

# 2010 Comprehensive Annual Financial Report

Year Ended December 31, 2010



Public Works

Public Safety

Health

Libraries

Human Services

General Government

Capital Improvements

*Working for you*



**Hennepin County**  
Minnesota

Hennepin County, Minnesota  
Financial Highlights

		2010	2009	Percent Change
Government-wide:	Assets	\$ 2,626,549,460	\$ 2,397,807,181	9.5%
	Liabilities	\$ 1,516,795,509	\$ 1,342,941,063	12.9%
	Net Assets	\$ 1,109,753,951	\$ 1,054,866,118	5.2%
Government-wide:	Program Expenses	\$ 1,388,663,643	\$ 1,342,513,440	3.4%
	Program Revenues	703,256,660	699,527,785	0.5%
	Net Program Expense	(685,406,983)	(642,985,655)	
	General Revenues	740,294,816	734,978,855	0.7%
	Change in Net Assets	<u>\$ 54,887,833</u>	<u>\$ 91,993,200</u>	
	Expense Per Capita	\$ 1,204.99	\$ 1,161.13	3.8%

Funds Available for Investment at December 31:				
General Investible Funds	\$ 798,251,680	\$ 684,277,747		16.7%
Bond Proceeds/Non-General Investible Funds	165,132,681	61,635,841		167.9%
Total Investible Funds	<u>\$ 963,384,361</u>	<u>\$ 745,913,588</u>		29.2%
Annual Daily Average of General Investible Funds	\$ 912,312,556	\$ 798,052,014		14.3%
Average Investment Return for All Funds *	1.02%	1.90%		-46.5%
Average Investment Yield for All Funds	1.76%	2.40%		-26.5%

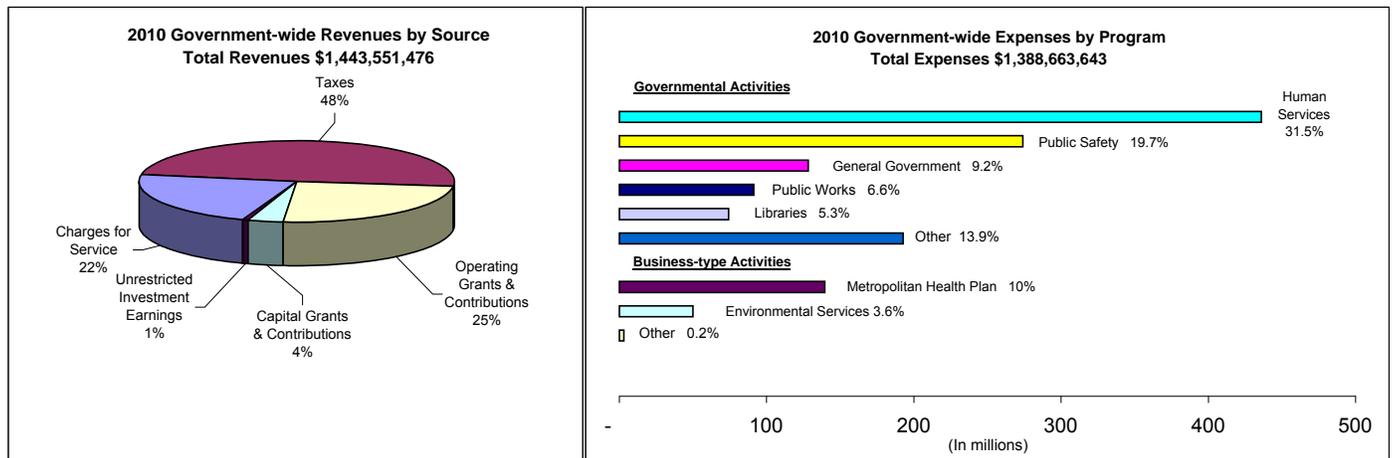
\* Includes unrealized gain and loss on investments. In accordance with the GASB 31, the County has recorded investments at fair value. Investment income for 2010 before recording the net change in fair value of investments was \$14,903,519 as compared to \$18,495,601 in 2009.

Total County Issued Bonds and Notes*	\$ 870,700,000	\$ 686,735,000		26.8%
Average Interest Rate on General Obligation Debt	4.32%	4.23%		2.2%
Net General Obligation Debt Per Capita	\$ 651.80	\$ 568.69		14.6%
Ratio of Net General Obligation Debt to Property Market Value	0.567%	0.464%		22.2%
Long-term Bond Ratings:*	Moody's Investors Service	Aaa	Aaa	
	Standard & Poor's	AAA	AAA	
	Fitch Ratings	AAA	AAA	

\* Excludes bonds issued for the Ballpark Project, which will be repaid with sales tax revenues.

Net Tax Capacity*	\$ 1,600,479,532	\$ 1,612,555,494		-0.7%
Tax Capacity Rates:				
City of Minneapolis	42.117%	39.766%		5.9%
Suburban	42.702%	40.413%		5.7%
Estimated Market Value*	\$ 141,853,594,100	\$ 147,706,180,717		-4.0%

\* Prior year net tax capacity and estimated market value are shown because applicable taxes are collectible in the subsequent year.



# **Hennepin County, Minnesota**

## **Comprehensive Annual Financial Report**

### **Year Ended December 31, 2010**

#### **Hennepin County Board of Commissioners**

Mike Opat, Chair, 1st District  
Mark Stenglein, Vice Chair, 2nd District  
Gail Dorfman, 3rd District  
Peter McLaughlin, 4th District  
Randy Johnson, 5th District  
Jan Callison, 6th District  
Jeff Johnson, 7th District

#### **Hennepin County Administrator**

Richard P. Johnson



Prepared by Hennepin County Office of Budget and Finance – General Accounting

Worldwide Web Address: <http://www.hennepin.us>

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June 28, 2011

The Honorable Members of the Hennepin County Board of Commissioners and Citizens of Hennepin County:

Minnesota Statutes require all counties to issue an annual report on their financial position and activity prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants or the State auditor. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of Hennepin County for the fiscal year ended December 31, 2010.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

McGladrey & Pullen, LLP, Certified Public Accountants, has issued an unqualified ("clean") opinion on Hennepin County's financial statements for the year ended December 31, 2010. The independent auditor's report is located at the front of the financial section of this report.

The independent audit of the financial statements of Hennepin County was part of a broader, federally mandated "Single Audit" designed to meet the special needs of Federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of Federal awards. These reports are included in a separate Single Audit report.

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

## Profile of the Government

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Hennepin County is governed by a seven member Board of Commissioners elected by district for staggered, four-year terms. The County Attorney and Sheriff are also elected officials. County Commissioners are responsible, among other things, for authorizing resolutions, adopting the annual budget, appointing committees and hiring the County Administrator. The County Administrator is responsible for carrying out the policies and resolutions of the Board of Commissioners, for overseeing the day-to-day operations of the County, and for appointing the heads of the County's departments. The County has received high marks for governmental structure, as well as for integration of social services, superior debt management, technology training, and innovative partnerships.



