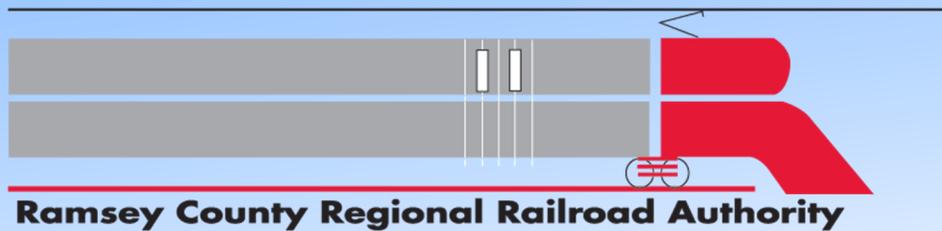


Ramsey County Regional Railroad Authority



Annual Financial Report Year ended December 31, 2012



ANNUAL FINANCIAL REPORT

OF THE

RAMSEY COUNTY
REGIONAL RAILROAD AUTHORITY

A Component Unit of Ramsey County, Minnesota

Year Ended December 31, 2012

Prepared by:
Finance Department
Ramsey County, Minnesota

RAMSEY COUNTY REGIONAL RAILROAD AUTHORITY

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INTRODUCTORY SECTION

**RAMSEY COUNTY REGIONAL RAILROAD AUTHORITY
ORGANIZATION**

December 31, 2012

Authority Members

Jim McDonough	Chair
Jan Parker	Vice Chair
Tony Bennett	Secretary
Toni Carter	Treasurer
Rafael Ortega	Member
Victoria Reinhardt	Member
Janice Rettman	Member

Tim Mayasich, Director-Regional Rail Authority

Support & Advisory Staff

John Choi	Ramsey County Attorney	County Attorney
Lee Mehrkens	Ramsey County Finance Department	Director, CFO
Johanna Berg	Ramsey County Information Services	Director



Union Depot, Suite 200, 214 4th Street E
St. Paul, Minnesota 55101 (651) 266-2760 / FAX (651) 266-2761

June 11, 2013

Ramsey County Regional Railroad Authority
15 West Kellogg Boulevard
St. Paul, Minnesota 55102

Dear Honorable Chair and Members:

The Annual Financial Report of the Ramsey County Regional Railroad Authority (RCRRA) is submitted for the fiscal year ended December 31, 2012. This report was prepared by the Ramsey County Finance Department. Responsibility for both the accuracy of the presented data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Authority.

We believe the data are accurate in all material aspects and set forth the financial position and results of operations of the Authority, as measured in the financial statements, and all disclosures necessary to enable maximum understanding of the financial affairs of the Authority. The schedule of expenditures of federal awards is included in this report on Schedule 3.

ORGANIZATION AND PURPOSE

The Ramsey County Regional Railroad Authority was organized by Resolution 87-230, April 20, 1987, by the Ramsey County Board of Commissioners pursuant to Minnesota Statutes 1986, Chapter 398, now Minn. Stat. Ch. 398A, as a “political subdivision of the State of Minnesota to exercise thereunder part of the sovereign power of the state.” The Authority is dedicated to a long-range vision of transit services to meet changing needs for today and for succeeding generations. The Authority is composed of the seven members of the Ramsey County Board of Commissioners with its registered office in St. Paul, County of Ramsey, Minnesota. Neither the State of Minnesota, nor the County of Ramsey, nor any other political subdivision is liable for obligations of the Authority.

SIGNIFICANT EVENTS FOR 2012

- Construction on the Union Depot Multimodal Transportation Hub was completed and on December 8, 2012, Union Depot reopened to the public after being closed for more than

40 years. Transit services began with more than 300-daily Metro Transit buses, as well as shuttle service from two casinos. The celebration was attended by more than 20,000 people who experienced a day of celebrations including historic reenactments, musical performances, local food, dancing and a showcase of Lowertown artists.

- The RCRRA board authorized contracts with artists to complete \$1.25 million in public art commissions for Union Depot, with \$1 million coming from the Federal Transit Administration. The artworks will be completed and installed in 2013.
- The Central Corridor Light Rail Transit project marked the completion of heavy construction and accepted delivery of the first light rail vehicles for the Green Line. All roads and sidewalks over 10 miles were completed, 10 miles of double track were installed and all 18 station structures are built. With over 84 percent of the construction complete overall at the end of 2012, the project is on schedule to open for service in mid-2014.
- RCRRA hired Jones Lang LaSalle (JLL) to conduct operational, activation and leasing activities at Union Depot. The firm is experienced in operating multimodal transportation hubs, with Grand Central Terminal and the Union Stations of Chicago and Washington, D.C., already in their portfolio.
- In April, RCRRA staff relocated from the West Publishing Building to newly constructed offices in Union Depot's head house.
- The Rush Line Corridor Commuter Coach demonstration service finished its second year of service. The service is now being run by Metropolitan Council and has become part of their regular fixed route system.
- RCRRA continued its involvement in a multi-jurisdictional effort to encourage livable communities. The effort recognizes that transit corridors can serve as the geographic basis for planning for affordable housing, economic development, environmental efforts, public health and work force development—in additional to multi-modal transportation—as means of supporting the development of “livable communities.” RCRRA received federal funding through HUD's Sustainable Communities Regional Planning Grant Program for this work.
- With RCRRA Board and Ramsey County Board authorization, RCRRA received \$20 million in bank loans for cash flow purposes while RCRRA awaited receipt of federal funds dedicated for rehabilitation of Union Depot.
- During 2012, RCRRA participated in the Counties Transit Improvement Board (CTIB), Red Rock Corridor Commission, Gateway Corridor Commission, Rush Line Corridor

Task Force, Central Corridor Partnership, Minnesota High-Speed Rail Association, the Northeast Corridor and the Robert Street Steering Committees.

BUDGETARY CONTROL

Budgetary control is maintained at the project level by encumbrance of estimated purchase and contract amounts prior to the release of purchase orders and contract payments to vendors.

Purchase orders or contracts, which result in an overrun of line item balances, are not released until additional appropriations are made available. Encumbrances are recorded as assigned fund balance at December 31, 2012.

INDEPENDENT AUDIT

Minnesota State Law requires an audit by the State Auditor of the books of account, financial records and transactions. This requirement has been complied with, and the Auditor's opinion has been included in this report. The State Auditor will issue a management and compliance letter covering the review made as part of Ramsey County's system of internal control and compliance with applicable legal provisions of the Ramsey County Regional Railroad Authority. The management and compliance letter will not modify or affect, in any way, this report on the financial statements.

