addition to activities for the Twins' 81 home games.

Target Field Station is a catalyst for development in the North Loop Area. A mixed-use 143-unit building with 14,000 square feet of retail on 6th Avenue North opened in 2017, and construction started on a 200,000 square feet, 10-story office and residential building at 729 Washington Avenue North. Plans were also finalized for a new hotel and music venue on 5th Street North, immediately adjacent to Target Field Station.

Northstar Commuter Rail Line

Northstar Commuter Rail service between Big Lake and downtown Minneapolis is on a 40-mile segment of BNSF Railway along Highways 10 and 47. This service began in 2009. The Northstar stations are located in Big Lake, Elk River, Ramsey, Anoka, Coon Rapids, Fridley, and in downtown Minneapolis where Target Field Station provides a direct connection to the METRO Blue Line and METRO Green Line.



Northstar rail service has five peak-direction trips on weekdays, with one reverse-commute trip. Three round trips are scheduled for Saturday and Sunday. Northstar serves all Minnesota Twins and Vikings home games, as well as select special events in downtown. In 2017 the Northstar Line carried 793,796 passengers, with an average weekday ridership of 2,819.

Additional Projects

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

- **METRO Green Line Extension (Southwest Corridor) – Light Rail Transit**
The METRO Green Line Extension is a planned 14.5-mile light rail transit line between the existing Southwest Station in Eden Prairie and downtown Minneapolis. When built, the line will be combined with the METRO Green Line, to create a continuous service from Eden Prairie to downtown St. Paul. In 2017 design plans were completed. Plans were advertised for the civil bid package, and four bids were received. All four were rejected due to non-responsiveness, and revisions were made to the procurement documents.

- **METRO Blue Line Extension– Light Rail Transit**
The METRO Blue Line Extension (Bottineau Corridor) is a 13-mile, 11 station transitway corridor extending from the existing Target Field Station in downtown Minneapolis through North Minneapolis, Golden Valley, Robbinsdale, Crystal, and Brooklyn Park. In January 2017 the project entered the Federal Transit Administration (FTA) Engineering phase. Plans were progressed to the 90% design level.

- **METRO Orange Line – Bus Rapid Transit**
The METRO Orange Line is a 17-mile planned highway Bus Rapid Transit (BRT) line that will connect Minneapolis, Richfield, Bloomington, and Burnsville along Interstate 35W. The Orange Line will provide frequent, all-day service in both directions, seven days a week. The \$150 million project is scheduled to open in 2020, with complete service in 2021 when the new Lake Street Transit Station opens in Minneapolis. All local funding for the project has been secured. In 2017 the Minnesota Department of Transportation began construction on the I-35W reconstruction/Orange Line northern improvements.

- **Red Rock Corridor – Bus Rapid Transit**
The Red Rock Corridor transit proposals have focused on a transit corridor from Hastings through St. Paul, and providing transit connections to Minneapolis. Hennepin County is no longer the final destination for the Red Rock service, therefore, HCRRA is no longer a member of the Red Rock Joint Powers Agreement as of 2017.

- **Northern Lights Express – Minneapolis to Duluth/Superior Passenger Rail**
The HCRRA, in partnership with the regional railroad authorities for St. Louis and Lake County, Isanti County, Pine County; and the Mille Lacs Band of Ojibwe, the cities of Duluth and Minneapolis, and the Minnesota Department of Transportation (MnDOT) have been studying the potential for the intercity passenger rail between Minneapolis and Duluth/Superior since 2008. Due to lack of Federal and state funding to advance the project, HCRRA withdrew its membership in the Minneapolis-Duluth/Superior Passenger Rail Alliance in 2017.

Interim Use of Properties Acquired for Future Projects

The HCRRA currently owns 55 miles of rail corridor; 10 sites suitable for future park and ride lots or stations; and 2 railroad depots; for a total of 83 acres. Although acquired for future transportation needs, recreational trails have been constructed on these corridors as an interim use.

Economic and Financial Condition

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

Local economy. Hennepin County, the geographic area in which the HCRRA is established, has longstanding characteristics of strength and diversity in comparison to outstate, regional and even the national economy as shown in measurements of income and employment. Healthcare, medical device manufacturing, retail sales, financial services and insurance, high tech, and food processing are significant economic sectors providing a strong employment and wage base in the County. Many large international companies maintain their headquarters in Hennepin County. At year-end 2017, the County unemployment rate of 3.2% was improved from the previous year's rate of 3.4%. Again in 2017, the County unemployment rate remained lower than the State rate of 3.6% and the national rate of 4.4%.

Long-term Financial Planning. The overall state economic environment relating to the 2018 budget process was modestly stronger compared to the conditions of 2017. The February 2018 State of Minnesota's budget and economic forecast predicts a \$329 million surplus for the biennium ending on June 30, 2019, a favorable increase compared to November's forecast of a \$188 million deficit. Consumer spending is expected to increase by 2.9% in 2018.

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 2017

Board of Commissioners:

Peter McLaughlin, Chair

Mike Opat, Vice Chair

Linda Higgins, Secretary

Marion Greene, Treasurer

Debbie Goettel

Jan Callison

Jeff Johnson

Executive Director:

David J. Hough



Financial Section



Independent Auditor's Report

Hennepin County Regional Railroad Authority
Hennepin County, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major funds of Hennepin County Regional Railroad Authority (HCRRA), a component unit of Hennepin County, Minnesota, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise HCRRA's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major funds of HCRRA as of December 31, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

The 2017 supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements, or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2017 supplementary information is fairly stated, in all material respects, in relation to the 2017 basic financial statements taken as a whole.

We have also previously audited, in accordance with auditing standards generally accepted in the United States of America, HCRRA's 2016 basic financial statements (not presented herein) and have issued our report dated July 17, 2017, which contained unmodified opinions on the respective financial statements of the governmental activities and the major funds. The accompanying supplementary information, as listed in the table of contents, as of and for the year ended December 31, 2016, 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 2016 basic financial statements. The accompanying supplementary information has been subjected to the auditing procedures applied in the audit of the 2016 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements, or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2016 supplementary information is fairly stated, in all material respects, in relation to the 2016 basic financial statements taken as a whole.

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

RSM US LLP

Minneapolis, Minnesota
July 20, 2018

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, 2017. 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, 2017, the assets and deferred outflows of resources of the HCRRA exceeded its liabilities by \$22,562,309. The HCRRA's net investment in capital assets is \$37,284,173, and \$4,488,729 was restricted for debt service. The remainder consisted of negative unrestricted net position of \$19,210,593.
- HCRRA total net position, as reported in the Statement of Activities, decreased by \$21,682,344 during 2017. The decrease in net position is primarily due to activities related to Southwest Corridor and Bottineau Corridor.

Fund Level

- At the end of the fiscal year, the HCRRA's governmental funds reported total ending fund balances of \$16,485,107, a decrease of \$22,859,411 from the prior year balance of \$39,344,518. The decrease in fund balance is due to activities related to Southwest Corridor and Bottineau Corridor.
- Total fund balance for the General Fund was \$11,892,653, or approximately 22% of total general fund expenditures for the year ended December 31, 2017, compared to \$39,047,444 and 159% for 2016.

