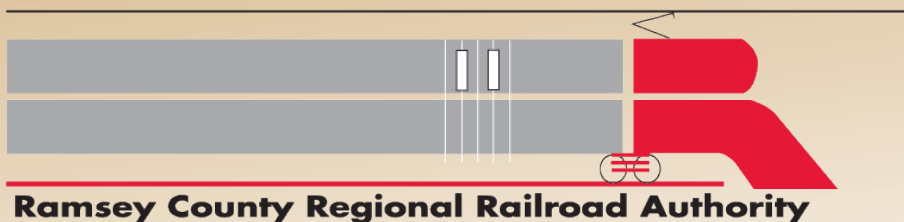


Ramsey County Regional Railroad Authority



Annual Financial Report Year ended December 31, 2011



ANNUAL FINANCIAL REPORT

OF THE

RAMSEY COUNTY
REGIONAL RAILROAD AUTHORITY

A Component Unit of Ramsey County, Minnesota

Year Ended December 31, 2011

Prepared by:
Office of Budgeting & Accounting
County Manager's Department
Ramsey County, Minnesota

RAMSEY COUNTY REGIONAL RAILROAD AUTHORITY

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Introductory Section

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**RAMSEY COUNTY REGIONAL RAILROAD AUTHORITY
ORGANIZATION**

December 31, 2011

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 Office of Budgeting & Accounting	Director
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

May 25, 2012

Honorable Chair & Members
Ramsey County Regional Railroad Authority
15 West Kellogg Boulevard
St. Paul, Minnesota 55102

The Annual Financial Report of the Ramsey County Regional Railroad Authority (RCRRA) is submitted for the fiscal year ended December 31, 2011. This report was prepared by the Ramsey County Office of Budgeting & Accounting. 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 2.

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 2011

- The Central Corridor Light Rail Transit project entered its second year of heavy construction, with civil, track and station work underway up and down the alignment. At the end of 2011, construction was approximately 45 percent complete.
- In March, the Minnesota Department of Transportation’s passenger rail forum selected Union Depot project to receive \$9,767,500 from a \$26 million pool to promote intercity passenger rail transportation. The funds were used to pay a portion of the costs of renovating Union Depot.

- Ground was broken in January 2011 on the Union Depot multimodal transportation hub project, which will provide Ramsey County's and the region's residents and businesses access to light rail, high speed rail, Amtrak, commuter rail, intra- and intercity buses, bicycle and pedestrian facilities at a single location. By the end of the year, the project was 50 percent complete and on schedule to be complete by the end of 2012.
- While construction is in progress, a Phase II economic analysis and development potential study was completed to evaluate market demand for prospective tenants and analyze revenue potential. The study culminated with solicitations for property management of the Union Depot property as well as an operator of a bicycle center within Union Depot.
- In December, the RCRRA Board approved the purchase of Suites 200 and 300 within Union Depot and previously held by a private owner. The new space will be remodeled to serve as office space for the RCRRA staff.
- The RCRRA Board authorized continuation of the Rush Line Corridor commuter coach demonstration service for a second year. A favorable bid by the winning vendor made a second year of service possible at no additional cost to RCRRA. The service, Route 285, includes four inbound trips in the morning and four outbound trips in the afternoon. The service features stops at park-and-rides in Columbus, Forest Lake and White Bear Township along with serving all stops along the route in downtown St. Paul, including Union Depot. The first year of service was funded by Anoka, Chisago, Washington and Ramsey Counties with matching federal funds made available through the Metropolitan Council.
- RCRRA is involved 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 addition to multi-modal transportation—as a means of supporting the development of “livable communities.” In 2011, the RCRRA received \$18,000 from the McKnight Foundation to fund a consultant to help encourage job growth in the Central Corridor.
- With RCRRA Board and Ramsey County Board authorization, a temporary loan of \$7 million was funded by Ramsey County's General Fund for cashflow purposes while RCRRA awaited the receipt of state bond funds dedicated for rehabilitation of Union Depot. The RCRRA repaid the loan, with interest, 69 days later.
- During 2011, 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, On Board Midwest, Northeast Diagonal Policy Advisory Committee, the Northeast Corridor and the Robert Street Steering Committees.