## Profile of the Government – Continued

Hennepin County was established by the territorial legislature of Minnesota in 1852, six years before Minnesota became a state. The County is located within the Twin Cities Metropolitan Area. The upper Mississippi flows through Minneapolis and defines the northeastern boundary of the County. Minneapolis, the most populous city in Minnesota, is one of 46 municipalities within the County (45 cities and one township). The County encompasses 611 square miles with 200 lakes larger than 10 acres and numerous parks and trails providing recreational opportunities and community amenities to residents.

2010 Hennepin County Facts	
<i>Population</i>	1,152,425
<i>Estimated Per Capita Income (2009)</i>	\$54,008
<i>Number of Cities</i>	45
<i>2010 Approved Budget</i>	\$1.6 million
<i>Assessed Valuation</i>	\$132 billion

## County Services

At the end of 2010, the County had 7,796 employees providing a full range of services. The following is a brief summary of what services each department provides, including 2010 department operating indicators.

### Human Services and Public Health *Number of Employees - 2,909*



- 105,662 active unduplicated cases of cash assistance, food stamps, or healthcare
- 53.9% of the County's 16,400 children had up-to-date immunizations at age two

Human Services is responsible for the administration of Federal and State-aided public assistance programs. Services are provided in the following service areas: Protection and Assessment, Case Management, Specialty Services, Internal Supports and Veterans' Services.

### Libraries *Number of Employees - 759*

- Circulation – 17,000,000 items (books, CDs and DVDs)
- Annual visits to library locations – 5,754,000
- Annual visits to library website – 20,000,000
- Attendance at library sponsored programs – 210,000

The Hennepin County Library system provides services and access to a collection of over 5 million items to the entire County through: 41 libraries, the Hennepin Library website, library services at nursing homes and correctional facilities, mail services to homebound residents, and outreach services to new immigrants. The Hennepin County Library system consistently ranks among the top library systems in the country.



The Library is a key component in realizing Hennepin County's overarching goal of lifelong learning. A wide range of free programming is offered through the library to meet the interests of Hennepin County children and adults. Programs are presented in collaboration with an array of public and private partners including the Library Foundation of Hennepin County, the Loft Literary Center, and the Science Museum of Minnesota. Approximately 1,750 computers are available for public use through the Library system. Meeting rooms and other gathering spaces are offered for the public to use for meetings and events such as the Uptown Art Fair, Victory Labor Day Races, and many other community-based activities.

## County Services - continued

### Health Number of Employees - 330

- Health and Wellness patient visits: 80,386
- Metropolitan Health Plan members at December 31: 18,113
- Medical Examiner's reported cases: 3,950

Healthcare services available to citizens include: basic care, medical services to the indigent, emergency medical services, and investigations of certain deaths. These services are provided through the NorthPoint Health and Wellness Center, Metropolitan Health Plan (MHP), the office of the Medical Examiner, and Hennepin County Medical Center, operated by Hennepin Healthcare System, Inc., a blended component unit of the County.



### Public Safety Number of Employees - 2,321

- County Attorney: Reviewed approximately 15,750 adult and juvenile criminal cases
- Public Defender: Opened 50,529 juveniles and adults cases
- Sheriff's Office: Supervised a daily average of 685 inmates at the County Jail
- Community Corrections and Rehabilitation (DOCCR): At year-end, DOCCR had jurisdiction over 29,376 adult and 1,751 juveniles in the community. There were 400 adults under the control of Adult Corrections Facility, 52 juveniles in the County Home School, and 36 in the Juvenile Detention Center.



Services such as criminal prosecution, legal counsel for the indigent, law library services, and corrections programs are administered through the Public Safety program.

Other service areas under Public Safety include: the County Court Function, which provides administrative services for certain District Court functions; the Law Library which provides convenient access to legal information; and the 800 MHz Radio Program which purchases and maintains the radio equipment that is used by the Minnesota Regional Public Service Communication System.

### Public Works Number of Employees - 432

- Lane miles of road maintained: 2,173

Public Works includes the maintenance and construction of County roads and bridges, management of the County's solid waste system, investments in housing, transit and workforce development through public and private partnerships, and emergency preparedness. These services are provided through five departments: Administration, Environmental Services, Housing, Community Works and Transit, and Public Works Management Support and Transportation. Public Works also manages two county-wide internal service funds; the Central Mobile Equipment Division (CMED) and the Hennepin County Energy Center (HCEC). In addition, Public Works provides staff support to the Hennepin County Housing and Redevelopment Authority (HCHRA) and the Hennepin County Regional Rail (HCRRA).



## County Services - continued

<b>General Government</b> <i>Number of Employees - 1,045</i>
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General Government provides legislative direction, administrative support, and general services for the management of County business and programs. This area is comprised of a number of different support and direct-service departments, including the following:

<b>Board of Commissioners</b>	Establishes all formal policies, executes agreements, and authorizes budgets and staffing as the legislative authority for the County.
<b>County Administration</b>	Administers the overall operation of the County, implements the programs and policies established by the County Board, and advises the County Board on policy matters.
<b>Assessor</b>	Administers property assessments.
<b>Budget &amp; Finance</b>	Reviews budgets, prepares forecasts, conducts policy analysis and research, manages debt and investments, performs general accounting, payroll, and purchasing, and coordinates the County's ERP system.
<b>Research, Planning &amp; Development</b>	Performs research and analysis relating to the County's strategic direction, leads and coordinates the County's strategic initiatives and strategic management framework, and develops partnerships to improve the well-being of Hennepin County residents.
<b>Property Services</b>	Operates and manages 5.7 million square feet of building space owned and leased by the County to provide services to citizens.
<b>Information Technology</b>	Provides effective, efficient, and innovative technology services and tools to Hennepin County departments and lines of business, building a technical infrastructure that supports the delivery of services to community partners and the citizens of Hennepin County.
<b>Taxpayer Services</b>	Administers elections including maintenance of a centralized voter registration file, issues various licenses such as driver, marriage, motor vehicle, and fish/game licenses, handles the administration of property tax collection activities and distribution to local governments within the County.
<b>Human Resources</b>	Provides human resource programs and support services.
<b>Public Affairs</b>	Raises the public's awareness of Hennepin County's role in enhancing the quality of life through effective communication.
<b>Internal Audit</b>	Reviews and evaluates adequacy and effectiveness of the County's internal control system.
<b>General County Purposes</b>	Encourages and assists public programs and activities dedicated to cultural enrichment and to educational and technical assistance; provides dues and contributions to organizations benefiting the County; and reserves available funding for contingent activities further define during the budget year.
<b>Intergovernmental Relations</b>	Coordinates the County's legislative activities with Federal, State, and local governments.