Long-Term Debt

- The HCRRA's total long term debt decreased \$1,673,334 in 2017, primarily due to the scheduled principal payment.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

OVERVIEW OF THE FINANCIAL STATEMENTS – CONTINUED

Government-wide Financial Statements – continued

HCRRA as a whole using the *economic resources measurement focus* and the *accrual basis of accounting*. The economic resources measurement focus results in the reporting of all inflows, outflows, and balances affecting or reflecting HCRRA net position. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. There are two government-wide statements.

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

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

Fund Financial Statements

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

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

Notes to the Basic Financial Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

As noted earlier, net position may serve as an indicator of a government's financial position. In the case of the HCRRA, assets and deferred outflows of resources exceeded liabilities by \$22,562,309 at December 31, 2017. The largest portion of HCRRA net position, \$37,284,173, reflects its net investment in capital assets (land - including rail corridor and buildings). The HCRRA uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. An additional portion of the HCRRA's net position, \$4,488,729, represents resources that are subject to external restrictions on how they may be used. The remainder consists of negative unrestricted net position of \$19,210,593.

Summary of Net Position

	2017	2016
Current assets	\$ 20,801,073	\$ 40,375,125
Noncurrent assets:		
Capital assets	37,284,173	37,783,981
Total assets	58,085,246	78,159,106
Deferred Outflows of Resources	1,244,521	1,332,112
Current liabilities	6,002,584	2,748,357
Noncurrent liabilities	30,764,874	32,498,208
Total liabilities	36,767,458	35,246,565
Net investment in capital assets	37,284,173	37,783,981
Restricted	4,488,729	189,324
Unrestricted	(19,210,593)	6,271,348
Total net position	\$ 22,562,309	\$ 44,244,653

Changes in Net Position

As shown in the table below, HCRRA net position decreased by \$21,682,344 during 2017. The decrease in net position is primarily related to spending on the Bottineau Corridor and Southwest Corridor projects.

Changes in Net Position

	Governmental Activities	
	2017	2016
Revenues:		
Program revenues:		
Charges for services	\$ 713,873	\$ 768,950
Operating grants and contributions	4,928	521,706
General revenues:		
Property taxes	32,791,956	29,916,050
Investment earnings	427,339	169,464
Total revenues	33,938,096	31,376,170
Expenses:		
HCRRA	54,935,893	24,579,915
Interest on long-term debt	1,313,232	1,359,882
Total expenses	56,249,125	25,939,797
Other Financing Sources:		
Gain on capital asset disposal	628,685	-
Change in net position	(21,682,344)	5,436,373
Net position - beginning	44,244,653	38,808,280
Net position - ending	\$ 22,562,309	\$ 44,244,653

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 \$16,485,107, a decrease of \$22,859,411 from the prior year. The decrease in fund balance is primarily related to spending on the Bottineau Corridor and Southwest Corridor projects. Of the ending fund balance, \$11,892,653 constitutes General Fund total fund balance, which may be used to meet the HCRRA's ongoing obligations in accordance with contractual agreements and fiscal policies. The remainder of fund balance is restricted for the payment of debt service.

Budgetary Highlights

At year-end, actual General Fund expenditures of \$54,902,255 were lower than the final \$94,015,553 budget. Contractual services expenditures were \$39,026,151 less than budgeted due to the Bottineau Corridor and Southwest Corridor projects progressing slower than expected.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

HCRRA capital assets as of December 31, 2017 total \$37,284,173, 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 \$499,808 from the prior year's balance, which was due to additional depreciation and sale of capital assets during 2017. Additional information on HCRRA capital assets can be found in Note 4 on page 26 of this report.

Debt administration

At the end of the current fiscal year, the HCRRA had total long-term levy supported bonds outstanding of \$32,434,874 (including unamortized premium). Additional information on HCRRA long-term debt can be found in Note 5 on page 26 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The 2018 General Fund budget is \$7,039,188 more than the final 2017 budget. In 2018, work will continue on several high priority projects. The General Fund is budgeting \$29,460,554 for the Bottineau Corridor, \$58,047,862 for the Southwest Corridor, \$1,100,000 for the Midtown Greenway Corridor Bridges, and \$4,128,000 for the Orange Line Bus Rapid Transit.

The Debt Service Fund budget for 2018 was approved at \$8,253,000, an increase of \$1,350,000 over the final 2017 budget.

REQUESTS FOR INFORMATION

This financial report is designed to provide an overview for those interested in the HCRRA's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Hennepin County Regional Railroad Authority, 701 Fourth Avenue South, Suite 400, Minneapolis, MN 55415.



Hennepin County Regional Railroad Authority
A Component Unit of Hennepin County, Minnesota
Governmental Fund Balance Sheets and Statement of Net Position
December 31, 2017

	Governmental Funds			Adjustments (Note 1)	Statement of Net Position
	General Fund	Debt Service Fund	Total		
ASSETS					
Current assets:					
Interest in Hennepin County investment pool	\$ 15,465,439	\$ 4,592,454	\$ 20,057,893	\$ -	\$ 20,057,893
Delinquent taxes receivable	168,910	-	168,910	-	168,910
Other receivables	118,430	-	118,430	-	118,430
Restricted cash and investments	455,840	-	455,840	-	455,840
Total current assets	<u>16,208,619</u>	<u>4,592,454</u>	<u>20,801,073</u>	<u>-</u>	<u>20,801,073</u>
Noncurrent assets:					
Capital assets:					
Land and rail corridor	-	-	-	37,106,521	37,106,521
Buildings	-	-	-	1,034,780	1,034,780
	-	-	-	38,141,301	38,141,301
Less accumulated depreciation	-	-	-	(857,128)	(857,128)
Net capital assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,284,173</u>	<u>37,284,173</u>
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,284,173</u>	<u>37,284,173</u>
Total assets	<u>\$ 16,208,619</u>	<u>\$ 4,592,454</u>	<u>\$ 20,801,073</u>	<u>37,284,173</u>	<u>58,085,246</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on debt refunding	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,244,521</u>	<u>1,244,521</u>
LIABILITIES					
Current liabilities:					
Accounts and contracts payable	2,181,607	-	2,181,607	-	2,181,607
Unearned revenue	2,047,252	-	2,047,252	-	2,047,252
Accrued liabilities	-	-	-	103,725	103,725
Current portion of long-term debt	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,670,000</u>	<u>1,670,000</u>
Total current liabilities	<u>4,228,859</u>	<u>-</u>	<u>4,228,859</u>	<u>1,773,725</u>	<u>6,002,584</u>
Noncurrent liabilities:					
Noncurrent portion of long-term debt	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,764,874</u>	<u>30,764,874</u>
Total liabilities	<u>4,228,859</u>	<u>-</u>	<u>4,228,859</u>	<u>32,538,599</u>	<u>36,767,458</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	<u>87,107</u>	<u>-</u>	<u>87,107</u>	<u>(87,107)</u>	<u>-</u>
FUND BALANCES/NET POSITION					
Fund balances:					
Restricted	-	4,592,454	4,592,454	(4,592,454)	-
Assigned	<u>11,892,653</u>	<u>-</u>	<u>11,892,653</u>	<u>(11,892,653)</u>	<u>-</u>
Total fund balances	<u>11,892,653</u>	<u>4,592,454</u>	<u>16,485,107</u>	<u>(16,485,107)</u>	<u>-</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 16,208,619</u>	<u>\$ 4,592,454</u>	<u>\$ 20,801,073</u>		
Net position:					
Net investment in capital assets				37,284,173	37,284,173
Restricted for debt service				4,488,729	4,488,729
Unrestricted				<u>(19,210,593)</u>	<u>(19,210,593)</u>
Total net position				<u>\$ 22,562,309</u>	<u>\$ 22,562,309</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, 2017