NOTES TO THE FINANCIAL STATEMENTS

The Notes to the Financial Statements, presented with the financial statements section, are an integral part of this Annual Financial Report and should be read for a fuller understanding of the statements and information presented in this report.

ACCOUNTING SYSTEMS AND BUDGETARY CONTROL

The Authority uses the Ramsey County accounting system, as provided by a Joint Powers Agreement entered into by the Ramsey County Regional Railroad Authority and Ramsey County.

INTERNAL CONTROL

In developing and evaluating the County's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute assurance, regarding: (1) safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of the control should not exceed the benefits to be derived; and (2) the evaluation of the costs and benefits requires estimates and judgments by management.

We believe that the County's internal accounting controls adequately safeguard assets and provide reasonable assurance and proper recording of financial transactions.

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 assignments of Fund Balance at December 31, 2011.

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 Office of Budgeting & Accounting throughout the year.

Sincerely,



Timothy A. Mayasich, Director
Regional Railroad Authority



Lee Mehrkens, Finance Director
Office of Budgeting and Accounting

Financial Section

Tab



REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

OFFICE OF THE STATE AUDITOR

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(651) 296-4755 (Fax)
state.auditor@state.mn.us (E-Mail)
1-800-627-3529 (Relay Service)

INDEPENDENT AUDITOR'S REPORT

Ramsey County Regional Railroad Authority
Ramsey County, Minnesota

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, 2011, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Authority's 2010 financial statements and, in our report dated May 25, 2011, we expressed unqualified opinions on the respective financial statements of the governmental activities, each major fund, and the remaining fund information.

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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1.F.3. to the financial statements, in 2011, the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.



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 GASB, 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. In accordance with auditing standards generally accepted in the United States of America, we have applied certain limited procedures to the required supplementary information, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Ramsey County Regional Railroad Authority's basic financial statements taken as a whole. The introductory section and the other supplementary information 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 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. This 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 25, 2012, on our consideration of 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* and should be considered in assessing the results of our audit.


REBECCA OTTO
STATE AUDITOR


GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

May 25, 2012

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, 2011. 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 17-25 respectively, of this report.

Financial Highlights

- The assets of the Ramsey County Regional Railroad Authority exceeded its liabilities by \$152,908,354 in 2011 (net assets).
- The total net assets increased by \$58,943,402 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 Assets presents information on all of Ramsey County Regional Railroad Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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 16 of this report.

Financial Analysis of Ramsey County Regional Railroad Authority

Government-wide Financial Analysis

As noted earlier, net assets 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 \$152,908,354 in 2011, increasing net assets by 63% over 2010.

By far, the largest portion of the Ramsey County Regional Railroad Authority's total assets is comprised of Capital Assets (83% in 2011 and 68% in 2010).

Net Assets

	<u>2011</u>	<u>2010</u>
Current and Other Assets	\$29,193,921	\$31,576,250
Capital Assets	<u>142,908,185</u>	<u>68,065,367</u>
Total Assets	172,102,106	99,641,617
Current Liabilities	(19,152,266)	(5,569,247)
Non-current Liabilities	<u>(41,486)</u>	<u>(107,418)</u>
Total Liabilities	(19,193,752)	(5,676,665)
Net Assets:		
Invested in Capital Assets	142,908,185	68,065,367
Unrestricted	<u>10,000,169</u>	<u>25,899,585</u>
Total Net Assets	<u>\$152,908,354</u>	<u>\$93,964,952</u>