## Budget

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**Budget Process.** Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general, special revenue, debt service, and enterprise funds. All annual appropriations lapse at year-end to the extent that they have not been expended or encumbered. Project-length financial plans are adopted for all capital projects. The budget process is described in more detail in the Notes to Required Supplementary Information on page 89.

**2010 Budget Focus.** The 2010 budget was developed in the context of significant economic challenges. The county had to address “unallotments” and other reductions in state and federal resources at a time when service demands were continuing to increase due to the after effects of the recession. The Board and senior staff addressed these issues by engaging in broad based discussions pertaining to the services the county delivers and the potential for redesigning the delivery of those services to and overcome the challenges the county was facing. The approved 2010 budget of \$1.6 billion was an overall decrease of 6.7% from the 2009 budget. The reduction included a decrease of \$59.9 million in federal and state pass-through child care revenue and expenses. In addition, the staff complement was reduced 123 positions and Human Services contracts were reduced. The 2010 budget reflected no increase in property taxes for basic operations; however, there was a 3.0% increase in property taxes (\$18.8 million) solely committed to covering a portion of the expected cost increase from the termination of the General Assistance Medical Care program. In addition, a 1.95% increase in the property tax levy was approved to position the county’s finances for the expected revenue deficiencies in 2010. Overall, the focus on innovation and redesign of services, coupled with the prudent addition of locally generated resources allowed the County to face the challenges of the 2010 budget without negatively impacting the County’s excellent financial condition.

**Budget Reporting.** Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the General Fund and other governmental funds with appropriated annual budgets, this comparison is presented in the Required Supplementary Information subsection of this report, which starts on page 79. The comparison for enterprise funds is presented in the Supplementary Information - Enterprise Funds subsection of this report, which starts on page 108.

## Major Initiatives and Achievements

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### Recognition

Hennepin County opened new libraries in Maple Grove and Plymouth during 2010. These two libraries received national recognition from the American Libraries magazine, which included them among “the best in new and renovated library facilities” in a 2011 Library Design Showcase. They were lauded for sustainable construction, navigation and color, children’s and teen spaces, design details, outdoor connections, and community living rooms. The libraries also feature drive-up book drops, “green” roofs, high-efficiency lighting, and geothermal heating and cooling systems.



The Plymouth library doubled in size, from its previous location, and also increased items available for checkout by 90,000 items. The Maple Grove Library almost tripled in size, created over 250 more parking spaces than its previous location, and increased items available for check out by 114,000 items.



Human Services was given national recognition for establishing paternity in 98% of cases in Child Support, which is responsible for establishing legal fatherhood for children with active cases in the County. Each year, the federal government tracks the number of children not born in marriage against the number of children with paternity established; this measure determines state and county performance levels. The County has demonstrated steady improvement over the years and this year’s result represents an all time high for this federal performance indicator.

## Major Initiatives and Achievements - continued

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### Recognition - continued

NorthPoint Health & Wellness was granted certification as a Health Care Home by the Minnesota Department of Health. NorthPoint is the first Federally Qualified Health Center in Minnesota to be certified as a Health Care Home. To qualify, a clinic must meet standards in the following five areas:

- Access and communication
- Electronic patient registry
- Care coordination
- Patient care plan
- Quality improvement process that focuses on patient's experience, health and cost-effectiveness of care

### Recycle and Disposal Events



Solid Waste Management collaborated with the Sheriff's Office and U.S. Drug Enforcement Agency to hold the first medicine collection event in Hennepin County. Nearly 700 people delivered approximately 1,800 pounds of materials to the event. Volunteer pharmacists sorted through medications and identified controlled substances.

More than 115,000 customers were also served at the recycling and household hazardous waste drop-off facilities located in Bloomington and Brooklyn Park. Residents delivered unwanted material such as scrap metal, appliances, televisions and computers, tires, batteries, paint, and lawn and garden products.



### Efficiency Improvements

Transportation staff continues to work on lowering operating costs by improving processes. Examples include:

- Using Global Positioning Systems (GPS) to improve snow plow routing
- GIS map creation and usage for land use analysis and road network
- Improving project management database tools
- Developing an on line bidding process

Human Services took the next step in service integration by implementing an integrated Client Service Delivery Model (CSDM). This new model of service delivery unifies key elements of direct services. Nationally, this is one of the first attempts of this magnitude to completely integrate county financial, social and public health services. It requires a horizontal approach to service delivery and a shared leadership style of management.

Diversion and Recovery Team (DART) was implemented to provide comprehensive services to clients with chronic alcohol problems who are homeless; heavy users of detoxification, emergency room, correctional, and crisis services; and at risk of civil commitment. DART offers an alternative to commitment by providing coordinated services which include immediate housing, outpatient chemical health treatment, intensive case management and vocational services. DART involves a partnership with the State of Minnesota, Community Addiction and Recovery Enterprise, and community housing agencies.

## Major Initiatives and Achievements - continued

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### Mobility Priorities

The Housing, Community Works, and Transit area (HCWT) was actively involved in the continued development of the Central, Southwest, and Bottineau Light Rail Corridors, which were in the phase of construction, preliminary engineering, and environmental impact study, respectively.

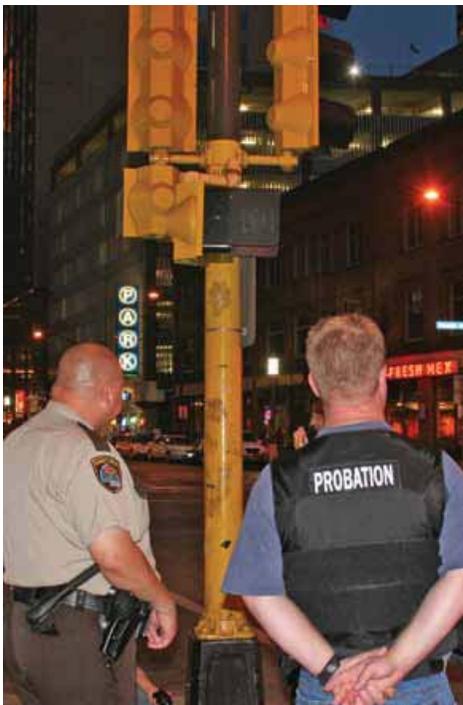
HCWT was also involved in the design process of the Transportation Interchange. The Interchange will be a transportation hub in Minneapolis that will incorporate light rail, commuter rail, buses, pedestrians, cars and bike traffic.

The replacement of the Lowry Avenue Bridge continued in 2010 and is about 40% complete. The bridge will replace a critical link in the transportation system for the north side of Minneapolis.