	Governmental Funds			Adjustments (Note 1)	Statement of Activities
	General Fund	Debt Service Fund	Total		
PROGRAM REVENUES					
Intergovernmental	\$ 4,928	\$ -	\$ 4,928	\$ (4,928)	\$ -
Charges for services	709,945	-	709,945	3,928	713,873
Other	3,928	-	3,928	(3,928)	-
Operating grants and contributions	-	-	-	4,928	4,928
Total program revenues	<u>718,801</u>	<u>-</u>	<u>718,801</u>	<u>-</u>	<u>718,801</u>
GENERAL REVENUES					
Property taxes	25,506,469	7,198,380	32,704,849	87,107	32,791,956
Investment earnings	427,339	-	427,339	-	427,339
Total general revenues	<u>25,933,808</u>	<u>7,198,380</u>	<u>33,132,188</u>	<u>87,107</u>	<u>33,219,295</u>
EXPENDITURES/EXPENSES					
Regional Railroad:					
Current:					
Commodities	24,225	-	24,225	-	24,225
Contractual services	54,833,336	-	54,833,336	-	54,833,336
Depreciation	-	-	-	33,638	33,638
Other	44,694	-	44,694	-	44,694
Debt service:					
Principal retirement	-	1,610,000	1,610,000	(1,610,000)	-
Interest and fiscal charges	-	1,293,000	1,293,000	20,232	1,313,232
Total expenditures/expenses	<u>54,902,255</u>	<u>2,903,000</u>	<u>57,805,255</u>	<u>(1,556,130)</u>	<u>56,249,125</u>
Excess (deficiency) of revenues over expenditures/expenses	<u>(28,249,646)</u>	<u>4,295,380</u>	<u>(23,954,266)</u>	<u>1,643,237</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	1,094,855	-	1,094,855	(1,094,855)	-
Gain on capital asset disposal	-	-	-	628,685	628,685
Total other financing sources (uses)	<u>1,094,855</u>	<u>-</u>	<u>1,094,855</u>	<u>(466,170)</u>	<u>628,685</u>
Net change in fund balances	<u>(27,154,791)</u>	<u>4,295,380</u>	<u>(22,859,411)</u>	<u>22,859,411</u>	<u>-</u>
Change in net position	<u>-</u>	<u>-</u>	<u>-</u>	<u>(21,682,344)</u>	<u>(21,682,344)</u>
FUND BALANCES/NET POSITION					
Beginning	39,047,444	297,074	39,344,518	4,900,135	44,244,653
Ending	<u>\$ 11,892,653</u>	<u>\$ 4,592,454</u>	<u>\$ 16,485,107</u>	<u>\$ 6,077,202</u>	<u>\$ 22,562,309</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, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Reporting Entity

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

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

Hennepin County Regional Railroad Authority
A Component Unit of Hennepin County, Minnesota
Notes to the Basic Financial Statements
December 31, 2017

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, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

Fund Financial Statements – continued

The HCRRA reports the following major governmental funds:

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

**Interest in Hennepin County Investment Pool
and Restricted Cash and Investments**

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

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

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

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

Capital Assets

Capital assets are reported in the government-wide financial statements at historical cost. Capital assets used in governmental activities are not financial resources and therefore net capital assets are not reported in the fund financial statements. Capital assets are depreciated or amortized in the Statement of Activities for governmental activities using the straight-line method. Buildings are depreciated over their 20-50 year estimated useful lives. In governmental funds, capital outlay and capital projects expenditures include expenditures for capital assets, as well as for items that are capital in nature but do not qualify for financial reporting as capital assets under the HCRRA's capitalization policy. The costs of maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized and are reported as expenses in the governmental activities and as expenditures in the fund financial statements.

Hennepin County Regional Railroad Authority
A Component Unit of Hennepin County, Minnesota
Notes to the Basic Financial Statements
December 31, 2017

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, 2017

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, 2017, the HCRRA comprised \$20,513,733 or 1.7% of the County’s total pooled cash and investments, excluding fiduciary investments. As of December 31, 2017, the County investment pool had 85.8% of investments invested in U.S. government and agency issues, 8.4% in repurchase agreements, 5.5% in commercial paper, and 0.3% invested in money market funds. Detailed information about the County’s deposits with financial institutions, repurchase agreements, interest rate risk, credit risk, concentration of credit risk, and custodial credit risk can be obtained directly from the County’s 2017 financial statements. Investment earnings (losses) are allocated based on average monthly cash balances. The realized and unrealized components of the 2017 HCRRA investment earnings (losses) are presented below.

	2017
Investment income and realized gains and losses	\$ 349,385
Net increase in the fair value of investments	77,954
Total Investment Earnings	\$ 427,339

Hennepin County Regional Railroad Authority
A Component Unit of Hennepin County, Minnesota
Notes to the Basic Financial Statements
December 31, 2017

3. RECEIVABLES

The HCRRA is a special taxing district with the authority to levy property taxes. Property tax liens attach on the first Monday of the year following property assessment. Tax levies are certified to the county auditor five business days after December 20 of the year the property is assessed. The taxes levied are payable in the following year in two equal installments. The amounts and due dates for taxes on real property are half on or before May 15 and the balance on or before October 15. Personal property taxes are due in one installment on May 15. The amount of the allowance for uncollectible delinquent taxes is an estimate based on historical collection experience. Estimated uncollectible delinquent taxes total \$55,501 at December 31, 2017. Other miscellaneous receivables relate to building and land rental.

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017 was as follows:

	Balance January 1, 2017	Additions	Deletions	Balance December 31, 2017
<i>Capital assets not being depreciated:</i>				
Land (including rail corridor)	\$ 37,397,947	\$ -	\$ (291,426)	\$ 37,106,521
<i>Capital assets being depreciated:</i>				
Buildings	1,790,681	-	(755,901)	1,034,780
Less accumulated depreciation	1,404,647	33,638	(581,157)	857,128
Total capital assets being depreciated, net	386,034	(33,638)	(174,744)	177,652
Capital Assets, Net	\$ 37,783,981	\$ (33,638)	\$ (466,170)	\$ 37,284,173

5. LONG-TERM OBLIGATIONS

Limited Tax Levy Debt

The HCRRA's outstanding limited tax obligation debt has remaining interest rates range from 3.0% to 4.0% with payments due through 2031. There are no significant limitations or restrictions contained in the debt indentures. Changes in long-term debt for the year ended December 31, 2017 are as follows:

Beginning Balance	\$ 33,145,000
Reductions	(1,610,000)
Ending Balance	31,535,000
Unamortized premium	899,874
Less amount due within one year	(1,670,000)
Noncurrent portion of long-term debt	<u>\$ 30,764,874</u>

Hennepin County Regional Railroad Authority
A Component Unit of Hennepin County, Minnesota
Notes to the Basic Financial Statements
December 31, 2017

5. LONG-TERM OBLIGATIONS – CONTINUED

Debt Service Requirements

	Principal	Interest	Total
2018	\$ 1,670,000	\$ 1,244,700	\$ 2,914,700
2019	1,730,000	1,194,600	2,924,600
2020	1,810,000	1,125,400	2,935,400
2021	1,895,000	1,053,000	2,948,000
2022	1,985,000	977,200	2,962,200
2023-2027	11,350,000	3,621,200	14,971,200
2028-2031	11,095,000	1,134,600	12,229,600
	\$ 31,535,000	\$ 10,350,700	\$ 41,885,700

6. RISK MANAGEMENT

The HCRRA is exposed to various risks of loss related to general and professional liability torts; and theft of, damage to, and destruction of assets. The HCRRA has chosen to retain the risk of torts. Commercial property insurance is purchased by the County on behalf of the HCRRA to cover the HCRRA’s buildings, money, and securities, subject to deductible amounts. Settled claims from insured losses for the County and HCRRA have not exceeded commercial insurance coverage for the past three years. Because commercial liability insurance is not purchased to provide for funding any future claims, \$100,000 has been assigned for tort liability risk retention (see Note 9).