ACKNOWLEDGMENTS

We thank the Ramsey County Regional Railroad Authority members for their interest and support in planning and conducting the financial activities of the Authority in a responsible manner.

We also appreciate the assistance and cooperation of the Ramsey County Public Works Department, Human Resources, Attorney's Office, County Manager's Office, Property Management Department, and the Finance Department throughout the year.

Sincerely,



Timothy A. Mayasich, Director
Regional Railroad Authority



Lee Mehrkens, Director, CFO
Ramsey County Finance Department

FINANCIAL SECTION



REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

OFFICE OF THE STATE AUDITOR

SUITE 500
525 PARK STREET
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)
(651) 296-4755 (Fax)
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1-800-627-3529 (Relay Service)

INDEPENDENT AUDITOR'S REPORT

Ramsey County Regional Railroad Authority
Ramsey County, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the remaining fund information of the Ramsey County Regional Railroad Authority, a component unit of Ramsey County, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Authority'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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 Authority's preparation and fair preparation 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 Authority'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, each major fund, and the remaining fund information of the Ramsey County Regional Railroad Authority as of December 31, 2012, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Ramsey County Regional Railroad Authority's 2011 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 25, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2011, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 11, 2013, on our consideration of the Ramsey County Regional Railroad Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



REBECCA OTTO
STATE AUDITOR



GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

June 11, 2013

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MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

The management of Ramsey County Regional Railroad Authority offers readers of its financial statements, this narrative overview and analysis of its financial activities for the fiscal year ended December 31, 2012. Readers are encouraged to consider this information in conjunction with additional information that has been furnished in the letter of transmittal and notes to the financial statements which can be found on pages 2-4 and 19-27 respectively, of this report.

Financial Highlights

- The assets of the Ramsey County Regional Railroad Authority exceeded its liabilities by \$194,490,475 in 2012 (net position).
- The total net position increased by \$41,787,917 from the prior year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Ramsey County Regional Railroad Authority's basic financial statements. The basic financial statements comprise three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements.

Government-wide financial statements – The government-wide financial statements are designed to provide readers with a broad overview of the Ramsey County Regional Railroad Authority's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of Ramsey County Regional Railroad Authority's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Rail Authority is improving or deteriorating.

The Statement of Activities presents information showing how the government's 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 only result in cash flows in future fiscal periods (e.g., uncollected taxes).

Governmental funds – 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. Such information may be useful in evaluating a government's near-term financing requirements.

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 government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support Ramsey County Regional Railroad Authority's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statement can be found on page 18 of this report.

Financial Analysis of Ramsey County Regional Railroad Authority

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Ramsey County Regional Railroad Authority, assets exceeded liabilities by \$194,490,475 in 2012, increasing net position by 27% over 2011.

By far, the largest portion of the Ramsey County Regional Railroad Authority's total assets is comprised of Capital Assets (85% in 2012 and 83% in 2011).

Net Position

	<u>2012</u>	<u>2011</u>
Current and Other Assets	\$32,941,388	\$29,193,921
Capital Assets	<u>191,730,967</u>	<u>142,908,185</u>
Total Assets	224,672,355	172,102,106
Current Liabilities	(10,132,955)	(19,126,992)
Non-current Liabilities	<u>(20,048,925)</u>	<u>(272,556)</u>
Total Liabilities	(30,181,880)	(19,399,548)
Net Position:		
Net Investment in Capital Assets	171,730,967	142,908,185
Unrestricted	<u>22,759,508</u>	<u>9,794,373</u>
Total Net Position	<u>\$194,490,475</u>	<u>\$152,702,558</u>

Governmental Activities

	<u>2012</u>	<u>2011</u>
Revenues:		
Program Revenues:		
Operating Grants and Contributions	\$ 90,626	\$ 64,434
Capital Grants and Contributions	43,722,480	53,889,689
General Revenues:		
Property Taxes	19,525,364	18,861,374
Grants & Contributions not Restricted to Specific Programs	7,411	702,149
Investment Earnings	4,412	8,886
Miscellaneous	<u>171,379</u>	<u>721,503</u>
Total Revenues	63,521,672	74,248,035
 Expenses:		
Transportation	<u>21,733,755</u>	<u>15,510,429</u>
Total Expenses	<u>21,733,755</u>	<u>15,510,429</u>
 Increase in Net Position	41,787,917	58,737,606
Net Position – Beginning	<u>152,702,558</u>	<u>93,964,952</u>
Net Position – Ending	<u>\$194,490,475</u>	<u>\$152,702,558</u>

Governmental activities increased the Ramsey County Regional Railroad Authority's net position by \$41,787,917. This increase is due to levy revenues and grant receipts used to support planning, design studies, capital acquisition, and construction. Construction began in 2011 to renovate Union Depot into a multi-modal transportation hub and final design on the Central Corridor projects continued in 2012.

Capital Assets

	<u>2012</u>	<u>2011</u>
Land	\$48,163,105	\$48,163,105
Construction in Progress	127,541,227	78,883,728
Building	15,963,454	15,843,799
Furniture, Fixtures, and Equipment	<u>63,181</u>	<u>17,553</u>
Capital Assets, Net	<u>\$191,730,967</u>	<u>\$142,908,185</u>

Additional information on the Rail Authority's capital assets can be found in note F.1 on page 20 of this report.

Long-Term Liabilities

The Ramsey County Regional Railroad Authority has booked a noncurrent liability of \$3,500 for estimated unpaid claims, \$20,000,000 for loan payable, and \$111,035 in compensated absences. Of these amounts, \$65,610 is due within one year.

Financial Analysis of the Government's Funds

As noted earlier, the Ramsey County Regional Railroad Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds – The focus of the Ramsey County Regional Railroad Authority's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Ramsey County Regional Railroad Authority's financing requirements. In particular, unrestricted fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of 2012, the Ramsey County Regional Railroad Authority's governmental funds reported an ending fund balance of \$14,261,446, an increase of \$4,801,862 in comparison with the prior year. Information on the assigned fund balance can be found on note F.3 on page 22.

Budget Variances - The actual revenues, on a budgetary basis, differ from the final budget because grant revenue is received on a cost reimbursement basis and receipts received in 2012 from projects budgeted in prior years are included.

The actual expenditures, on a budgetary basis, differed little from the final budget. The 2012 budget included appropriations for several long-term capital projects for which a significant amount of the expenditures were made in 2012.