### Safety Advancements

During 2010, public safety advancements can be seen through the reduction in violent crimes, the be@school program, the success of Juvenile Detention Alternative Initiatives, Sentencing to Service, and Electronic Home Monitoring. Since 2006, Hennepin County has experienced a decrease of approximately 32% in the number of violent crimes committed.

Programs from the County Attorney's Office and Sheriff's Office associated with this decline include:



#### County Attorney's Office

- Gang Initiative to specifically focus on investigating and prosecuting gangs and gang leaders for crimes
- Strengthened the relationship with the United States Attorney's Office and Minneapolis Police Department to target people involved in gun violence for prosecution and to ensure the maximum sentence available under federal or state law for gun offenders
- A collaborative effort with the Sheriff's Office Crime Lab and Investigation Team to review 9,347 "DNA cold cases" out of Minneapolis. Approximately 600 cases were submitted for DNA testing which resulted in 163 "hits.", 17 individuals were charged, and 14 were convicted

#### Sheriff's Office

- Partnership with other suburban law enforcement and federal agencies to form the Violent Offender Task Force. Accompanying programs are the Criminal Information Sharing & Analysis, the Warrant Unit, and the Crime Lab
- Use of Federal stimulus funds to expand the Crime Lab, which reduced the turnaround time and decreased the backlog of biology/DNA cases by 79%

In January of 2010, the County Attorney's Office implemented the be@school program. This program focuses on the role and responsibility for children and parents in order to achieve successful school attendance. The program utilizes evidence-based methods to significantly decrease truancy at all ages, with a special emphasis on elementary school children where the greatest opportunity to make a difference rests.

The County Attorney's Office increased community prosecution efforts through court watch groups, solicitation of community impact statements for sentencing, and neighborhood nuisance abatement programs.

## Major Initiatives and Achievements - continued

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### Safety Advancements - continued

Juvenile Detention Alternative Initiatives (JDAI) is a proven method of assigning the least restrictive community-based sanctions for low-risk offenders. Since 2009, the results of JDAI are as follows:

- The average daily population in detention decreased by 54%
- Admissions at the Juvenile Detention Center dropped by 11%
- The number of juveniles in residential treatment was reduced 36%

The Sentencing to Service (STS) program provides adult and juvenile offenders a supervised environment that is safe and structured. During 2010, the STS work crews completed over 309,351 hours of work within the community, which is valued at more than \$3 million.

The expansion of Electronic Home Monitoring and the redesigned Work Release program has enhanced supervision and allowed the closure of a building at the Adult Corrections Facility; creating a savings of approximately \$500,000.

### Economic and Financial Condition

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Information presented in the financial statements is perhaps best understood when considered from the broader perspective of the specific environment within which Hennepin County operates.

**Local Economy.** The economy of Hennepin County, for which the city of Minneapolis is the county seat, has longstanding characteristics of strength and diversity in comparison to outstate, regional and even the national economy as shown in measurements of income and employment. Healthcare, medical device manufacturing, retail sales, financial services and insurance, high tech, and food processing are significant economic sectors providing a strong employment and wage base in the County. Many large international companies maintain their headquarters in the County.

At year-end 2010, the December County unemployment rate of 6.6% was lower than the previous year's rate of 7.5%. Again, the County unemployment rate remained lower than the State rate of 7.3% and the national rate of 9.7%.

**Long-term Financial Planning.** Continuing the trend of recent years, Hennepin County is facing declining resources and increasing demands for 2011. To meet the financial challenges for 2011 and beyond, the Board and senior staff engaged in a series of retreat discussions that looked broadly and deeply at the County's services and the resources available to meet the needs. The discussions led policy makers to:

- Reduce the 2011 budget by \$87.7 million compared to the adjusted 2010 budget
- Decrease property tax support for the 2011 budget by 1% to \$669.4 million, compared to the \$676.2 million levied for 2010
- Continue service redesign to reduce costly out-of-home child placements
- Begin redesign of human service delivery, including a new broad-spectrum intake process to better identify needs and result in more appropriate interventions for clients. As part of this effort, the 2011 budget includes funding for a number of new Human Services offices to carry County service delivery to the various areas and neighborhoods in the County
- Continue implementation of new enterprise financial, human resources, tax collection and public records systems

The County maintains strong financial management and continues to receive the highest possible credit rating. As in past years, the county's long-term general obligation debt received Aaa from Moody's Investor Services, AAA from Standard & Poor's Corporation and AAA from Fitch Ratings. Approximately 20 counties, of about 3,100 nationwide, received the highest ratings from all three credit rating agencies.

## Economic and Financial Condition - continued

**Relevant Financial Policies.** In 2010, the County Board adopted a policy to establish a commercial paper program as a liquidity instrument and as an option for short-term financing of the capital improvement plan.

The new guidelines stipulate that:

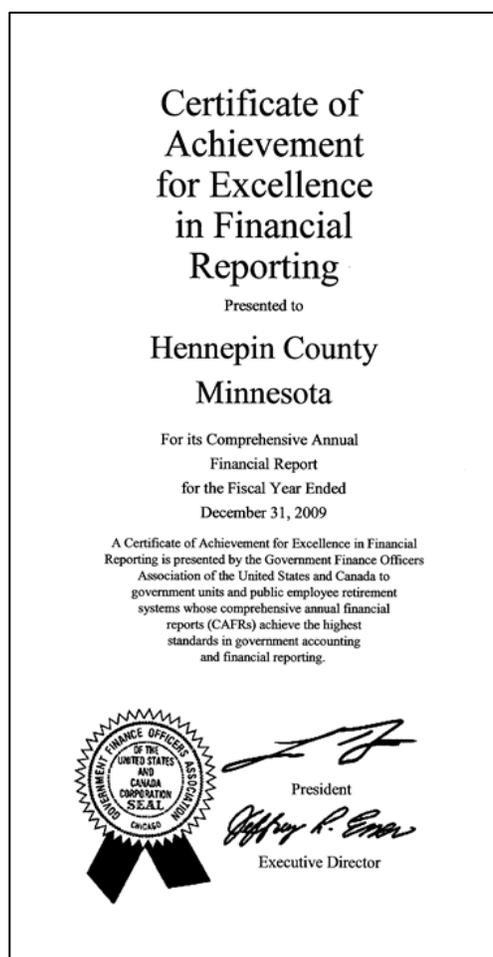
- The certificates authorized and issued should not exceed \$150,000,000
- The total of all certificates issued against any fund(s) for any year with interest, shall not exceed the total current taxes for the fund(s) uncollected at the time of issuance, plus the cash currently in the fund
- The certificates cannot be sold for less than par amount, plus accrued interest
- The certificates must mature no later than the earlier of: 270 days from the date of issuance, the first day of April of the year following issuance, or September 30, 2014
- The director of budget and finance is authorized to obtain ratings of the certificates from up to three nationally recognized credit rating services

## Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County for its comprehensive annual financial report for the year ended December 31, 2009. This was the thirty-fifth consecutive year that the County has received this notable award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. We believe the current report continues to meet the Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate. The County also received the GFOA's Award for Distinguished Budget Presentation for its 2010 annual budget. This was the twenty-sixth consecutive year that the County has received this notable award. To qualify for the award, the County's budget document was judged to be proficient in several categories including policy documentation, financial planning, and organization.