7. RESTRICTED NET POSITION

The use of restricted net position is subject to constraints that are externally imposed by creditors, grantors, contributors, laws, or regulations. Restrictions indicate that the net position may only be used for a specific purpose that is narrower than the purpose of the reporting unit. Restricted net position is reduced by liabilities related to those assets. Restricted net position that is reported in the Statement of Net Position differs from restricted fund balance shown in the Governmental Funds Balance Sheet. Government-wide restricted net position at December 31, 2017 totals \$4,488,729, relating to a restriction for debt service.

Hennepin County Regional Railroad Authority
A Component Unit of Hennepin County, Minnesota
Notes to the Basic Financial Statements
December 31, 2017

8. COMMITMENTS

For the capital costs of light rail and bus rapid transit projects, commitments will be paid from future property tax revenues received by the RRA, and as of December 31, 2017 the RRA has committed to expend:

- \$59,900,000 for the capital costs of the project development continuance and engineering phases of the Southwest Corridor (METRO Green Line) light rail transit project. The RRA's total commitment is for up to 10% of the total capital cost not to exceed \$185,800,000; and
- \$50,890,000 for the engineering phase of the Bottineau (METRO Blue Line) light rail transit project. The RRA's total commitment is for up to 10% of the total capital cost not to exceed \$149,600,000; and
- \$12,790,000 for the Orange Line bus rapid transit project capital costs.

9. GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

Governmental fund balance classifications and the constraints imposed on the uses of those resources at December 31, 2017 consisted of \$4,592,454 restricted for debt service, \$100,000 assigned for tort liability risk retention, and \$11,792,653 assigned for specific regional rail projects. The classifications are described in greater detail in the Fund Balance and Net Position section of Note 1.

10. SUBSEQUENT EVENTS

On May 31, 2018, the Hennepin County Regional Railroad Authority voted to increase its funding commitment for the Southwest Corridor (METRO Green Line Extension) light rail project by \$13,748,000, to a new total commitment of \$199,548,000.



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

For the Year Ended December 31, 2017
With Comparative Actual Amounts for the Year Ended December 31, 2016

	2017				
	Budgeted Amounts		Actual	Variance with Final Budget	2016 Actual
	Original	Final			
REVENUES					
Property taxes	\$ 25,236,813	\$ 25,236,813	\$ 25,506,469	\$ 269,656	\$ 27,034,964
Intergovernmental	-	-	4,928	4,928	521,706
Investment earnings (losses)	100,000	100,000	427,339	327,339	169,464
Charges for services	660,000	660,000	709,945	49,945	755,575
Other	3,004,000	3,004,000	3,928	(3,000,072)	13,375
Total revenues	<u>29,000,813</u>	<u>29,000,813</u>	<u>26,652,609</u>	<u>(2,348,204)</u>	<u>28,495,084</u>
EXPENDITURES					
Current:					
Commodities	15,750	15,750	24,225	(8,475)	57,243
Contractual services	93,899,148	93,859,487	54,833,336	39,026,151	24,375,341
Other	140,316	140,316	44,694	95,622	105,527
Total expenditures	<u>94,055,214</u>	<u>94,015,553</u>	<u>54,902,255</u>	<u>39,113,298</u>	<u>24,538,111</u>
Excess (deficiency) of revenues over expenditures	<u>(65,054,401)</u>	<u>(65,014,740)</u>	<u>(28,249,646)</u>	<u>36,765,094</u>	<u>3,956,973</u>
OTHER FINANCING SOURCES (USES)					
Issuance of debt	56,260,957	56,260,957	-	(56,260,957)	-
Sale of capital assets	-	-	1,094,855	1,094,855	-
Total other financing sources	<u>56,260,957</u>	<u>56,260,957</u>	<u>1,094,855</u>	<u>(55,166,102)</u>	<u>-</u>
Net change in fund balances	<u>(8,793,444)</u>	<u>(8,753,783)</u>	<u>(27,154,791)</u>	<u>\$ (18,401,008)</u>	<u>3,956,973</u>
Fund Balances - Beginning	<u>39,047,444</u>	<u>39,047,444</u>	<u>39,047,444</u>		<u>35,090,471</u>
Fund Balances - Ending	<u>\$ 30,254,000</u>	<u>\$ 30,293,661</u>	<u>\$ 11,892,653</u>		<u>\$ 39,047,444</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, 2017

Legal Compliance – Budgets

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

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

Year	Appropriated Budget	Actual Expenditures	Remaining Budget
2015	\$ 31,800,000	\$ 18,405,391	\$ 13,394,609
2016	50,100,000	14,009,691	36,090,309
2017	85,189,000	49,595,447	35,593,553
	\$ 167,089,000	\$ 82,010,529	\$ 85,078,471

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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Interest in Hennepin County investment pool	\$ 15,465,439	\$ 39,306,842
Delinquent taxes receivable	168,910	209,144
Other receivables	118,430	127,630
Restricted cash and investments	<u>455,840</u>	<u>434,435</u>
Total assets	<u>\$ 16,208,619</u>	<u>\$ 40,078,051</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES		
Liabilities:		
Accounts and contracts payable	\$ 2,181,607	\$ 1,030,607
Unearned revenue	<u>2,047,252</u>	<u>-</u>
Total liabilities	<u>4,228,859</u>	<u>1,030,607</u>
 Deferred inflows of resources:		
Unavailable revenue - property taxes	<u>87,107</u>	<u>-</u>
 Fund balances:		
Assigned	<u>11,892,653</u>	<u>39,047,444</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 16,208,619</u>	<u>\$ 40,078,051</u>

Hennepin County Regional Railroad Authority
A Component Unit of Hennepin County, Minnesota
Balance Sheet
Debt Service Fund
December 31, 2017 and 2016

	2017	2016
ASSETS		
Interest in Hennepin County investment pool	\$ <u>4,592,454</u>	\$ <u>297,074</u>
 LIABILITIES AND FUND BALANCES		
Fund balances:		
Restricted	\$ <u>4,592,454</u>	\$ <u>297,074</u>
Total liabilities and fund balances	\$ <u>4,592,454</u>	\$ <u>297,074</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, 2017
With Comparative Actual Amounts for the Year Ended December 31, 2016