Economic Factors Rates and Next Year's Budget

The Ramsey County Regional Railroad Authority approved a levy of \$19,938,811 for 2013 that will be used for the work on rail corridors and studies of other corridors. There is no change in approved levy between 2013 and 2012.

Request for Information

This financial report is designed to give a general overview of the Ramsey County Regional Railroad Authority's finances. Requests for additional information or questions concerning any information provided in this report should be addressed to Ramsey County Finance Department, Room 270 Courthouse, 15 West Kellogg Boulevard, St. Paul, MN 55102.

EXHIBIT A

RAMSEY COUNTY, MINNESOTA
RAMSEY COUNTY REGIONAL RAILROAD AUTHORITY
STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2012
WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2011

	2012	2011
ASSETS		
Current Assets:		
Cash and Investments	\$ 19,376,626	\$ 17,025,527
Petty Cash and Change	350	100
Taxes Receivable (Net)	311,764	352,544
Accounts Receivable (Net)	39,542	26,186
Due From Ramsey County	-	21,841
Due From Other Governments	13,213,106	11,767,723
Total Current Assets	32,941,388	29,193,921
Non-Current Assets:		
Capital Assets:		
Land	48,163,105	48,163,105
Construction in Progress	127,541,227	78,883,728
Buildings	16,837,188	16,360,360
Furniture, Fixtures, and Equipment	94,118	53,634
Less: Accumulated Depreciation	(904,671)	(552,642)
Total Non-Current Assets	191,730,967	142,908,185
Total Assets	224,672,355	172,102,106
LIABILITIES		
Current Liabilities:		
Salaries Payable	51,814	89,044
Sales Tax Payable	35	-
Accounts Payable	324,126	17,075
Contracts Payable	6,509,423	18,543,649
Due to Ramsey County	272,589	170,758
Interest Payable, Current	102,718	-
Due to Other Governments	2,806,640	268,480
Vacation and Compensatory Time Payable	65,610	37,986
Total Current Liabilities	10,132,955	19,126,992
Non-Current Liabilities:		
Claims and Judgments Payable, Long-Term	3,500	3,500
Loan Payable, Long-term	20,000,000	-
Compensated Absences Payable	45,425	269,056
Total Non-Current Liabilities	20,048,925	272,556
Total Liabilities	30,181,880	19,399,548
NET POSITION		
Net Investment in Capital Assets	171,730,967	142,908,185
Unrestricted	22,759,508	9,794,373
Total Net Position	\$ 194,490,475	\$ 152,702,558

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

EXHIBIT B

**RAMSEY COUNTY, MINNESOTA
RAMSEY COUNTY REGIONAL RAILROAD AUTHORITY
STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012
WITH COMPARATIVE AMOUNTS FOR YEAR ENDED DECEMBER 31, 2011**

	2012	2011
Expenses:		
Transportation:		
Materials and Services	21,379,330	\$ 15,181,181
Depreciation	354,425	329,248
Total Program Expenses	21,733,755	15,510,429
 Program Revenues:		
Operating Grants and Contributions	90,626	64,434
Capital Grants and Contributions	43,722,480	53,889,689
	43,813,106	53,954,123
Net Program Expenses (Revenues)	(22,079,351)	(38,443,694)
 General Revenues:		
Property Taxes	19,525,364	18,861,374
Grants Not Restricted to Specific Programs	7,411	702,149
Investment Earnings	4,412	8,886
Miscellaneous	171,379	721,503
Total General Revenues	19,708,566	20,293,912
Increase in Net Position	41,787,917	58,737,606
Net Position - Beginning	152,702,558	93,964,952
Net Position - Ending	\$ 194,490,475	\$ 152,702,558

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

**RAMSEY COUNTY, MINNESOTA
RAMSEY COUNTY REGIONAL RAILROAD AUTHORITY
BALANCE SHEET
DECEMBER 31, 2012
WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2011**

				TOTAL GOVERNMENTAL FUNDS	
	GENERAL	DEBT SERVICE	CAPITAL PROJECTS	2012	2011
ASSETS					
Assets:					
Cash and Short Term Investments	\$ 6,612,672	\$ 125,128	\$ 12,638,826	19,376,626	\$ 17,025,527
Petty Cash and Change	350	-	-	350	100
Receivables:					
Taxes	511,152	-	-	511,152	551,932
Accounts	11,357	-	39,746	51,103	31,744
Due From Ramsey County	-	-	-	-	21,841
Due From Other Governments	52	-	13,213,054	13,213,106	11,767,723
TOTAL ASSETS	7,135,583	125,128	25,891,626	33,152,337	29,398,867
LIABILITIES AND FUND BALANCE					
Liabilities:					
Salaries Payable	51,814	-	-	51,814	89,044
Sales Tax Payable	35	-	-	35	-
Accounts Payable	264,350	-	59,774	324,124	17,075
Contracts Payable	15,798	-	6,493,625	6,509,423	18,543,649
Due to Ramsey County	172,275	-	17,901	190,176	100,969
Due to Other Governments	7,745	-	2,798,895	2,806,640	268,480
Deferred Revenue	521,560	-	8,487,119	9,008,679	920,066
Total Liabilities	1,033,577	-	17,857,314	18,890,891	19,939,283
Fund Balance:					
Nonspendable	350	-	-	350	100
Restricted	-	125,128	-	125,128	-
Assigned	281,892	-	8,034,312	8,316,204	5,548,981
Unassigned	5,819,764	-	-	5,819,764	3,910,503
Total Fund Balance	6,102,006	125,128	8,034,312	14,261,446	9,459,584
TOTAL LIABILITIES AND FUND BALANCE	\$ 7,135,583	\$ 125,128	\$ 25,891,626		
Amounts reported for governmental activities in the statement of net assets are different because:					
Non-current assets used in governmental activities are not financial resources, and therefore, are not reported in the funds				191,730,967	142,908,185
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.				8,797,731	7,15,119
Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds				(20,299,669)	(380,330)
Total Net Position in Statement of Net Position				<u>\$ 194,490,475</u>	<u>\$ 152,702,558</u>

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

RAMSEY COUNTY, MINNESOTA
RAMSEY COUNTY REGIONAL RAILROAD AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2012
WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2011