The preparation of this report could not have been accomplished without the dedicated services of the entire financial staff of the County. We would like to express appreciation to all members of the departments who assisted and contributed to the preparation of this report. Credit also must be given to the Board of Commissioners for their support for maintaining the highest standards of professionalism in the management of Hennepin County's finances.



Richard P. Johnson  
County Administrator

David R. Lawless  
Director of Budget and Finance



**Hennepin County, Minnesota**

**Hennepin County Board/  
Welfare Board**

**County Administrator**  
Richard P. Johnson

**Deputy County Administrator**  
David Hough

Assistant County Administrator  
**Human Services and Public Health**  
Daniel Engstrom

Assistant County Administrator  
**Public Works**  
Marthand Nookala

**Medical Center Systems**  
Arthur Gonzalez

**Metropolitan Health Plan**  
Cynthia MacDonald

**NorthPoint Health and Wellness Center**  
Stella Whitney-West

**Budget and Finance**  
David Lawless

**Human Resources**  
Rafael Viscasillas

**Intergovernmental Relations**  
Mary Beth Davidson

**Internal Audit**  
Karen Marquardt

**Labor Relations**  
William Peters

**Public Affairs**  
Carolyn Marinan

**Research, Planning and Development**  
Sherrie Simpson

**Library**  
Lois Thompson

**Criminal Justice Coordinating Committee**

**Human Resources Board**

**Audit Committee**

**Library Board**

**County Assessor**  
James Atchison

**Information Technology**  
Donald Holmberg

**Medical Examiner**  
Andrew Baker

**Property Services**  
Judith Hollander

**Taxpayer Services**  
Jill Alverson

**Examiner of Titles Division**  
Kimball Foster

**Purchasing and Contract Services Div.**  
Alanna Tyler

**Human Services and Public Health Areas**  
Curt Haats  
Rex Holzemer  
Deborah Huskins  
Kristine Martin  
Todd Monson  
Milton Schoen

**Environmental Services**  
Carl Michaud

**Housing, Community Works and Transit**  
Philip Eckhert

**Public Works Management Support**  
Maurice Gieske

**Transportation**  
James Grube

**Joint Committee Community Corrections**

**Community Corrections and Rehabilitation**  
Tom Merkel

**District Court Administration**  
Mark Thompson

**Office of the County Attorney**  
Michael O. Freeman

**Office of the Public Defender**  
William Ward

**Office of the Sheriff**  
Richard Stanek

**Law Library**  
Edward Carroll

**Judges**

**State Board of Public Defense**

**Trustees of the Law Library**



Hennepin County, Minnesota

**Principal Officials**

December 31, 2010



**Commissioners:**

District 1  
District 2  
District 3  
District 4  
District 5  
District 6  
District 7

Mike Opat, Chair  
Mark Stenglein, Vice Chair  
Gail Dorfman  
Peter McLaughlin  
Randy Johnson  
Jan Callison  
Jeff Johnson

**County Administrator**

Richard P. Johnson

**Deputy County Administrator**

David Hough

**Assistant County Administrator – Human Services**

Daniel Engstrom

**Assistant County Administrator – Public Works**

Marthand Nookala

**Governmental Activities**

Public Works

Housing, Community Works and Transit  
Public Works Management Support  
Transportation

Philip Eckhert  
Maurice Gieske  
Jim Grube

Public Safety and Judiciary

County Attorney  
Sheriff  
Community Corrections and Rehabilitation  
Law Library

Michael O. Freeman  
Richard Stanek  
Tom Merkel  
Edward Carroll

Health

Medical Examiner  
NorthPoint Health and Wellness Center

Andrew Baker  
Stella Whitney-West

Libraries

Lois Langer Thompson

Human Services

Area Director  
Area Director  
Area Director  
Area Director  
Area Director  
Veteran's Services

Curt Haats  
Rex Holzemer  
Deborah Huskins  
Kristine Martin  
Todd Monson  
Milton Schoen

General Government

Assessor  
Budget and Finance  
Examiner of Titles  
Human Resources  
Information Technology  
Intergovernmental Relations  
Internal Audit  
Labor Relations  
Property Services  
Public Affairs  
Purchasing and Contract Services  
Research, Planning and Development  
Taxpayer Services

James Atchison  
David Lawless  
Kimball Foster  
Rafael Viscasillas  
Donald Holmberg  
Mary Beth Davidson  
Karen Marquardt  
William Peters  
Judith Hollander  
Carolyn Marinar  
Alanna Tyler  
Sherrie Simpson  
Jill Alverson

**Business-type Activities**

Metropolitan Health Plan  
Solid Waste - Environmental Services

Cynthia MacDonald  
Carl Michaud





## Independent Auditor's Report

To the Board of County Commissioners  
Hennepin County, Minnesota

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Hennepin County, Minnesota (the County), as of and for the year ended December 31, 2010, which collectively comprise the County's basic financial statements, as listed in the accompanying table of contents. These financial statements are the responsibility of the County'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 County's 2009 financial statements. In our original report dated June 25, 2010, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate 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 positions of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Hennepin County, Minnesota, as of December 31, 2010, and the respective changes in financial positions and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2011, on our consideration of the County's internal control over financial reporting and 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.

The management's discussion and analysis, schedule of funding progress for the retiree health plan, and budgetary comparison information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hennepin County, Minnesota's basic financial statements. The financial highlights, introductory section, supplementary information, individual fund information and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information and individual fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements for the year ended December 31, 2010, taken as a whole. We have also previously audited, in accordance with auditing standards generally accepted in the United States of America, the County's basic financial statements for the year ended December 31, 2009, which are not presented in the accompanying financial statements. In our report dated June 25, 2010, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information. In our opinion, the 2009 supplementary information and individual fund financial statements are fairly stated in all material respects in relation to the basic financial statements for the year ended December 31, 2009, taken as a whole.

The financial highlights, introductory section and statistical section as listed in the accompanying table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

*McGladrey & Pullen, LLP*

Minneapolis, Minnesota  
June 28, 2011

# Management's Discussion and Analysis

This discussion and analysis is intended to provide financial statement readers with a financial overview and narrative analysis of the financial position and activities of Hennepin County and its blended component units for the year ended December 31, 2010. The information provided here should be read in conjunction with the letter of transmittal that begins on page 1 and the notes to the financial statements, which are presented on pages 49 to 78.