Governmental Activities

	<u>2011</u>	<u>2010</u>
Revenues:		
Program Revenues:		
Operating Grants and Contributions	\$ 64,434	\$ 440,723
Capital Grants and Contributions	53,889,689	14,497,833
General Revenues:		
Property Taxes	18,861,374	19,029,770
Grants & Contributions not Restricted to Specific Programs	702,149	716,087
Investment Earnings	8,886	26,609
Miscellaneous	<u>721,503</u>	<u>94,751</u>
Total Revenues	74,248,035	34,805,773
 Expenses:		
Transportation	<u>14,975,385</u>	<u>19,589,692</u>
Total Expenses	<u>14,975,385</u>	<u>19,589,692</u>
 Increase in Net Assets	58,943,402	15,216,081
Net Assets – Beginning of the Year	<u>93,964,952</u>	<u>78,748,871</u>
Net Assets – End of the Year	<u>\$152,908,354</u>	<u>\$93,964,952</u>

Governmental activities increased the Ramsey County Regional Railroad Authority's net assets by \$58,943,402. 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 2011.

Capital Assets

	<u>2011</u>	<u>2010</u>
Land	\$48,163,105	\$48,163,105
Construction in Progress	78,883,728	4,000,735
Building	15,843,799	15,892,135
Furniture, Fixtures, and Equipment	<u>17,553</u>	<u>9,392</u>
Capital Assets, Net	<u>\$142,908,185</u>	<u>\$68,065,367</u>

Additional information on the Rail Authority's capital assets can be found in note 1F on page 18 of this report.

Long-Term Liabilities

The Ramsey County Regional Railroad Authority has booked a noncurrent liability of \$3,500 for estimated unpaid claims and \$101,246 in compensated absences. Of these amounts, \$63,260 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 2011, the Ramsey County Regional Railroad Authority's governmental funds reported an ending fund balance of \$9,459,584, a decrease of \$15,828,559 in comparison with the prior year. Information on the assigned fund balance can be found on note 1F on page 20.

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 2011 from projects budgeted in prior years are included.

The actual expenditures, on a budgetary basis, differ from the final budget because the 2011 budget included appropriations for several long-term capital projects for which all or a significant amount of the expenditures will be made in future years.

Economic Factors Rates and Next Year's Budget

The Ramsey County Regional Railroad Authority approved a levy of \$19,938,811 for 2012 that will be used for the work on rail corridors and the acquisition, restoration and/or refurbishment of a downtown Saint Paul multi-modal transportation Hub. There is no change in approved levy between 2012 and 2011.

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 Budgeting & Accounting Office, Room 270 Courthouse, 15 West Kellogg Boulevard, St. Paul, MN 55102.

EXHIBIT A

RAMSEY COUNTY, MINNESOTA
RAMSEY COUNTY REGIONAL RAILROAD AUTHORITY
STATEMENT OF NET ASSETS - GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2011
WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2010

	2011	2010
ASSETS		
Current Assets:		
Cash and Investments	\$ 17,025,527	\$ 30,142,562
Petty Cash and Change	100	100
Taxes Receivable (Net)	352,544	447,038
Accounts Receivable (Net)	26,186	-
Due From Ramsey County	21,841	-
Due From Other Governments	11,767,723	986,550
Total Current Assets	29,193,921	31,576,250
Non-Current Assets:		
Capital Assets:		
Land	48,163,105	48,163,105
Construction in Progress	78,883,728	4,000,735
Buildings	16,360,360	16,085,360
Furniture, Fixtures, and Equipment	53,634	66,126
Less: Accumulated Depreciation	(552,642)	(249,959)
Total Non-Current Assets	142,908,185	68,065,367
Total Assets	172,102,106	99,641,617
LIABILITIES		
Current Liabilities:		
Salaries Payable	89,044	46,635
Accounts Payable	17,075	13,695
Contracts Payable	18,543,649	4,501,936
Due to Ramsey County	170,758	97,282
Due to Other Governments	268,480	529,000
Vacation and Compensatory Time Payable	37,986	46,126
Total Current Liabilities	19,126,992	5,234,674
Non-Current Liabilities:		
Claims and Judgments Payable, Long-Term	3,500	3,500
Compensated Absences Payable	269,056	380,699
Due to Ramsey County, Long-Term	-	57,792
Total Non-Current Liabilities	272,556	441,991
Total Liabilities	19,399,548	5,676,665
NET ASSETS		
Invested in Capital Assets	142,908,185	68,065,367
Unrestricted	9,794,373	25,899,585
Total Net Assets	\$ 152,702,558	\$ 93,964,952