	GENERAL	DEBT SERVICE	CAPITAL PROJECTS	2012	2011
Revenues:					
Taxes:					
General Property Taxes	\$ 3,447,653	-	\$ 16,118,492	\$ 19,566,145	\$ 18,955,868
Intergovernmental:					
Grants:					
Federal	164,666	-	35,198,026	35,362,692	44,277,964
State	7,411	-	153,139	160,550	9,969,680
Local	75,543	-	93,614	169,157	702,149
Investment Income	4,412	-	-	4,412	8,886
Rental Income	84,348	-	-	84,348	663,898
Miscellaneous	78,019	-	7,737	85,756	53,290
Total Revenues	<u>3,862,052</u>	<u>-</u>	<u>51,571,008</u>	<u>55,433,060</u>	<u>74,631,735</u>
Expenditures:					
Current					
Transportation					
Administration					
Personal Services	615,235	-	-	615,235	638,270
Services and Charges	564,698	-	-	564,698	804,852
Supplies	3,478	-	-	3,478	4,308
Capital Outlay	504,015	-	-	504,015	341,345
Total Administration	1,687,426	-	-	1,687,426	1,788,775
Red Rock Corridor					
Services and Charges	21,594	-	447,125	468,719	1,156,431
Union Depot					
Services and Charges	762,732	-	555,769	1,318,501	899,156
Capital Outlay	55,618	-	55,209,488	55,265,106	74,887,563
Northeast Corridor Operations					
Services and Charges	85,422	-	-	85,422	51,688
Rush Line Corridor					
Services and Charges	124,958	-	-	124,958	14,844
Central Corridor - Preliminary Engineering					
Services and Charges	159,321	-	6,379	165,700	11,620,200
Capital Outlay	-	-	11,193,838	11,193,838	-
Gateway Corridor (formerly I-94)					
Services and Charges	154,296	-	-	154,296	41,637
Jobs Central					
Services and Charges	88,859	-	-	88,859	-
Robert Street Corridor					
Services and Charges	2,847	-	-	2,847	-
High Speed Rail Commission					
Services and Charges	26,993	-	-	26,993	-
Debt Service:					
Interest	-	48,533	-	48,533	-
Total Expenditures	<u>3,170,066</u>	<u>48,533</u>	<u>67,412,599</u>	<u>70,631,198</u>	<u>90,460,294</u>
Excess (Deficiency) of Revenues Over Expenditures	691,986	(48,533)	(15,841,591)	(15,198,138)	(15,828,559)
Other Financing Sources (Uses):					
Proceeds from Notes	-	-	20,000,000	20,000,000	-
Transfers In and (Out)	(273,430)	173,661	99,769	-	-
Net Change in Fund Balance	418,556	125,128	4,258,178	4,801,862	(15,828,559)
Fund Balance at Beginning of Year	5,683,450	-	3,776,134	9,459,584	25,288,143
Fund Balance at End of Year	<u>\$ 6,102,006</u>	<u>\$ 125,128</u>	<u>\$ 8,034,312</u>	<u>\$ 14,261,446</u>	<u>\$ 9,459,584</u>

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

EXHIBIT E

**RAMSEY COUNTY, MINNESOTA
RAMSEY COUNTY REGIONAL RAILROAD AUTHORITY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>2012</u>	<u>2011</u>
Net change in fund balance - Exhibit D	\$ 4,801,862	\$ (15,828,559)
Amounts reported in the Statement of Activities (Exhibit B) are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	48,833,872	74,842,819
In the statement of activities, only the loss on the sale of capital is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the capital assets sold.	(11,089)	-
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	74,658	107,788
The issuance of long-term debt (e.g. contract for deed provides current financial resources to governmental funds while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.	(20,000,000)	-
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	<u>8,088,614</u>	<u>(384,442)</u>
Change in Net Position in Statement of Activities	<u>\$ 41,787,917</u>	<u>\$ 58,737,606</u>

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

EXHIBIT F

RAMSEY COUNTY, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
DECEMBER 31, 2012
WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2011

	Agency Fund	
	2012	2011
ASSETS		
Cash and Cash Equivalents	\$ 80,736	\$ 67,123
Total Assets	<u>\$ 80,736</u>	<u>\$ 67,123</u>
LIABILITIES		
Accounts payable	\$ 6,868	\$ 4,440
Custodial Payable	73,868	62,683
Total Liabilities	<u>\$ 80,736</u>	<u>\$ 67,123</u>

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

RAMSEY COUNTY REGIONAL RAILROAD AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Authority conform to generally accepted accounting principles for governmental units. Following is a summary of the more significant policies:

A. FINANCIAL REPORTING ENTITY

In conformity with the principles set forth in Governmental Accounting Standards Board pronouncements, the Ramsey County Regional Railroad Authority is considered a component unit of Ramsey County. The Ramsey County Regional Railroad Authority was organized by Resolution 87-230, April 20, 1987, by the Board of Ramsey County Commissioners pursuant to Minn. Stat. Ch. 398A, as a "political subdivision of the State of Minnesota to exercise thereunder part of the sovereign power of the state." The Authority is dedicated to a long range vision of transit services to meet changing needs for today and for succeeding generations. The Authority is composed of the seven members of the Ramsey County Board of Commissioners with its registered office in St. Paul, County of Ramsey, Minnesota. A joint powers agreement was signed between Ramsey County and the Ramsey County Regional Railroad Authority to provide administrative services to the Authority on September 14, 1987.

B. GOVERNMENT-WIDE AND FUND 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 Authority. For the most part, the effect of the interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Certain indirect costs have been

included as part of the program expenses reported for the various functional activities. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

C. BASIS OF PRESENTATION - FUND ACCOUNTING

The accounts of the Authority are organized on the basis of Funds. The General Fund is accounted for with a set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. It is used to account for operations of the Authority. The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of the Authority and is considered a major fund. The Capital Projects Fund is used to account for the capital projects of the Rail Authority. The agency fund is used to account for the fiscal agent activity of the Minnesota High Speed Rail Commission.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

D. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The Statement of Net Position and the Statement of Activities are reported using the economic resources measurement focus and 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.

RAMSEY COUNTY REGIONAL RAILROAD AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

E. PRIOR YEAR COMPARATIVE DATA

The basic financial statements include partial prior year comparative information. Such information does not include all of the information required to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Authority's financial statements for the year ended December 31, 2011, from which such partial information was derived.

F. ASSETS AND EQUITY ACCOUNTS

1) Assets

Deposits and Investments:

Authority cash balances are managed and invested by Ramsey County pursuant to the investment policy. Earnings from these investments are allocated monthly to the

Authority based on average daily balances during the month.