## FINANCIAL HIGHLIGHTS

### Government-Wide

At December 31, 2010, the assets of the County exceeded its liabilities by \$1.1 billion. Of this amount, \$141.3 million is restricted by specific statutory requirements or external commitments. The County's net assets invested in capital assets, net of related debt, are \$951.0 million. The unrestricted amount of assets available is \$17.4 million at the end of 2010.

### Fund Level

As reported in the Governmental Fund Balance Sheets on pages 34 and 35, at the end of 2010 the County's governmental funds reported total ending fund balances of \$459.7 million, which is an increase from the 2009 total of \$445.0 million. Approximately 67% of the total fund balance, or \$306.3 million, is considered unreserved with respect to the limitations of the various fund types. In 2009, approximately 65%, or \$288.8 million was unreserved fund balance.

Unreserved fund balance for the General Fund was \$106.4 million, or approximately 17% of total General Fund expenditures for the year ended December 31, 2010, compared to \$132.7 million and 27% for 2009.

### Long-term Obligations

The County's total long-term obligations increased over \$179.3 million during 2010. The County issued \$125.9 million in new-money general obligation (GO) debt to support capital improvement plan and library projects. Of the \$125.9 million issued, \$41.1 million is part of the Build America Bond program, which are taxable GO bonds defined in the American Recovery and Reinvestment Act of 2009; and \$37.4 million was issued as Recovery Zone Economic Development Bonds, where the County receives an annual subsidy of 45%. An additional \$52.8 million of GO debt was issued to refund callable outstanding bonds and notes originally issued in 2001 and 2002. In 2010, the County assisted the Counties Transit Improvement Board (CTIB) in obtaining more favorable financing terms by issuing \$102.8 million of sales tax revenue bonds and loaning the proceeds to CTIB. CTIB will repay the County from sales tax revenues equal to the bond debt service paid by the County. The remaining factor of the change in debt results from regularly scheduled principal payments on previously issued debt.

## OVERVIEW OF THE FINANCIAL STATEMENTS

Management's discussion and analysis is intended to serve as an introduction to the County's basic financial statements which include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

### Government-wide Financial Statements

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

- *The statement of net assets* presents information on all of the County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets serve as an indicator of whether the financial position of the County is improving or deteriorating.

## OVERVIEW OF THE FINANCIAL STATEMENTS – CONTINUED

### Government-wide Financial Statements – Continued

- *The statement of activities* presents information showing how the County'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 result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused postemployment healthcare benefits).

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include General Government, Human Services, Health, Public Safety, Public Works, Libraries, and Debt. The business-type activities of the County include the Metropolitan Health Plan (a health maintenance organization), Environmental Services, Glen Lake Golf Course, and Radio Communications.

The *primary government* shown in the government-wide financial statements includes two legally separate blended component units, the Hennepin County Regional Railroad Authority (RRA) and the Hennepin County Housing and Redevelopment Authority (HRA). The County's discretely presented component unit, the Hennepin County Medical Center is shown separately from the primary government. The government-wide financial statements can be found on pages 29 to 33 of this report.

### Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary 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 can assist in evaluating the County'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*. Also, detailed information on the differences in measurement focus, basis of accounting, and financial statement presentation of the fund statements compared to the government-wide statements can be found on pages 50 to 53 of the Notes to the Basic Financial Statements.

The County maintains the following governmental fund types: the general fund, special revenue funds, debt service funds, and the capital projects fund. The County has five special revenue funds: Human Services Fund, Library Fund, the Ballpark Sales Tax Fund, and funds for the two blended component units, the RRA and the HRA. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for each of these funds. The basic governmental fund financial statements can be found on pages 34 to 40.

## OVERVIEW OF THE FINANCIAL STATEMENTS – CONTINUED

### Fund Financial Statements – Continued

- **Proprietary funds** are divided into two different types of funds: enterprise funds and internal service funds. *Enterprise funds* are used to report essentially the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for the activities of the Metropolitan Health Plan, Solid Waste System, Glen Lake Golf Course, and Radio Communications. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for its Central Services operations (e.g. mail delivery, print shop activities), Central Mobile Equipment Division, Information Technology activities, Energy Center, Self-Insurance function, and Other Employee Benefits.

Proprietary funds provide the same type of information as the business-type activities in the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for each of the four enterprise funds, all of which are considered to be major funds of the County. The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. The basic proprietary fund financial statements can be found on pages 42 to 46 of this report. Individual fund data for the internal service funds is provided in the form of *combining statements* in the supplementary information section of this report.

- **Fiduciary funds** are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are not available to support the County'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 47 of this report.

### Notes to the Financial Statements

The Notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The Notes to the Basic Financial Statements can be found on pages 49 to 78 of this report. Notes to Required Supplementary Information are shown on page 89.

### Required and Supplementary Information

Supplementary information beginning on page 79 includes a schedule of funding progress for the retiree health plan, schedules of revenue and expenditures for individual funds with a comparison of actual revenues and actual expenditures compared to budget and prior year, schedules of expenditures by program for specific funds, and combining schedules for internal service funds.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets serve as an indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$1.1 billion at December 31, 2010. The largest portion of the County's net assets, \$951 million, reflects the investment in capital assets (e.g., land, buildings, equipment, roads, and bridges) less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

In 2010, the most significant changes for governmental activities in comparison to 2009 included a \$180.6 increase in current and other assets and a \$185.8 million increase in long-term liabilities outstanding. The largest increase in current assets was in the area of cash and investments which had a \$71.3 change from the prior year. The issuance of debt during the fourth quarter of 2010 to fund future capital projects was the largest factor in this increase. Additionally, the County's anticipated \$12.2 million contingency amount set aside to support Hennepin County Medical Center was not required in 2010. As mentioned in the previous long-term debt highlights section, the County issued \$102.8 million of sales tax revenue bonds and loaned the proceeds to CTIB, which increased both receivables and long-term liabilities by that amount. Business-type activities' liabilities decreased \$6.9 million in 2010 due to the payment of Solid Waste revenue bond debt.