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, 2011
WITH COMPARATIVE AMOUNTS FOR YEAR ENDED DECEMBER 31, 2010**

	<u>2011</u>	<u>2010</u>
Expenses:		
Transportation:		
Materials and Services	\$ 15,181,181	\$ 19,453,344
Depreciation	329,248	136,348
Total Program Expenses	<u>15,510,429</u>	<u>19,589,692</u>
Program Revenues:		
Operating Grants and Contributions	64,434	440,723
Capital Grants and Contributions	<u>53,889,689</u>	<u>14,497,833</u>
	<u>53,954,123</u>	<u>14,938,556</u>
 Net Program Expenses (Revenues)	 <u>(38,443,694)</u>	 <u>4,651,136</u>
General Revenues:		
Property Taxes	18,861,374	19,029,770
Grants Not Restricted to Specific Programs	702,149	716,087
Investment Earnings	8,886	26,609
Miscellaneous	<u>721,503</u>	<u>94,751</u>
Total General Revenues	<u>20,293,912</u>	<u>19,867,217</u>
 Increase in Net Assets	 58,737,606	 15,216,081
 Total Net Assets - Beginning	 <u>93,964,952</u>	 <u>78,748,871</u>
 Total Net Assets - Ending	 <u>\$ 152,702,558</u>	 <u>\$ 93,964,952</u>

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, 2011
WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2010

			<u>TOTAL</u> <u>GOVERNMENTAL FUNDS</u>	
			<u>2011</u>	<u>2010</u>
	<u>GENERAL</u>	<u>CAPITAL</u> <u>PROJECTS</u>		
ASSETS				
Assets:				
Cash and Short Term Investments	\$ 6,438,782	\$ 10,586,745	\$ 17,025,527	\$ 30,142,562
Petty Cash and Change	100	-	100	100
Receivables:				
Taxes	551,932	-	551,932	646,427
Accounts	11,798	19,946	31,744	4,816
Due From Ramsey County	-	21,841	21,841	-
Due From Other Governments	-	11,767,723	11,767,723	986,550
TOTAL ASSETS	<u>7,002,612</u>	<u>22,396,255</u>	<u>29,398,867</u>	<u>31,780,455</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Salaries Payable	89,044	-	89,044	46,635
Accounts Payable	5,111	11,964	17,075	13,695
Contracts Payable	322,803	18,220,846	18,543,649	4,501,935
Due to Ramsey County	72,659	28,310	100,969	97,282
Due to Other Governments	268,480	-	268,480	529,000
Deferred Revenue	561,065	359,001	920,066	1,303,765
Total Liabilities	<u>1,319,162</u>	<u>18,620,121</u>	<u>19,939,283</u>	<u>6,492,312</u>
Fund Balance:				
Nonspendable	100	-	100	100
Assigned	1,772,847	3,776,134	5,548,981	8,469,850
Unassigned	3,910,503	-	3,910,503	16,818,193
Total Fund Balance	<u>5,683,450</u>	<u>3,776,134</u>	<u>9,459,584</u>	<u>25,288,143</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 7,002,612</u>	<u>\$ 22,396,255</u>		

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	142,908,185	68,065,367
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	715,119	1,099,560
Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds	(380,330)	(488,118)
Total Net assets in Statement of Net Assets	<u>\$ 152,702,558</u>	<u>\$ 93,964,952</u>