	2017				2016
	Budgeted Amounts		Actual	Variance with Final Budget	Actual
	Original	Final			
REVENUES					
Property taxes	\$ 6,903,000	\$ 6,903,000	\$ 7,198,380	\$ 295,380	\$ 2,881,086
EXPENDITURES					
Debt service:					
Principal retirement	5,610,000	5,610,000	1,610,000	4,000,000	1,550,000
Interest and fiscal charges	1,293,000	1,293,000	1,293,000	-	1,339,500
Total expenditures	6,903,000	6,903,000	2,903,000	4,000,000	2,889,500
Excess (deficiency) of revenues over expenditures	-	-	4,295,380	4,295,380	(8,414)
Net change in fund balance	-	-	4,295,380	\$ 4,295,380	(8,414)
Fund balance - beginning	297,074	297,074	297,074		305,488
Fund balance - ending	\$ 297,074	\$ 297,074	\$ 4,592,454		\$ 297,074

Statistical Section



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

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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
2008	\$ 37,437,812	\$ 224,465	\$ (13,985,901)	\$ 23,676,376
2009	37,265,994	172,533	(16,162,760)	21,275,767
2010	37,094,176	345,647	(13,795,823)	23,644,000
2011	36,922,358	255,532	(8,238,993)	28,938,897
2012	39,465,430	233,019	(9,327,788)	30,370,661
2013	39,761,958	225,024	(12,384,900)	27,602,082
2014	39,720,154	2,640,871	(6,304,209)	36,056,816
2015	37,825,785	193,863	788,632	38,808,280
2016	37,783,981	189,324	6,271,348	44,244,653
2017	37,284,173	4,488,729	(19,210,593)	22,562,309

Unaudited



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

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Governmental Activities:					
Expenses					
General Government	\$ 12,491,547	\$ 8,436,570	\$ 12,506,371	\$ 12,328,586	\$ 17,873,512
Intergovernmental	-	-	-	-	-
Debt Service	<u>2,121,963</u>	<u>2,084,043</u>	<u>1,426,853</u>	<u>1,417,299</u>	<u>1,390,041</u>
Total expenses	<u>14,613,510</u>	<u>10,520,613</u>	<u>13,933,224</u>	<u>13,745,885</u>	<u>19,263,553</u>
Program Revenues					
Intergovernmental	384,178	196,576	814,086	487,693	-
Charges for services	-	341,862	824,724	575,690	794,155
Other	863,209	76,201	61,749	111,020	-
Operating grants and contributions	-	-	-	-	-
Capital grants and contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,757,299</u>
Total program revenues	<u>1,247,387</u>	<u>614,639</u>	<u>1,700,559</u>	<u>1,174,403</u>	<u>2,551,454</u>
Net expense	<u>(13,366,123)</u>	<u>(9,905,974)</u>	<u>(12,232,665)</u>	<u>(12,571,482)</u>	<u>(16,712,099)</u>
General Revenues					
Property taxes	15,093,624	6,886,542	14,410,241	17,306,595	17,988,328
Investment earnings (losses)	<u>1,628,111</u>	<u>618,822</u>	<u>190,657</u>	<u>559,784</u>	<u>417,896</u>
Total general revenues	<u>16,721,735</u>	<u>7,505,364</u>	<u>14,600,898</u>	<u>17,866,379</u>	<u>18,406,224</u>
Other Financing Sources					
Gain on capital asset disposal	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	<u>\$ 3,355,612</u>	<u>\$ (2,400,610)</u>	<u>\$ 2,368,233</u>	<u>\$ 5,294,897</u>	<u>\$ 1,694,125</u>

Unaudited

Table 2

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$	23,854,434	\$ 29,098,244	\$ 23,810,157	\$ 24,579,915	\$ 54,935,893
	28,474,955	1,964,484	2,006,547	-	-
	<u>1,449,665</u>	<u>1,420,907</u>	<u>1,391,441</u>	<u>1,359,882</u>	<u>1,313,232</u>
	<u>53,779,054</u>	<u>32,483,635</u>	<u>27,208,145</u>	<u>25,939,797</u>	<u>56,249,125</u>
	-	-	-	-	-
	737,357	788,761	685,494	768,950	713,873
	-	-	-	-	-
	29,089,665	16,027,438	1,867,334	521,706	4,928
	<u>338,332</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>30,165,354</u>	<u>16,816,199</u>	<u>2,552,828</u>	<u>1,290,656</u>	<u>718,801</u>
	<u>(23,613,700)</u>	<u>(15,667,436)</u>	<u>(24,655,317)</u>	<u>(24,649,141)</u>	<u>(55,530,324)</u>
	20,959,619	23,754,226	27,125,736	29,916,050	32,791,956
	<u>(114,498)</u>	<u>367,944</u>	<u>281,045</u>	<u>169,464</u>	<u>427,339</u>
	<u>20,845,121</u>	<u>24,122,170</u>	<u>27,406,781</u>	<u>30,085,514</u>	<u>33,219,295</u>
	-	-	-	-	628,685
\$	<u><u>(2,768,579)</u></u>	<u><u>8,454,734</u></u>	<u><u>2,751,464</u></u>	<u><u>5,436,373</u></u>	<u><u>(21,682,344)</u></u>

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

Year	General Fund					All Other Governmental Funds			
	Reserved	Unreserved	Assigned	Unassigned	Total	Unreserved, Reported in Debt Service Fund	Restricted	Unassigned	Total
2008	\$ 154,548	\$ 29,529,109	\$ -	\$ -	\$ 29,683,657	\$ 397,894	\$ -	\$ -	\$ 397,894
2009	63,502	26,414,403	-	-	26,477,905	342,587	-	-	342,587
2010	-	-	13,203,465	14,075,922	27,279,387	-	469,222	-	469,222
2011	-	-	17,808,605	13,538,029	31,346,634	-	376,840	-	376,840
2012	-	-	4,870,742	13,943,663	18,814,405	-	10,853,877	-	10,853,877
2013	-	-	3,177,259	21,146,258	24,323,517	-	341,615	(27,950,047)	(27,608,432)
2014	-	-	15,406,729	12,112,160	27,518,889	-	2,755,012	-	2,755,012
2015	-	-	35,090,471	-	35,090,471	-	305,488	-	305,488
2016	-	-	39,047,444	-	39,047,444	-	297,074	-	297,074
2017	-	-	11,892,653	-	11,892,653	-	4,592,454	-	4,592,454

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

Unaudited



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

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Revenues					
Property taxes	\$ 15,093,624	\$ 6,886,542	\$ 14,410,241	\$ 17,306,595	\$ 17,988,328
Intergovernmental	384,178	196,576	814,086	487,693	603,211
Investment earnings (losses)	1,628,111	618,822	190,657	559,784	417,896
Charges for services	-	341,862	824,724	408,867	945,561
Other	863,209	76,201	61,749	111,020	15,417
Total revenues	<u>17,969,122</u>	<u>8,120,003</u>	<u>16,301,457</u>	<u>18,873,959</u>	<u>19,970,413</u>
Expenditures					
General government	12,323,007	8,254,918	12,192,225	12,056,194	17,614,103
Capital outlay	-	-	276,475	-	1,560,802
Intergovernmental	-	-	-	-	-
Debt service:					
Principal	1,005,000	1,045,000	1,825,000	1,360,000	1,395,000
Interest	2,118,831	2,081,144	1,385,991	1,482,900	1,455,700
Total expenditures	<u>15,446,838</u>	<u>11,381,062</u>	<u>15,679,691</u>	<u>14,899,094</u>	<u>22,025,605</u>
Excess (deficiency) of revenues over expenditures	<u>2,522,284</u>	<u>(3,261,059)</u>	<u>621,766</u>	<u>3,974,865</u>	<u>(2,055,192)</u>
Other Financing Sources (Uses)					
Issuance of debt	-	-	42,595,000	-	-
Payment to refunded bond escrow agent	-	-	(43,682,001)	-	-
Transfers in	-	-	-	-	10,800,000
Transfers out	-	-	-	-	(10,800,000)
Sale of capital assets	-	-	-	-	-
Debt premiums	-	-	1,393,352	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>306,351</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ 2,522,284</u>	<u>\$ (3,261,059)</u>	<u>\$ 928,117</u>	<u>\$ 3,974,865</u>	<u>\$ (2,055,192)</u>
Debt service as a percentage of noncapital expenditures	20.2%	27.5%	20.8%	19.1%	13.9%