Minn. Stat. §118A.04 and §118A.05 authorize Ramsey County to deposit its cash and to invest in certificates of deposit in financial institutions designated by the County Board. Minnesota Statutes require that all County deposits be covered by insurance, surety bond, or collateral. The County invests available cash in various securities in accordance with requirements set forth in Minnesota Statutes. All investments are stated at fair value.

Taxes Receivable:

Property taxes are levied by the County as of January 1 on property values assessed as of the same date. The tax is divided into two billings: the first billing (due from property owners on May 15th) and the second billing (due on October 15th or November 15th). Taxes, which remain unpaid by property owners at December 31, are considered delinquent.

Capital Assets:

Capital assets, which include property and equipment, are reported on the Statement of Net Position. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year, as well as certain exceptions that are considered to be high risk to theft. Such assets are recorded at historical cost or estimated cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. The Authority does not depreciate land. Machinery and equipment have useful lives of three years and buildings have useful lives of 10-50 years all are depreciated using the straight-line method.

RAMSEY COUNTY REGIONAL RAILROAD AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

A summary of changes in capital assets follows:

	2012 Beginning Balance	Increase	Decrease	2012 Ending Balance
Capital Assets, Not Being Depreciated:				
Land	48,163,105			48,163,105
Construction In Progress	<u>78,883,728</u>	48,657,499		<u>127,541,227</u>
Total Capital Assets Not Being Depreciated	<u>127,046,833</u>	48,657,499		<u>175,704,332</u>
Capital Assets, Being Depreciated:				
Building	16,360,360	476,828		16,837,188
Equipment	53,634	53,968	(13,484)	94,118
Accumulated Depreciation	<u>(552,642)</u>	<u>(354,425)</u>	2,396	<u>(904,671)</u>
Total Capital Assets Being Depreciated	<u>15,861,352</u>	176,371	(11,088)	<u>16,026,635</u>
Total Capital Assets, Net	<u>142,908,185</u>	48,833,870	(11,088)	<u>191,730,967</u>

	2011 Beginning Balance	Increase	Decrease	2011 Ending Balance
Capital Assets, Not Being Depreciated:				
Land	48,163,105			48,163,105
Construction In Progress	<u>4,000,735</u>	74,882,993		<u>78,883,728</u>
Total Capital Assets Not Being Depreciated	<u>52,163,840</u>	74,882,993		<u>127,046,833</u>
Capital Assets, Being Depreciated:				
Building	16,085,360	275,000		16,360,360
Equipment	66,126	14,074	(26,566)	53,634
Accumulated Depreciation	<u>(249,959)</u>	<u>(329,249)</u>	26,566	<u>(552,642)</u>
Total Capital Assets Being Depreciated	<u>15,901,527</u>	(40,175)		<u>15,861,352</u>
Total Capital Assets, Net	<u>68,065,367</u>	74,842,818		<u>142,908,185</u>

Depreciation expense is summarized below:

	<u>2012</u>	<u>2011</u>
Depreciation Expense	\$354,425	\$329,249

Construction Commitments

The RCRRRA has an active construction project as of December 31, 2012. The project involves renovating the Union Depot

train station into a multi-modal transit hub. At year-end, RCRRRA's commitments with its Construction Manager at Risk are as follows:

<u>Project</u>	Union Depot Renovation
Spent-to-date	\$136,123,705
Remaining Commitment	<u>12,630,211</u>
Total	<u>\$148,753,916</u>

The commitment of the Union Depot project is funded by \$40 million in federal High Speed Rail funds, \$35 million in Transportation Investment Generating Economic Recovery (TIGER) funds and \$10 million of Minnesota State bond funding.

Interfund Transfer

\$99,769 was transferred from the General Fund to the Capital Project Fund for office furniture and fixtures for the staff of the Regional Railroad who were relocated to office space in the Union Depot. \$173,661 was transferred from the General Fund to the Debt Service Fund for the initial payments on two, \$10,000,000 loans.

2) Liabilities

Vacation and Sick Leave:

Under the County's personnel policies and union contracts, employees are granted vacation and sick leave in varying amounts based on length of service. County employees are also granted compensatory time. Unused accumulated vacation, compensatory time, and vested sick leave are paid to employees upon termination. Unvested sick leave is available to employees in the event of illness-related absences and is not paid to employees upon termination. Each permanent employee earns up to 25 days vacation and 15 days of sick leave per year.

RAMSEY COUNTY REGIONAL RAILROAD AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

Long-Term Obligations

The following is a list of changes in long-term obligations for the year ending December 31, 2012:

Long-Term Debt Schedule:

	2012			2012
	Beginning		Decrease	Ending
	<u>Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u>
Payable January 1				
Claims Payable	\$3,500		-	\$3,500
Loans Payable	-	20,000,000	-	20,000,000
Comp. Absences	307,042	63,055	259,062	111,035
	310,542	20,063,055	259,062	20,114,535
Due within one year				\$65,610

	2011			2011
	Beginning		Decrease	Ending
	<u>Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u>
Payable January 1S				
Claims Payable	\$3,500	-	-	3,500
Loans Payable	-	-	-	-
Comp. Absences	426,825	29,604	149,387	307,042
	\$430,325	29,604	149,387	\$310,542
Due within one year				\$63,260

LOANS PAYABLE

On April 19, 2012, the RCRRA closed on a \$10,000,000 Limited Tax Obligation Note (Union Depot Project), Series 2012A through U.S. Bank. The loan term is five years, callable at par after three years, with interest only payments beginning August 1, 2012 and principal and interest payments beginning August 1, 2014. The final payment is scheduled to be made February 1, 2017. The loan carries an interest rate of 1.68%. Loan proceeds will be used to provide partial financing of construction costs to transform the Union Depot into a multi-modal transit hub.

On November 19, 2012, the RCRRA closed on a \$10,000,000 Limited Tax Obligation Note (Union Depot Project), Series 2012B through U.S. Bank. The loan term is five years, callable at par after three years, with interest only payments beginning February 1, 2013 and principal and interest payments

beginning August 1, 2014. The final payment is scheduled to be made February 1, 2017. The loan carries an interest rate of 1.91%. Loan proceeds will be used to provide partial financing of construction costs to transform the Union Depot into a multi-modal transit hub.