**RAMSEY COUNTY, MINNESOTA
RAMSEY COUNTY REGIONAL RAILROAD AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2011
WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2010**

	<u>GENERAL</u>	<u>CAPITAL PROJECTS</u>	<u>2011</u>	<u>2010</u>
Revenues:				
Taxes:				
General Property Taxes	\$ 2,536,761	\$ 16,419,107	\$ 18,955,868	\$ 18,982,683
Intergovernmental:				
Grants:				
Federal	-	44,277,964	44,277,964	13,852,489
State	18,000	9,951,680	9,969,680	433,545
Shared Revenues	702,149	-	702,149	716,087
Investment Income	8,886	-	8,886	26,609
Rental Income	663,898	-	663,898	93,496
Miscellaneous	53,290	-	53,290	780
Total Revenues	<u>3,982,984</u>	<u>70,648,751</u>	<u>74,631,735</u>	<u>34,105,689</u>
Expenditures:				
Current				
Transportation				
Administration				
Personal Services	638,270	-	638,270	542,163
Services and Charges	804,852	-	804,852	207,540
Supplies	4,308	-	4,308	5,416
Capital Outlay	341,345	-	341,345	652,363
Total Administration	<u>1,788,775</u>	<u>-</u>	<u>1,788,775</u>	<u>1,407,482</u>
Red Rock Corridor				
Services and Charges	38,379	1,118,052	1,156,431	758,255
Union Depot				
Services and Charges	615,254	283,902	899,156	5,733,098
Capital Outlay	-	74,887,563	74,887,563	4,000,735
Northeast Corridor Operations				
Services and Charges	51,688	-	51,688	50,806
Rush Line Corridor				
Services and Charges	14,844	-	14,844	13,451
Central Corridor - Preliminary Engineering				
Services and Charges	3,139	11,617,061	11,620,200	10,892,702
I-94 Corridor				
Services and Charges	41,637	-	41,637	510,611
Debt Service - Principal Retirement	-	-	-	13,952,942
Total Expenditures	<u>2,553,716</u>	<u>87,906,578</u>	<u>90,460,294</u>	<u>37,320,082</u>
Excess (Deficiency) of Revenues Over Expenditures	1,429,268	(17,257,827)	(15,828,559)	(3,214,393)
Other Financing Sources (Uses):				
Transfers In and (Out)	(16,818,193)	16,818,193	-	-
Net Change in Fund Balance	<u>(15,388,925)</u>	<u>(439,634)</u>	<u>(15,828,559)</u>	<u>(3,214,393)</u>
Fund Balance at Beginning of Year	<u>21,072,375</u>	<u>4,215,768</u>	<u>25,288,143</u>	<u>28,502,536</u>
Fund Balance at End of Year	<u>\$ 5,683,450</u>	<u>\$ 3,776,134</u>	<u>\$ 9,459,584</u>	<u>\$ 25,288,143</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, 2011
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2010**

	2011	2010
Net change in fund balance - Exhibit D	\$ (15,828,559)	\$ (3,214,393)
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.	74,842,819	4,136,410
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.	107,788	(96,204)
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.	-	13,690,658
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(384,442)	699,610
Change in Net Assets in Statement of Activities	\$ 58,737,606	\$ 15,216,081

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

EXHIBIT F

RAMSEY COUNTY, MINNESOTA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
DECEMBER 31, 2011
WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2010

	Agency Fund	
	2011	2010
ASSETS		
Cash and Cash Equivalents	\$ 67,123	\$ 65,275
Total Assets	<u>\$ 67,123</u>	<u>\$ 65,275</u>
LIABILITIES		
Accounts payable	\$ 4,440	\$ 839
Custodial Payable	62,683	64,436
Total Liabilities	<u>\$ 67,123</u>	<u>\$ 65,275</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, 2011

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 assets 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 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 Assets 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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual

RAMSEY COUNTY REGIONAL RAILROAD AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011

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, 2010, 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 Assets. 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.