Unaudited

Table 4

	2013	2014	2015	2016	2017
\$	20,959,619	\$ 23,754,226	\$ 27,125,736	\$ 29,916,050	\$ 32,704,849
	953,042	42,537,909	3,831,818	521,706	4,928
	(114,498)	367,944	281,045	169,464	427,339
	699,759	695,240	662,779	755,575	709,945
	37,598	93,521	22,715	13,375	3,928
	<u>22,535,520</u>	<u>67,448,840</u>	<u>31,924,093</u>	<u>31,376,170</u>	<u>33,850,989</u>
	13,114,157	29,056,440	23,768,353	24,538,111	54,902,255
	11,036,805	-	-	-	-
	28,474,955	1,964,484	153,982	-	-
	1,435,000	1,470,000	1,510,000	1,550,000	1,610,000
	1,427,800	1,399,100	1,369,700	1,339,500	1,293,000
	<u>55,488,717</u>	<u>33,890,024</u>	<u>26,802,035</u>	<u>27,427,611</u>	<u>57,805,255</u>
	<u>(32,953,197)</u>	<u>33,558,816</u>	<u>5,122,058</u>	<u>3,948,559</u>	<u>(23,954,266)</u>
	-	-	-	-	-
	-	-	-	-	-
	-	9,900,000	2,436,320	-	-
	-	(9,900,000)	(2,436,320)	-	-
	-	-	-	-	1,094,855
	-	-	-	-	-
	-	-	-	-	1,094,855
\$	<u>(32,953,197)</u>	<u>\$ 33,558,816</u>	<u>\$ 5,122,058</u>	<u>\$ 3,948,559</u>	<u>\$ (22,859,411)</u>
	6.4%	8.5%	10.7%	10.5%	5.0%

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

Real Estate					
	<u>Residential Property</u>	<u>Multiple Dwelling</u>	<u>Commercial & Industrial</u>	<u>Agricultural</u>	<u>Public Utilities & Miscellaneous</u>
2008	\$ 107,145,474 64.3 %	8,628,267 5.2	29,764,516 17.9	864,041 0.5	68,962 0.0
2009	\$ 102,430,703 63.7 %	8,628,975 5.4	28,723,247 17.9	773,764 0.5	58,310 0.0
2010	\$ 95,810,842 62.4 %	8,126,550 5.3	26,455,131 17.2	686,687 0.5	50,655 0.0
2011	\$ 92,367,575 61.9 %	8,141,313 5.5	25,566,334 17.1	667,293 0.4	32,528 0.0
2012	\$ 87,386,034 60.4 %	8,465,660 5.8	25,628,865 17.7	645,946 0.4	31,188 0.0
2013	\$ 87,277,599 59.8 %	9,013,557 6.2	26,048,651 17.9	656,586 0.5	28,944 0.0
2014	\$ 95,014,228 61.0 %	10,607,391 6.8	26,807,208 17.2	689,117 0.4	33,456 0.0
2015	\$ 100,213,026 60.5 %	12,777,974 7.7	29,127,324 17.6	653,729 0.4	33,007 0.0
2016	\$ 105,538,203 60.2 %	15,110,310 8.6	31,057,471 17.7	626,311 0.4	37,624 0.0
2017	\$ 112,595,483 60.5 %	16,998,612 9.1	32,745,319 17.6	625,310 0.3	40,490 0.0

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

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

Source: Hennepin County Property Information System.

Unaudited

Table 5

<u>Exempt</u>	<u>Total Real Estate</u>	<u>Personal Property</u>	<u>Total Estimated Market Value Including Exempt Property</u>	<u>Total Estimated Market Value</u>	<u>Total Direct Tax Rate²</u>
18,965,624 11.4	165,436,884 99.3	1,234,923 0.7	\$ 166,671,807 100 %	\$ 147,706,183	0.979 %
18,965,624 11.8	159,580,623 99.2	1,238,596 0.8	\$ 160,819,219 100 %	\$ 141,853,595	0.380 %
21,249,594 13.8	152,379,459 99.2	1,295,495 0.8	\$ 153,674,954 100 %	\$ 132,425,360	1.000 %
21,249,594 14.2	148,024,637 99.1	1,333,422 0.9	\$ 149,358,059 100 %	\$ 128,108,465	1.246 %
21,249,594 14.7	143,407,287 99.0	1,449,118 1.0	144,856,405 100 %	\$ 123,606,811	1.294 %
21,249,594 14.6	144,274,931 99.0	1,482,731 1.0	145,757,662 100 %	\$ 124,508,068	1.561 %
21,249,594 13.6	154,400,994 99.0	1,540,312 1.0	155,941,306 100 %	\$ 134,691,712	1.777 %
21,249,594 12.8	164,054,654 99.0	1,604,661 1.0	165,659,315 100 %	\$ 144,409,721	1.817 %
21,249,594 12.1	173,619,513 99.0	1,750,967 1.0	175,370,480 100 %	\$ 154,120,886	1.879 %
21,249,594 11.4	184,254,808 99.0	1,825,398 1.0	186,080,206 100 %	\$ 164,830,612	1.925 %

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
2008	0.979 %	\$ 15,529,575	38.572 %	\$ 2,353,094,925
2009	0.380	7,000,000	40.413	2,535,570,232
2010	1.000	15,000,000	42.640	2,544,559,665
2011	1.246	18,000,000	45.840	2,568,972,956
2012	1.294	18,000,000	47.670	2,560,977,362
2013	1.561	21,000,000	49.540	2,599,562,626
2014	1.777	24,000,000	46.245	2,668,058,025
2015	1.817	27,000,000	45.330	2,716,541,472
2016	1.879	30,000,000	45.730	2,839,712,621
2017	1.925	33,000,000	42.768	2,925,325,463

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

Unaudited

Table 6

Metropolitan Transit Commission Tax		Metropolitan Council Tax		Metropolitan Mosquito Control District Tax	
<u>Tax Rates</u>	<u>Tax Levies</u>	<u>Tax Rates</u>	<u>Tax Levies</u>	<u>Tax Rates</u>	<u>Tax Levies</u>
1.264 %	\$ 19,283,519	0.812 %	\$ 13,092,025	0.486 %	\$ 7,801,856
1.273	19,455,492	0.817	13,156,461	0.489	7,874,542
1.366	20,612,822	0.793	12,720,347	0.461	7,417,379
1.539	21,333,915	0.885	12,917,499	0.525	7,648,210
1.607	21,217,262	0.940	13,046,142	0.537	7,481,049
1.689	21,903,368	0.997	13,568,768	0.556	7,584,690
1.703	22,134,343	1.069	14,520,773	0.563	7,688,848
1.523	21,820,724	0.976	14,656,486	0.507	7,623,950
1.491	22,787,462	0.925	14,881,601	0.483	7,767,028
1.463	23,980,023	0.883	15,228,763	0.475	8,170,878