Loans Repayment Schedule

Year	Principal	Interest
2013	-	\$ 303,292
2014	\$ 3,260,000	361,653
2015	6,610,000	273,088
2016	6,720,000	153,202
2017	3,410,000	30,966
	<u>\$20,000,000</u>	<u>\$1,122,201</u>

3) Equity

In the fund financial statements, the fund balance accounts are segregated:

Fund Balance

Unassigned Fund Balance consists of funds that are available for any purpose.

Assigned Fund Balance consists of internally imposed constraints established by the Board and/or management that reflect the specific purpose for which it is Regional Rail's intended use. Examples include encumbrances, budget carryovers for a specific item or purpose and an appropriation of existing fund balance for a specific use. The 2012 Assigned Fund Balances indicates the portion of fund balance set aside for planned future projects. The assigned fund balance consists of:

RAMSEY COUNTY REGIONAL RAILROAD AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

	2012 General Fund	2012 Capital Project Fund
Union Depot	\$281,892	\$8,034,312
	-	-
	<u>\$281,892</u>	<u>\$8,034,312</u>

	2011 General Fund	2011 Capital Project Fund
Central Corridor	\$ 19,961	\$ -
Union Depot	1,449,014	3,776,134
High Speed Rail	14,819	-
Rush Line Corridor	<u>289,053</u>	-
	<u>\$1,772,847</u>	<u>\$3,776,134</u>

Nonspendable Fund Balance consists of fund balance that is not in a spendable form, such as: inventory, long-term amounts of loans and notes receivable, property held for resale, and petty cash reserves. The 2012 Nonspendable Fund Balance consisted of \$350 of petty cash reserves.

G. REVENUES AND EXPENDITURES

1) Revenues

In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, revenues for nonexchange transaction are recognized based on the principal characteristics of the revenue. Exchange transactions are recognized as revenue when the exchange occurs. The modified accrual basis of accounting is used by all governmental fund types. Under this basis, revenue is not recognized in the financial statements unless it is available to finance current expenditures.

Imposed Nonexchange Transactions

Imposed nonexchange transactions result from assessments by governments on non-governmental entities and individuals. Property taxes are imposed nonexchange transactions. Revenues from property taxes are recognized in the period for which the taxes were levied, to the extent they are

collected in the current period or soon enough thereafter to be used to pay liabilities of the current period. Property taxes receivable but not available are reported as deferred revenue and will be recognized as revenue in the fiscal year that they become available.

Intergovernmental

Government-mandated nonexchange transactions occur when a government at one level provides resources to a government at another level and requires that government to use them for a specific purpose. The provider government establishes purpose restrictions and also may establish time requirements. Federal and state grants mandating the County perform particular programs are government-mandated nonexchange transactions. Revenues are recognized when eligibility and time requirements are met, usually when the corresponding expenditure is incurred.

Voluntary nonexchange transactions result from legislative or contractual agreements, such as grants, entitlements, appropriations, and donations. The provider may establish purpose restrictions or eligibility requirements. Revenues are recognized in the year to which they apply according to the statute or contract.

Exchange Transactions

Other revenues, such as investment income and miscellaneous are recognized as revenue when earned.

2) Expenditures

Expenditure recognition for governmental fund types on the fund level financial statements includes only current liabilities. Since noncurrent liabilities do not affect net current assets, they are not recognized as governmental fund expenditures or fund liabilities.

**RAMSEY COUNTY REGIONAL RAILROAD AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012**

2) RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A) Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$20,299,669 difference are as follows:

Due Ramsey County for contribution to OPEB liability	\$ 82,416
Claims and judgments payable	3,500
Loans Payable	20,000,000
Interest Payable	102,718
Compensated Absences Payable, Vacation, & Comp Time Payable	<u>111,035</u>
Net Adjustment to Reduce Fund Balance –	
Total Governmental Activities to Arrive at Net Position – Governmental Activities	<u>\$20,299,669</u>

B) Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as

reported in the government-wide statement of activities. One element of that reconciliation explains, “Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$48,833,871 difference are as follows:

Capital Outlay	\$49,188,296
Depreciation Expense	<u>(354,425)</u>
Net Adjustment to Increase Changes in Fund Balances –	
Total Governmental Funds to Arrive at Changes in Net position of Governmental Activities	<u>\$48,833,871</u>

Finally, the reconciliation states, “Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.” The details of this \$74,658 difference are as follows:

Compensated Absences	\$ 196,007
Due Ramsey County for contribution to OPEB liability	(12,628)
Accrued Interest Payable	(102,718)
Bad debt expense	<u>(6,003)</u>
Net Adjustment to Decrease Net Changes in Fund Balances –	
Total Governmental Funds to Arrive at Changes in Net Position of Governmental Activities	<u>\$ 74,658</u>

RAMSEY COUNTY REGIONAL RAILROAD AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

3) DUE TO OTHER COUNTY FUNDS

	<u>2012</u>	<u>2011</u>
Due to Ramsey County:		
General Fund	\$150,148	\$97,282
Comm Human Serv Fund	87	-
Information Services Fund	12,783	3,447
Property Mang't Fund	26,673	-
Retirees Insurance Fund	82,416	69,788
Telecommunications Fund	<u>482</u>	<u>241</u>
	<u>\$272,589</u>	<u>\$170,758</u>

4) DEFERRED REVENUE

In the fund statement, deferred revenue consists of taxes receivable that are not collected soon enough after year-end to pay liabilities of the current year and aging accounts receivable.

	<u>2012</u>	<u>2011</u>
Receivable Accounts	\$ 10,408	\$ 9,133
Due from Other		
Governments	8,487,119	359,001
Taxes	<u>511,152</u>	<u>551,932</u>
Total	<u>\$9,008,679</u>	<u>\$920,066</u>

5) ENCUMBRANCES

Encumbrance accounting, under which purchase orders, contracts, capital reserves, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriations, is employed as an extension of formal budgetary integration in the General Fund. Encumbrances outstanding at year-end are reported as assignments of Fund Balance and provide authority for the carry-over of appropriations to the subsequent year in order to complete these transactions.

6) RISK MANAGEMENT

The Authority is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Authority carries commercial insurance policies for certain risks and is self-insured for all others. There were no

significant reductions in insurance from the previous year or settlements in excess of insurance coverage for any of the past three fiscal years. The Authority retains risks for the deductible portions of the insurance policies. The amount of these deductions is immaterial to the financial statements. Insurance is provided for the Authority's operations for Auto and General Tort. The Authority currently reports all of its Risk Management activities in its General Fund. Claims, expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported.

At December 31, 2012, the amount of these liabilities was \$3,500. This liability is the Authority's best estimate based on available information.