A summary of changes in capital assets follows:

RAMSEY COUNTY REGIONAL RAILROAD AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011

	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>	<u>(40,175)</u>		<u>15,861,352</u>
Total Capital Assets, Net	<u>68,065,367</u>	<u>74,842,818</u>		<u>142,908,185</u>

	2010 Beginning Balance	Increase	Decrease	2010 Ending Balance
Capital Assets, Not Being Depreciated:				
Land	13,160,210	35,002,895		48,163,105
Construction In Progress	<u> </u>	4,000,735		<u>4,000,735</u>
Total Capital Assets Not Being Depreciated	<u>13,160,210</u>	<u>39,003,630</u>		<u>52,163,840</u>
Capital Assets, Being Depreciated:				
Building	5,547,243	10,538,117		16,085,360
Equipment	56,973	9,420	(267)	66,126
Accumulated Depreciation	<u>(113,878)</u>	<u>(136,348)</u>	267	<u>(249,959)</u>
Total Capital Assets Being Depreciated	<u>5,490,338</u>	<u>10,411,189</u>		<u>15,901,527</u>
Total Capital Assets, Net	<u>18,650,548</u>	<u>49,414,819</u>		<u>68,065,367</u>

Depreciation expense is summarized below:

	<u>2011</u>	<u>2010</u>
Depreciation Expense	\$329,249	\$136,348

Construction Commitments

The RCRRA has an active construction project as of December 31, 2011. The project involves renovating the Union Depot train station into a multi-modal transit hub.

At year-end, RCRRA's commitments with its Construction Manager at Risk are as follows:

<u>Project</u>	Union Depot Renovation
Spent-to-date	\$ 75,868,334
Remaining Commitment	<u>72,885,582</u>
Total	\$ 148,753,916

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

\$16,818,193 was transferred from the General Fund to the Capital Project Fund for Union Depot construction costs.

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.

Long-Term Obligations

The following is a list of changes in long-term obligations for the year ending December 31, 2011:

RAMSEY COUNTY REGIONAL RAILROAD AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
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planned future projects. The assigned fund balance consists of:

Compensated Absences Payable:

	2011 Beginning Balance	Increase	Decrease	2011 Ending Balance
Payable January 1	\$426,825	64,506	390,085	\$101,246
Due within one year				\$63,260

	2010 Beginning Balance	Increase	Decrease	2010 Ending Balance
Payable January 1	\$388,414	78,351	39,940	\$426,825
Due within one year				\$380,699

Due to Ramsey County:

	2011	2010
Payable, December 31	\$ -	`\$57,792

	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>-</u>
	<u>\$1,772,847</u>	<u>\$3,776,134</u>

	2010 General Fund	2010 Capital Project Fund
Central Corridor	\$ 68,923	\$ -
Union Depot	1,811,714	4,215,768
Northeast Corridor	1,834,506	-
High Speed Rail	24,654	-
Rush Line Corridor	<u>514,285</u>	<u>-</u>
	<u>\$4,254,082</u>	<u>\$4,215,768</u>

3) Equity

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

Fund Balance

In 2011, RCRRA implemented Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The 2010 fund balance amounts presented have been restated to reflect the impact of Statement No. 54.

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 2011 Assigned Fund Balances indicates the portion of fund balance set aside for

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 2011 Nonspendable Fund Balance consisted of \$100 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.

**RAMSEY COUNTY REGIONAL RAILROAD AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
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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.