### Summary of Net Assets (in millions)

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	892.7	\$712.1	\$96.7	\$94.0	\$989.4	\$806.1
Capital assets	1,531.8	1,483.9	105.3	107.8	1,637.1	1,591.7
<b>Total assets</b>	<b>2,424.5</b>	<b>2,196.0</b>	<b>202.0</b>	<b>201.8</b>	<b>2,626.5</b>	<b>2,397.8</b>
Long-term liabilities outstanding	1,308.0	1,122.2	8.6	12.8	1,316.6	1,135.0
Current liabilities	168.2	173.3	32.0	34.7	200.2	208.0
<b>Total liabilities</b>	<b>1,476.2</b>	<b>1,295.5</b>	<b>40.6</b>	<b>47.5</b>	<b>1,516.8</b>	<b>1,343.0</b>
Invested in capital assets, net of related debt	855.6	855.6	95.4	85.3	951.0	940.9
Restricted	82.6	79.0	58.7	62.2	141.3	141.2
Unrestricted	10.2	(34.0)	7.2	6.8	17.4	(27.2)
<b>Total net assets</b>	<b>\$948.4</b>	<b>\$900.6</b>	<b>\$161.3</b>	<b>\$154.3</b>	<b>\$1,109.7</b>	<b>\$1,054.9</b>

## GOVERNMENT-WIDE FINANCIAL ANALYSIS – CONTINUED

As shown in the table below, the County's net assets increased in the current year by \$54.9 million, a change from 2009 of 5.2%.

<b>Changes in Net Assets</b>						
<b>(in millions)</b>						
	Governmental		Business-type		Total	
	Activities		Activities			
	2010	2009	2010	2009	2010	2009
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$126.9	\$146.8	\$192.0	\$207.5	\$318.9	\$354.3
Operating grants and Contributions	328.0	292.1	4.1	3.3	332.1	295.4
Capital grants and Contributions	51.7	48.2	0.6	1.5	52.3	49.7
General revenues:						
Property taxes	677.6	647.2	-	0.7	677.6	647.9
Sales Tax	28.2	27.1	-	-	28.2	27.1
Other Taxes	2.1	2.2	2.6	4.4	4.7	6.6
Grants and contributions	22.4	41.2	-	-	22.4	41.2
Investment earnings	7.3	12.2	-	-	7.3	12.2
<b>Total revenues</b>	<b>1,244.2</b>	<b>1,217.0</b>	<b>199.3</b>	<b>217.4</b>	<b>1,443.5</b>	<b>1,434.4</b>
<b>Expenses:</b>						
General Government	128.3	121.8	-	-	128.3	121.8
Human Services	435.9	461.3	-	-	435.9	461.3
Health	131.7	80.6	-	-	131.7	80.6
Public Safety	273.9	276.4	-	-	273.9	276.4
Public Works	91.3	71.0	-	-	91.3	71.0
Libraries	74.2	76.2	-	-	74.2	76.2
Housing and Redevelopment Authority	9.8	6.9	-	-	9.8	6.9
Regional Railroad Authority	12.7	8.5	-	-	12.7	8.5
Interest on long-term debt	38.5	37.6	-	-	38.5	37.6
Metropolitan Health Plan	-	-	139.5	137.8	139.5	137.8
Solid Waste Management	-	-	49.9	61.0	49.9	61.0
Glen Lake Golf Course	-	-	0.9	0.9	0.9	0.9
Radio Communications	-	-	2.0	2.4	2.0	2.4
<b>Total expenses</b>	<b>1,196.3</b>	<b>1,140.3</b>	<b>192.3</b>	<b>202.1</b>	<b>1,388.6</b>	<b>1,342.4</b>
Increase (decrease) in net assets before transfers	47.9	76.7	7.0	15.3	54.9	92.0
Transfers	(0.1)	-	0.1	-	-	-
<b>Increase (decrease) in net assets</b>	<b>47.8</b>	<b>76.7</b>	<b>7.1</b>	<b>15.3</b>	<b>54.9</b>	<b>92.0</b>
Net assets – beginning	900.6	823.9	154.3	139.0	1,054.9	962.9
<b>Net assets – ending</b>	<b>\$948.4</b>	<b>\$900.6</b>	<b>\$161.4</b>	<b>\$154.3</b>	<b>\$1,109.8</b>	<b>\$1,054.9</b>

## GOVERNMENT-WIDE FINANCIAL ANALYSIS – CONTINUED

The 2010 increase in net assets included \$47.8 million for governmental activities and \$7.0 million for business-type activities. The major contributors to these increases were as follows:

For Governmental Activities – Property taxes were increased by 4.95% to provide \$41.9 million additional funds for the County. The increase was implemented to compensate for expected losses of State and Federal funding, including the elimination of the General Assistance Medical Care Program (GAMC). While GAMC was eliminated, the implementation was delayed and the county actually paid HCMC \$4 million less than the budget for uncompensated care. The larger tax levy provided for large contingency amounts, of which \$26.4 million was unspent. In addition, 1.95% of the levy increase, or \$12.5 million, did not have corresponding expenditures. This portion of the increase was intended to provide additional money for contingencies.

For Business Activities – the net asset increase was largely due to the completion of the Solid Waste program's contract with the Elk River Resource Recovery project. Metropolitan Health Plan also had an increase in revenue for 2010 because of a small increase in total enrollment and average premium rates.

## FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

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

### **Governmental Funds**

The focus of the County's *governmental fund statements* is to provide information on near-term inflows, near-term outflows, and balances of net resources. Such information is useful in assessing the County's financing requirements. In the governmental funds in particular, *unreserved fund balance* serves as a measure of available net resources.

As discussed in the financial highlights, the County's governmental funds reported combined ending fund balances of \$459.7 million; an increase of \$14.6 million from the prior year's ending balances. Approximately 66.6% of total fund balance, or \$306.3 million, constitutes *unreserved fund balance*. The remainder of fund balance is *reserved*, indicating it has already been committed: 1) \$121.3 million to fulfill contracts and purchase orders for the prior period, and 2) \$32.0 million for other external obligations.

### **Revenues**

The table on the following page presents the amount of revenues recorded in governmental funds and originating from various sources, as well as increases or decreases from the prior year.

## FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS – CONTINUED

### Governmental Funds – Continued

#### Revenues – Continued

<b>Revenues Classified by Source</b>						
<b>Governmental Funds</b>						
<b>(in millions)</b>						
Revenues by Source	2010		2009		Increase (Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent Change
Property taxes	\$681.9	53.5%	\$644.3	52.3%	\$37.6	5.8%
Sales tax	28.2	2.2%	27.1	2.2%	1.1	4.2%
Other taxes	2.1	0.2%	2.2	0.2%	(0.1)	-5.5%
Intergovernmental	397.4	31.3%	378.4	30.7%	19.0	5.0%
Investment earnings	7.5	0.6%	12.9	1.0%	(5.4)	-42.1%
Charges for services	117.9	9.3%	125.6	10.2%	(7.7)	-6.1%
Fines and forfeits	2.0	0.2%	2.3	0.2%	(0.3)	-14.5%
Licenses and permits	5.9	0.5%	5.8	0.5%	0.1	1.7%
Other	28.5	2.2%	32.8	2.7%	(4.3)	-13.2%
<b>Total Revenues</b>	<b>\$1,271.4</b>	<b>100.0%</b>	<b>\$1,231.4</b>	<b>100.0%</b>	<b>\$40.0</b>	<b>3.2%</b>

Governmental Fund revenues that changed significantly from the prior year are explained below.