	Beginning Of Fiscal Year <u>Liability</u>	Current Year Claims and Changes in <u>Estimates</u>	Claim Payments	Balance at Fiscal <u>Year-End</u>
2012	\$3,500	\$ -	\$ -	\$3,500
2011	\$3,500	\$ -	\$ -	\$3,500

Since the Authority is a component unit of Ramsey County, Ramsey County's Comprehensive Annual Financial Report includes additional information on self-insurance liabilities and expenditures.

7) JOINT VENTURES

Rush Line Corridor Task Force:

Ramsey County Regional Rail Authority entered into a joint powers agreement pursuant to the provision of Minnesota Statute Sect. 471.59 and 398A.04, Subd. 9, with Chisago County Regional Railroad Authority and Washington County Regional Railroad Authority. The purpose of the agreement is to analyze the feasibility and environmental impacts of integrated transportation improvements along the Rush Line Corridor, including highway improvements, commuter, light and freight rail, recreational trails, ITS, safety, and related land use issues.

RAMSEY COUNTY REGIONAL RAILROAD AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
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Red Rock Corridor:

Ramsey County Regional Railroad Authority entered into a joint powers agreement pursuant to the provision of Minnesota Statute Sect. 471.59 and 398A.04, Subd. 9, with other local municipalities. The purpose of the agreement is to analyze the feasibility and environmental impacts of integrated transportation improvements along the Red Rock Corridor, including highway improvements, commuter and freight rail, recreational trails, ITS, safety, and related land use issues.

County Transportation Improvement Board (CTIB):

CTIB was created on April 1, 2008, as required by Minn. Statute Section 297A.992, by joint powers agreement between the counties of Anoka, Dakota, Hennepin, Ramsey, and Washington. Its purpose is to receive and distribute the new ¼ cent transit sales tax for the development, construction and operation of transit ways serving the five-county area. Hennepin County is the fiscal agent. Financial statements are available from Hennepin County, Department of Finance, 300 South Sixth Street, A-2301 Government Center, Minneapolis, Minnesota 55487.

Minnesota High Speed Rail Commission:

On April 28, 2009, the RCRRA adopted the Minnesota High Speed Rail Joint Powers Agreement. The Minnesota High Speed Rail Corridor begins at the Union Depot and travels southeast along the Canadian Pacific Railway track to La Crescent prior to entering Wisconsin and continuing on to Chicago. The Commission brings together the regional railroad authorities and cities to cooperatively advocate for and analyze the feasibility, environmental impacts, engineering, construction, and operation of an integrated rail transportation system in the corridor. On July 2, 2009, the Commission approved the appointment of the RCRRA as its fiscal agent.

Gateway (formerly I-94) Corridor:

On March 17, 2009, the RCRRA entered into a joint powers agreement pursuant to the provision of Minnesota Statute Sect. 471.59 and 398A.04, Subd. 9, with Washington County Regional Railroad Authority. The purpose of this agreement is to analyze the feasibility, environmental impacts, engineering, and construction of multi-modal transportation improvements in the I-94 Corridor including light rail transit, bus rapid transit, commuter rail, multi-use trails, and Intelligent Transportation Systems (ITS) along with the associated land use and development impacts.

8) PENSION PLANS

A. DEFINED BENEFIT PLANS

Plan Description:

All full-time and certain part-time employees of RCRRA are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund, which is cost-sharing, multiple-employer retirement plan. The plan is established and administered in accordance with Minn. Stat. chs. 353 and 356.

General Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security, and Basic Plan members are not. All new members must participate in the Coordinated Plan.

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefits are established by state statute and vest after three years of credited service (five years for those first eligible for membership after June 30, 2010). Defined retirement benefits are based on a member's average yearly salary for the five highest-paid consecutive years of allowable service, age, and years of credit at termination of service.

RAMSEY COUNTY REGIONAL RAILROAD AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
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Two methods are used to compute benefits for Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each year thereafter. For a Coordinated Plan member, the annuity accrual rate is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each successive year. Using Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service.

For General Employees Retirement Fund members whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 65 for members hired prior to July 1, 1989, and is the age for unreduced Social Security benefits capped at age 66 for coordinated Plan members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not yet receiving them are bound by the provisions in effect at the time they last terminated public service.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for the General Employees Retirement Fund. That report may be obtained on the internet at www.mnpera.org; by writing to PERA at 60 Empire Drive, Suite 200, Saint Paul, Minnesota 55103-2088; or by calling 651-296-7460 or 1-800-652-9026.

Funding Policy:

Pension benefits are funded from member and employer contributions and income from the

investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the State Legislature. The RCRRA makes annual contributions to the pension plans equal to the amount required by state statutes. General Employees Retirement Fund Basic Plan members and Coordinated Plan members are required to contribute 9.10 and 6.25 percent, respectively, of their annual covered salary.

The RCRRA is required to contribute the following percentages of annual covered payroll in 2012:

General Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	7.25 %

The RCRRA's contributions for the years ending December 31, 2012, 2011 and 2010 for the Public Employees Retirement Fund were \$45,570, \$51,670 and \$47,468, respectively.

These contributions are equal to the contractually required contribution rates for each year as set by state statute.

9) OTHER POST EMPLOYMENT BENEFITS

Ramsey County provides post employment health care benefits to eligible retirees as described in the Note G of the Ramsey County Comprehensive Annual Financial Report. An actuarial study was performed as of January 1, 2011 to determine the County's annual required contribution. The Retiree Insurance Internal Service fund was created to accumulate funds to pay health insurance premiums for retirees. The RCRRA's 2012 contribution to the fund was \$0. Their share of the unfunded net OPEB liability in the internal service fund for the years ending December 31, 2012 and 2011 were \$82,416 and \$69,788 respectively. The OPEB liability is reported in the Due to Ramsey County liability account.