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 Assets

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. 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 \$174,534 difference are as follows:

Due Ramsey County for contribution to OPEB liability	\$ 69,788
Claims and judgments payable	3,500
Compensated Absences Payable, Vacation, & Comp Time Payable	<u>101,246</u>
Net Adjustment to Reduce Fund Balance –	
Total Governmental Activities to Arrive at Net Assets – Governmental Activities	<u>\$ 174,534</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

RAMSEY COUNTY REGIONAL RAILROAD AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
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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 assets 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

Capital Outlay	\$75,172,067
Depreciation Expense	<u>(329,248)</u>
Net Adjustment to Increase Changes in Fund Balances –	
Total Governmental Funds to Arrive at Changes in Net Assets of Governmental Activities	<u>\$74,842,819</u>

assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$74,842,819 difference are as follows:

Compensated Absences	\$ 325,579
Due Ramsey County for contribution to OPEB liability	<u>(11,995)</u>
Net Adjustment to Decrease Net Changes in Fund Balances –	
Total Governmental Funds to Arrive at Changes in Net Assets of Governmental Activities	<u>\$ 313,584</u>

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.

3) DUE TO OTHER COUNTY FUNDS

	<u>2011</u>	<u>2010</u>
Due to Ramsey County:		
General Fund	\$97,282	\$92,712
Information Services Fund	3,447	4,088
Retirees Insurance Fund	69,788	-
Telecommunications Fund	<u>241</u>	<u>482</u>
	<u>\$170,758</u>	<u>\$97,282</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>2011</u>	<u>2010</u>
Receivable Accounts	\$ 9,133	\$ 4,816
Due from Other Governments	359,001	652,522
Taxes	<u>551,932</u>	<u>646,427</u>
Total	<u>\$920,066</u>	<u>\$1,303,765</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

**RAMSEY COUNTY REGIONAL RAILROAD AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
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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, 2011, the amount of these liabilities was \$3,500. This liability is the County'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 <u>Payments</u>	Balance at Fiscal Year-End <u>Year-End</u>
2011	\$3,500	\$ -	\$ -	\$3,500
2010	\$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.

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 RCRRRA 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

RAMSEY COUNTY REGIONAL RAILROAD AUTHORITY
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approved the appointment of the RCRRA as its fiscal agent.

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 a 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 the Coordinated Plan. Coordinated Plan members are covered by Social Security. All members must participate in the Coordinated Plan and benefits vest after three years of credited service (five years for those first eligible for membership after June 30, 2010).

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. 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.

Two methods are used to compute benefits for Coordinated Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). All employees of RCRRA participate under Method 1. Under Method 1, the annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each successive year.

For General Employees Retirement Fund members hired prior to July 1, 1989, whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is either 65 or 66 (depending on date hired) for General Employees Retirement Fund members. 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

RAMSEY COUNTY REGIONAL RAILROAD AUTHORITY
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makes annual contributions to the pension plans equal to the amount required by state statutes. General Employees Retirement Fund Coordinated Plan members are required to contribute 6.25 percent of their annual covered salary.

The RCRRA is required to contribute 7.25 percent of annual covered payroll for Coordinated Plan members in 2011.

The RCRRA's contributions for the years ending December 31, 2011, 2010 and 2009 for the Public Employees Retirement Fund were \$51,670, \$47,468 and \$38,303, respectively.

These contribution amounts are equal to the contractually required contributions 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 2011 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, 2011 and 2010 were \$69,788 and \$57,792, respectively. The OPEB liability is reported in the Due to Ramsey County liability account.

10) SUBSEQUENT EVENT

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.