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

Taxpayer	2017			2008		
	Tax Capacity	Rank	Percentage of Total Tax Capacity	Tax Capacity	Rank	Percentage of Total Tax Capacity
MOA Mall Holdings LLC	\$ 16,799,250	1	0.91 %	\$ 11,999,250	1	0.74 %
Xcel Energy (NSP)	7,219,482	2	0.39			
Target Corporation	5,063,292	3	0.28			
BRI 1855 IDS Center LLC	5,032,650	4	0.27			
NWC Limited Partnership	4,811,850	5	0.26	4,147,250	4	0.26
Minneapolis 225 Holdings LLC	4,756,650	6	0.26	4,309,250	3	0.27
33 City Center Holding LLC	3,925,250	7	0.21			
US Bank N.A.	3,633,250	8	0.20			
Wells REIT	3,262,050	9	0.18	3,453,250	6	0.21
Hilton Hotels Corporation	2,923,250	10	0.16			
IDS MB Minneapolis 8th St LLC				4,679,250	2	0.29
Hines Interests Ltd Partnership				3,611,250	5	0.22
Best Buy Co Inc				3,064,310	7	0.19
Flanagan-AMEX				2,869,250	8	0.18
Ameriprise Financial Corp				2,785,250	9	0.17
KAN AM Grund Kapitalanlage				2,723,250	10	0.17
Total	\$ <u>57,426,974</u>		<u>3.12 %</u>	\$ <u>43,641,560</u>		<u>2.70 %</u>

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

Source: Hennepin County Property Information System.

Unaudited

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

Year	Taxes Levied ¹	Collected in the Year Levied		Subsequent Year Collections Net of Refunds ²	Total Collections to Date	
		Tax Collections Net of Refunds	Percentage of Levy		Tax Collections Net of Refunds ²	Percentage of Levy ²
2008	\$ 15,529,575	\$ 15,241,406	98.14 %	\$ 146,465	\$ 15,387,871	99.09 %
2009	7,000,000	6,889,690	98.42	190,829	7,080,519	101.15
2010	15,000,000	14,716,813	98.11	101,228	14,818,041	98.79
2011	18,000,000	17,728,170	98.49	87,701	17,815,871	98.98
2012	18,000,000	17,780,743	98.78	52,537	17,833,280	99.07
2013	21,000,000	20,763,750	98.88	126,326	20,890,076	99.48
2014	24,000,000	23,788,566	99.12	(18,858)	23,769,708	99.04
2015	27,000,000	26,814,866	99.31	33,139	26,848,005	99.44
2016	30,000,000	29,766,940	99.22	4,936	29,771,876	99.24
2017	33,000,000	32,718,321	99.15	(21,116)	32,697,205	99.08

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
2008	\$ 1,198,620,162	\$ 108,958,626,067	\$ 413,935,332	\$ 37,930,415,840
2009	1,161,337,991	104,631,351,200	439,141,541	36,953,274,630
2010	1,082,056,515	97,304,713,300	394,912,341	34,860,700,280
2011	1,025,993,612	90,736,199,171	371,615,754	32,064,749,581
2012	996,253,340	87,086,742,774	373,715,553	31,019,695,820
2013	993,329,908	87,321,591,088	374,174,247	31,706,298,572
2014	1,079,365,752	94,514,474,174	410,514,191	35,136,247,648
2015	1,147,830,415	104,113,040,700	454,641,259	40,296,679,900
2016	1,225,469,292	110,053,361,401	493,479,516	44,067,523,400
2017	1,304,690,419	116,882,680,100	533,535,674	47,947,932,200

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
\$	1,612,555,494	\$ 146,889,041,907	1.1 %	74.3 %	25.7 %
	1,600,479,532	141,584,625,830	1.1	72.6	27.4
	1,476,968,856	132,165,413,580	1.1	73.3	26.7
	1,397,609,366	122,800,948,752	1.1	73.4	26.6
	1,369,968,893	118,106,438,594	1.2	72.7	27.3
	1,367,504,155	119,027,889,660	1.1	72.6	27.4
	1,489,879,943	129,650,721,822	1.1	72.4	27.6
	1,602,471,674	144,409,720,600	1.1	71.6	28.4
	1,718,948,808	154,120,884,801	1.1	71.3	28.7
	1,838,226,093	164,830,612,300	1.1	71.0	29.0

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 ^{1,5}			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			
2008	\$ 43,895,000	\$ 408,488	\$ 43,486,512	0.03%	0.07%	\$ 38.11
2009	42,850,000	342,587	42,507,413	0.03%	0.07%	36.76
2010	41,865,000	469,222	41,395,778	0.03%	0.07%	35.92
2011	40,505,000	376,840	40,128,160	0.03%	0.06%	34.34
2012	39,110,000	352,002	38,757,998	0.03%	0.06%	32.72
2013	37,675,000	341,615	37,333,385	0.03%	0.05%	31.14
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%	28.12
2016	33,145,000	297,074	32,847,926	0.02%	0.04%	26.65
2017	31,535,000	4,592,454	26,942,546	0.02%	N/A ⁴	21.52

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

² See Table 5 for taxable estimated market value data.

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

⁴ Data not available at the time of publication.

⁵ Due to the implementation of GASB 65, deferred charges on refundings are not reported with outstanding debt in 2012 or later. Due to limited availability of data, deferred charges on refundings remain included with the applicable debt prior to 2012.

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Hennepin County Regional Railroad Authority
A Component Unit of Hennepin County, Minnesota
Direct and Overlapping General Obligation Debt
December 31, 2017

Governmental Unit	Debt ¹		Percent Applicable To HCRRRA ²	Amount Applicable to HCRRRA
	Total	Net		
Direct -				
Hennepin County Regional Railroad	\$ 31,535,000	\$ 26,942,546	100.00 %	\$ 26,942,546
Total Direct Debt	<u>31,535,000</u>	<u>26,942,546</u>		<u>26,942,546</u>
Overlapping:				
Hennepin County	925,550,000	1,021,810,859	100.00	1,021,810,859
Metropolitan Council ³	1,484,038,432	12,606,580	47.70	6,013,339
Metropolitan Airport Commission	1,540,288,500	-	-	-
Total Overlapping Debt	<u>3,949,876,932</u>	<u>1,034,417,439</u>		<u>1,027,824,198</u>
Total	\$ <u>3,981,411,932</u>	\$ <u>1,061,359,985</u>		\$ <u>1,054,766,744</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>
2008	\$ 2,937,780,838	\$ 560,343,193	\$ 2,377,437,645	19.07 %
2009	2,831,692,517	657,521,805	2,174,170,712	23.22
2010	3,964,962,407	751,148,403	3,213,814,004	18.94
2011	3,684,028,463	763,313,156	2,920,715,307	20.72
2012	3,543,193,158	710,177,297	2,833,015,861	20.04
2013	3,570,836,690	786,395,706	2,784,440,984	22.02
2014	3,889,521,655	827,572,993	3,061,948,662	21.28
2015	4,332,291,618	759,580,774	3,572,710,844	17.53
2016	4,623,626,544	941,107,894	3,682,518,650	20.35
2017	4,944,918,369	1,048,753,405	3,896,164,964	21.21

Computation of 2017 Legal Debt Margin

2017 market value of taxable property		<u>\$ 164,830,612,300</u>
Debt limit, 3% of taxable market value		\$ 4,944,918,369
Amount of levy supported debt	\$ 1,066,972,730	
Less amount available for debt service	<u>18,219,325</u>	<u>1,048,753,405</u>
Legal Debt Margin		<u>\$ 3,896,164,964</u>

¹ The debt limit was 2% of market value until 2010, when it became 3% of market value. See MN Statute 475.53.