**REQUIRED
SUPPLEMENTARY INFORMATION**

SCHEDULE 1

**RAMSEY COUNTY REGIONAL RAILROAD AUTHORITY
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE
BUDGETARY COMPARISONS (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2012**

	BUDGET		ACTUAL ON A BUDGETARY BASIS	VARIANCE FINAL BUDGET OVER/(UNDER)
	ORIGINAL	FINAL		
Revenues:				
Taxes:				
General Property Taxes	\$ 3,381,568	\$ 3,381,568	\$ 3,447,653	\$ 66,085
Intergovernmental:				
Grants:				
Federal	-	137,700	164,666	26,966
State	-	-	7,411	7,411
Local	400	400	75,543	75,143
Interest on Investments	25,000	25,000	4,412	(20,588)
Rental Income	95,600	95,600	84,348	(11,252)
Miscellaneous	-	-	78,019	78,019
Total Revenues	<u>3,502,568</u>	<u>3,640,268</u>	<u>3,862,052</u>	<u>221,784</u>
Expenditures:				
Transportation:				
Administration				
Personal Services	699,983	939,891	615,235	(324,656)
Other Services and Charges	908,636	478,461	590,607	112,146
Supplies	7,300	3,635	3,477	(158)
Capital Outlay	-	476,828	535,859	59,031
Total Administration	<u>1,615,919</u>	<u>1,898,815</u>	<u>1,745,178</u>	<u>(153,637)</u>
Union Depot	280,600	813,257	818,700	5,443
Diagonal Property - Roseville	5,000	428	-	(428)
Northeast Corridor	77,249	55,465	85,422	29,957
Riverview Corridor	-	-	-	-
Rush Line Corridor Project Grant	302,600	8,504	124,960	116,456
Central Corridor Project Grant	68,500	159,320	159,320	-
Red Rock Corridor Operation	39,900	21,594	21,594	-
Robert Street Corridor	227,900	2,847	2,847	-
Gateway (formerly I-94 East Corridor)	549,600	279,296	279,296	-
High Speed Rail	301,600	26,993	26,993	-
Jobs Central	33,700	-	88,859	88,859
Total Expenditures	<u>3,502,568</u>	<u>3,266,519</u>	<u>3,353,169</u>	<u>86,650</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>373,749</u>	<u>508,883</u>	<u>135,134</u>
Other Financing Sources (Uses)				
Operating Transfers In (Out)	-	(173,661)	(273,430)	(99,769)
Net Change in Fund Balance	<u>-</u>	<u>200,088</u>	<u>235,453</u>	<u>35,365</u>
Adjustment	183,103	183,103	183,103	-
Fund Balance at Beginning of Year	<u>5,683,450</u>	<u>5,683,450</u>	<u>5,683,450</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 5,866,553</u>	<u>\$ 6,066,641</u>	<u>\$ 6,102,006</u>	<u>\$ 35,365</u>

The notes to the required supplementary information are an integral part of this schedule.

**RAMSEY COUNTY REGIONAL RAILROAD AUTHORITY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2012**

**BUDGET AND BUDGETARY
ACCOUNTING**

Results of operations included in the Statement of Revenues, Expenditures, and Changes in Fund Balance-Budgetary Comparisons (Schedule 1), are presented on a Non-GAAP budgetary basis. The difference between GAAP and Non-GAAP bases of accounting is that the “actual on a budgetary basis” column in Schedule 1 includes non-revenue receipts, non-expense disbursements and reserve for encumbrances from the current year’s appropriation. The “actual on a budgetary basis” column does not include expenditures from prior years’ reserve for encumbrances.

Adjustments necessary to convert “actual on a budgetary basis” reported in Schedule 1 to the GAAP basis is:

Actual Expenditures:

	<u>2012</u>
Budgetary Basis-Schedule 1	\$3,353,169
Adjustments	<u>(183,103)</u>
Expenditures GAAP Basis – Exhibit D	\$3,170,066

OTHER
SUPPLEMENTARY INFORMATION

RAMSEY COUNTY REGIONAL RAILROAD AUTHORITY
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE
BUDGETARY COMPARISONS (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2012

	BUDGET		ACTUAL ON A BUDGETARY BASIS	VARIANCE FINAL BUDGET OVER/(UNDER)
	ORIGINAL	FINAL		
Revenues:				
Taxes:				
General Property Taxes	\$ -	\$ -	\$ -	\$ -
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:				
Interest	-	173,661	48,533	(125,128)
Total Expenditures	<u>-</u>	<u>173,661</u>	<u>48,533</u>	<u>(125,128)</u>
Excess (Deficiency) of Revenues Over Expenditures	-	(173,661)	(48,533)	125,128
Other Financing Sources (Uses):				
Transfers In and (Out)	-	173,661	173,661	-
Net Change in Fund Balance	-	-	125,128	125,128
Fund Balance at Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 125,128</u>	<u>\$ 125,128</u>

The notes to the required supplementary information are an integral part of this schedule.

**RAMSEY COUNTY, MINNESOTA
AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Balance January 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31, 2012</u>
ASSETS				
Cash and Cash Equivalents	\$ 67,123	\$ 50,000	\$ 36,387	\$ 80,736
Total Assets	<u>67,123</u>	<u>50,000</u>	<u>36,387</u>	<u>80,736</u>
LIABILITIES				
Accounts Payable	4,440	38,815	36,387	6,868
Custodial Payable	<u>62,683</u>	<u>50,000</u>	<u>38,815</u>	<u>73,868</u>
Total Liabilities	<u>\$ 67,123</u>	<u>\$ 88,815</u>	<u>\$ 75,202</u>	<u>\$ 80,736</u>

**RAMSEY COUNTY REGIONAL RAILROAD AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

Federal Grantor Pass Through Agency Grant Program Title	Federal CFDA Number	Expenditures	Passed Through to Subrecipients
Department of Housing & Urban Development			
Passed Through Metropolitan Council			
Sustainable Communities Regional Planning Grant Program	14.703	164,666	-
Department of Transportation			
Passed Through Minnesota Department of Transportation:			
Highway Planning and Construction	20.205	13,156,703	-
Surface Transportation - Discretionary Grants for Capital Investment - ARRA	20.932	3,931,231	-
Federal Railroad Administration - HSIPR	20.319	17,417,534	-
Passed Through Metropolitan Council			
Alternatives Analysis	20.522	692,558	-
Total Department of Transportation		<u>\$ 35,362,692</u>	<u>\$ -</u>

RAMSEY COUNTY REGIONAL RAILROAD AUTHORITY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2012

1) REPORTING ENTITY

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by Ramsey County Regional Railroad Authority. The Ramsey County Regional Railroad Authority's reporting entity is defined in Note 1 to the financial statements.

2) BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Ramsey County Regional Railroad Authority under programs of the federal government for the year ended December 31, 2012. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Ramsey County Regional Railroad Authority, it is not intended to and does not present the financial position or changes in net position of the Authority.

3) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through grant numbers were not assigned by the pass-through agencies.

4) SUBRECIPIENTS

No federal awards were passed through to subrecipients.