Required Supplementary Information Tab

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, 2011

	BUDGET		ACTUAL ON A BUDGETARY BASIS	VARIANCE FINAL BUDGET OVER/(UNDER)
	ORIGINAL	FINAL		
Revenues:				
Taxes:				
General Property Taxes	\$ 2,717,089	\$ 2,717,089	\$ 2,536,761	\$ (180,328)
Intergovernmental:				
Grants:				
Federal	-	247,000	-	(247,000)
State	400	90,400	18,000	(72,400)
Shared Revenue	-	-	702,149	702,149
Interest on Investments	175,000	175,000	8,886	(166,114)
Rental Income	49,645	198,811	663,898	465,087
Miscellaneous	-	-	53,290	53,290
Total Revenues	<u>2,942,134</u>	<u>3,428,300</u>	<u>3,982,984</u>	<u>554,684</u>
Expenditures:				
Transportation:				
Administration				
Personal Services	645,430	1,070,430	1,045,291	(25,139)
Other Services and Charges	1,218,423	613,423	491,470	(121,953)
Supplies	7,500	7,500	4,248	(3,252)
Capital Outlay	32,500	307,500	307,500	-
Total Administration	<u>1,903,853</u>	<u>1,998,853</u>	<u>1,848,509</u>	<u>(150,344)</u>
Union Depot	286,600	585,766	563,060	(22,706)
Diagonal Property - Roseville	5,000	5,000	333	(4,667)
Northeast Corridor	82,581	82,581	51,688	(30,893)
Riverview Corridor	15,000	15,000	54	(14,946)
Rush Line Corridor Project Grant	57,000	57,000	14,844	(42,156)
Central Corridor Project Grant	188,100	23,100	3,139	(19,961)
Red Rock Corridor Operation	41,000	41,000	38,379	(2,621)
Robert Street Corridor	56,000	156,000	150,708	(5,292)
I-94 East Corridor	251,000	418,000	131,637	(286,363)
High Speed Rail	56,000	46,000	31,180	(14,820)
Total Expenditures	<u>2,942,134</u>	<u>3,428,300</u>	<u>2,833,531</u>	<u>(594,769)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>1,149,453</u>	<u>1,149,453</u>
Other Financing Sources (Uses)				
Operating Transfers In (Out)	-	(16,818,193)	(16,818,193)	-
Net Change in Fund Balance	<u>-</u>	<u>(16,818,193)</u>	<u>(15,668,740)</u>	<u>1,149,453</u>
Adjustment	279,815	279,815	279,815	-
Fund Balance at Beginning of Year	<u>21,072,375</u>	<u>21,072,375</u>	<u>21,072,375</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 21,352,190</u>	<u>\$ 4,533,997</u>	<u>\$ 5,683,450</u>	<u>\$ 1,149,453</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, 2011**

**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>2011</u>
Budgetary Basis-Schedule 1	\$2,833,531
Adjustments	<u>(279,815)</u>
Expenditures GAAP Basis – Exhibit D	\$2,553,716

Other Supplementary Information Tab

**RAMSEY COUNTY, MINNESOTA
AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Balance January 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31, 2011</u>
ASSETS				
Cash and Cash Equivalents	\$ 65,275	\$ 50,044	\$ 48,196	\$ 67,123
Total Assets	<u>65,275</u>	<u>50,044</u>	<u>48,196</u>	<u>67,123</u>
LIABILITIES				
Accounts Payable	839	51,797	48,196	4,440
Custodial Payable	<u>64,436</u>	<u>50,044</u>	<u>51,797</u>	<u>62,683</u>
Total Liabilities	<u>\$ 65,275</u>	<u>\$ 101,841</u>	<u>\$ 99,993</u>	<u>\$ 67,123</u>

**RAMSEY COUNTY REGIONAL RAILROAD AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

Federal Grantor Pass Through Agency Grant Program Title	Federal CFDA Number	Expenditures	Passed Through to Subrecipients
Department of Transportation			
Passed Through Minnesota Department of Transportation:			
Highway Planning and Construction	20.205	17,096,394	-
Surface Transportation - Discretionary Grants for Capital Investment - ARRA	20.932	26,429,514	-
Passed Through Metropolitan Council			
Alternatives Analysis	20.522	752,056	-
Total Department of Transportation		<u>\$ 44,277,964</u>	<u>\$ -</u>

RAMSEY COUNTY REGIONAL RAILROAD AUTHORITY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2011

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, 2011. 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 assets 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.