Unaudited

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

Year	Debt Service Expenditures			Total Expenditures	Debt Service Expenditures to Total Expenditures
	Principal	Interest and Fiscal Charges	Total		
2008	\$ 1,005,000	\$ 2,118,831	\$ 3,123,831	\$ 15,446,838	20.22 %
2009	1,045,000	2,081,144	3,126,144	11,381,062	27.47
2010	1,825,000	1,385,991	3,210,991	15,679,691	20.48
2011	1,360,000	1,482,900	2,842,900	14,899,094	19.08
2012	1,395,000	1,455,700	2,850,700	22,025,605	12.94
2013	1,435,000	1,427,800	2,862,800	55,488,717	5.16
2014	1,470,000	1,399,100	2,869,100	33,890,024	8.47
2015	1,510,000	1,369,700	2,879,700	26,802,035	10.74
2016	1,550,000	1,339,500	2,889,500	27,427,611	10.54
2017	1,610,000	1,293,000	2,903,000	57,805,255	5.02

Unaudited

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

<u>Year</u>	<u>Population</u> ¹	<u>Per Capita Income</u> ²	<u>Total Income</u>	<u>Median Age</u> ³	<u>Persons 25 years and older who are high school graduates</u> ³	<u>K - 12 School Enrollment</u> ⁴	<u>Unemployment Rate</u> ²
2008	1,140,988	\$ 56,564	\$ 64,538,845,232	37.6	92.2 %	155,754	4.9 %
2009	1,156,212	54,008	62,444,697,696	35.9	92.1	156,320	7.5
2010	1,152,425	54,949	63,324,601,325	35.9	92.1	157,170	6.6
2011	1,168,431	57,476	67,156,740,156	35.9	92.1	158,431	6.1
2012	1,184,576	58,898	69,769,157,248	35.9	92.1	161,409	5.3
2013	1,198,778	60,601	72,647,145,578	36.0	92.2	162,827	4.7
2014	1,212,064	65,033	78,824,158,112	36.1	92.3	164,151	3.7
2015	1,223,149	65,231	79,787,232,419	36.1	92.7	166,106	3.3
2016	1,232,483	67,427.0	83,102,631,241	36.2	92.6	168,629	3.4
2017	1,252,024	N/A ⁵	N/A ⁵	N/A ⁵	92.8	170,683	3.2

Sources:

¹ Office of the State Demographer and U.S. Census Bureau

² U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Accounts Annual Average Personal Income

³ U.S. Census Bureau, U.S. Community Survey 3-Year Estimates

⁴ Fall registration for public schools - Minnesota State Department of Education

⁵ Information not available at time of publication.

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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
2008	660,319	4.9 %	1,837,000	5.2 %	2,933,000	5.4 %	154,287,000	5.8 %
2009	661,816	7.5	1,855,914	7.8	2,967,967	8.0	154,015,250	9.3
2010	663,880	6.6	1,860,461	6.9	2,963,402	7.3	153,889,000	9.7
2011	660,986	6.1	1,850,365	6.4	2,977,919	6.4	153,624,000	8.9
2012	660,668	5.3	1,857,894	5.1	2,969,366	5.7	154,974,583	8.0
2013	667,999	4.7	1,876,212	4.9	2,974,397	5.1	155,389,167	7.4
2014	672,114	3.7	1,917,301	3.9	2,974,102	4.1	155,921,833	6.2
2015	679,549	3.3	1,938,858	3.4	3,010,367	3.7	157,129,917	5.3
2016	679,285	3.4	1,938,642	3.6	3,001,131	3.9	159,106,500	4.9
2017	694,060	3.2	1,979,780	3.3	3,046,697	3.6	160,319,750	4.4

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

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

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

Industry	Hennepin County Industry Ranking									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Health care and social assistance	1	1	1	1	1	1	1	1	1	1
Professional and technical services	2	2	2	2	2	2	2	2	2	2
Government and government enterprises	3	3	3	3	3	3	3	3	3	3
Finance and insurance	6	5	4	4	4	4	4	4	4	4
Retail trade	4	4	5	5	5	5	5	5	5	5
Manufacturing	5	6	6	6	6	6	6	6	6	6
Administrative and waste services	7	7	8	7	7	7	7	7	7	7
Accommodation and food services	8	8	7	8	8	8	8	8	8	8
Wholesale trade	10	9	9	9	9	9	9	9	9	9
Other services, except public administration	9	11	10	10	11	10	10	10	10	10
Real estate	11	10	11	11	10	11	12	12	12	11
Management of companies and enterprises	13	12	12	12	12	12	11	11	11	12
Transportation and warehousing	14	14	13	13	13	13	14	13	13	13
Construction	12	13	14	14	14	14	13	14	14	14
Arts, entertainment, and recreation	15	15	15	15	16	15	15	15	15	15
Educational services	17	17	16	16	15	16	16	16	16	16
Information	16	16	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: 2017 information was not available at the time of publication.

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

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

<u>State of Minnesota Principal Employers</u>	2017 ²			2008 ¹		
	Employees (rounded to nearest 1,000)	Rank	Percentage of Total State Employment	Employees (rounded to nearest 1,000)	Rank	Percentage of Total County Employment
Mayo Foundation	42,000	1	1.40%			
State of Minnesota	41,000	2	1.37%			
United States Federal Government	32,000	3	1.07%			
Allina Health	28,000	4	0.93%			
University of Minnesota	26,000	5	0.87%	25,000	1	3.73%
Target Corporation	26,000	6	0.87%			
Fairview Health Services	24,000	7	0.80%	8,000	5	1.20%
HealthPartners	23,000	8	0.77%			
Wells Fargo Bank Minnesota	20,000	9	0.67%			
UnitedHealth Group, Inc.	17,000	10	0.57%			
Thayer/Hidden Creek				11,000	2	1.64%
Abbott Northwestern Hospital				10,000	3	1.49%
Hennepin County				8,000	4	1.20%
Ameriprise Financial				7,000	6	1.05%
Methodist Hospital				7,000	7	1.05%
Park Nicollet Health Systems				6,000	8	0.90%
United Parcel Service of America, Inc.						
Fairview Southdale Hospital				5,000	9	0.75%
North Memorial Medical				5,000	10	0.75%
Regions Hospital						
	279,000		9.30%	92,000		13.76%

¹ Source for 2008: ACINT.ORG and Hennepin County Office of Budget and Finance.

² 2017 Statewide information from Minnesota Department of Employment and Economic Development Top Employers Statewide. Data specific to Hennepin County is no longer available.

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