**Property taxes** increased \$37.6 million. As explained previously, the property tax increase was implemented to compensate for expected losses of State and Federal funding, including the elimination of the General Assistance Medical Care Program (GAMC).

**Intergovernmental revenues** increased in the General Fund due to new State legislation that enabled the County to make \$26.3 million of voluntary Intergovernmental Transfer (IGT) payments to HCMC and receive an equal amount from the Department of Human Services. Another \$14.5 million General Fund increase related to a \$20.7 million Medicaid upper payment level payment, which the County received from the Minnesota Department of Human Services (DHS). Offsetting the General Fund increases in intergovernmental revenue were Human Services decreases that occurred when the State began directly reimbursing child care providers through the Minnesota Child Care Payment and Eligibility system, rather than reimbursing indirectly via the County. Additionally, as part of the solution for closing the State's budget gap, the actual amount of Market Value Credit Aid reimbursed to counties was reduced by \$11.6 million.

The \$7.7 million decrease in governmental fund **Charges for Services** primarily related to the reduction in the Child Welfare Targeted Case Management received in the Human Services Fund due to a decrease in the reimbursement rate, lower case counts, and disallowance of assessments.

## FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS – CONTINUED

### Governmental Funds – Continued

#### Expenditures

The table below presents expenditures by function as well as increases or decreases from the prior year.

Expenditures by Function	Expenditures by Function - Governmental Funds (in millions)					
	2010		2009		Increase (Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
<i>Current:</i>						
General Government	\$189.6	12.6%	\$142.1	11.2%	\$47.5	21.2%
Human Services	455.0	30.3%	455.8	35.7%	(0.8)	-0.4%
Health	107.6	7.2%	61.8	4.9%	45.8	20.4%
Public Safety	249.5	16.7%	248.0	19.5%	1.5	0.7%
Public Works	70.2	4.7%	51.3	4.0%	18.9	8.4%
Libraries	70.6	4.7%	61.8	4.9%	8.8	3.9%
HRA	9.1	0.6%	6.2	0.5%	2.9	1.3%
RRA	12.5	0.8%	8.2	0.6%	4.3	1.9%
<i>Debt Service:</i>						
Principal retirement	49.0	3.3%	44.2	3.5%	4.8	2.1%
Interest and fiscal charges	39.9	2.7%	38.1	3.0%	1.8	0.8%
Intergovernmental	113.3	7.6%	0.0	0.0%	113.3	50.6%
Capital Projects	131.2	8.8%	155.8	12.2%	(24.6)	-11.0%
<b>Total expenditures</b>	<b>\$1,497.3</b>	<b>100.0%</b>	<b>\$1,273.3</b>	<b>100.0%</b>	<b>\$224.0</b>	<b>17.6%</b>

Governmental fund expenditures increased in 2010 by \$224 million from 2009's total expenditures. The governmental funds that changed significantly from the prior year included those in the following functional categories:

- **General government** expenditures increased \$47.5 million from 2009. Beginning in 2010, an internal service fund was used to account for the cost and liquidation of postemployment healthcare benefits relating to governmental funds. The County also elected to fund additional future compensated absences in the internal service fund. The majority of the \$44.5 million of General Fund expenditures that were required to implement this change were in the general government category.
- **Health** expenditures increased \$45.8 million, which was due to the voluntary payments the County made to HCMC to offset the State's elimination of the General Assistance Medical Care (GAMC) program.
- **Intergovernmental** expenditure was a new category of expenditures in 2010. This category was used in the issuance of the \$102.8 loan to CTIB described above, as well as for a similar, smaller transaction involving the Minnehaha Watershed District.

## FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS – CONTINUED

### Governmental Funds – Continued

#### *Fund Balances*

The **General Fund** is the primary operating fund of the County. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$106.4 million while total fund balance was \$138.5 million. Comparing the unreserved fund balance and total fund balance to total fund expenditures can be used as a measure of the General Fund's liquidity. The General Fund unreserved fund balance represents 17%, and total fund balance represents 23%, of total General Fund expenditures. In 2009, the unreserved fund balance represented 27% and total fund balance represented 32% of total General Fund expenditures. The General Fund ended the year with a decrease of \$19 million in fund balance. This decrease was the result of a combination of the factors described in the Government-wide Financial Analysis and the Governmental Funds sections on the preceding pages. Beginning in 2010, an internal service fund was used to account for the cost and liquidation of postemployment healthcare benefits relating to governmental funds. Due to the implementation of this change, as well as the choice to fund additional future compensated absences in the internal service fund, \$44.5 million was expended in the General Fund. In addition, General Fund Market Value Credit Aid revenues were reduced by \$6.4 million due to the unallotment determined during the 2010 Legislative Session. The decreases described above were offset in part by the State's delayed elimination of GAMC, as well as by the property tax increase for contingencies discussed previously.

The **Human Services Fund** reported a \$5.2 million decrease in fund balance in 2010. Again, this decrease primarily related to the use of the internal service fund for postemployment healthcare benefits and compensated absences, with \$24.8 million of related Human Services expenditures. This decrease was offset in part by the department's efforts to control out-of-home placement costs in the total number of placements and a reduction in the average length of stay. The **Library Fund** \$3.3 million decrease in fund balance was also due to the expenditures that were required to begin using the internal service fund for postemployment healthcare benefits and to fund additional future compensated absences. The **Ballpark Sales Tax Fund** \$2.7 million fund balance increase was attributable to increased sales tax collections. Fund balance in the **Capital Project Fund** increased \$39.1 million in 2010. The issuance of debt during the fourth quarter of 2010 to fund future capital projects was the largest factor in this increase. Fund balances in the **Housing and Redevelopment Authority, Regional Railroad Authority, and Debt Service Funds** did not change significantly.

#### *General Fund Budgetary Highlights*

The General Fund budget was increased by \$58.8 million for revenue and \$103.5 million for expenditures between the time of original approval and the time the amended 2010 budget was finalized.

The original revenue budget for the General Fund was less than budgeted expenses due to the intent to use almost \$18 million fund balance. The major areas where the original revenue budget was amended were Property Taxes, which decreased by \$9.4 million, and Intergovernmental, which increased by \$65.9 million. Events that pertained to these changes were as follows:

- The Property Tax Revenue budget was decreased \$8.3 million due to the State's reduction of Market Value Credit Aid.
- The Intergovernmental Revenue budget increased primarily in response to new State legislation related to healthcare that took effect in 2010. The Board increased the budget by \$26.3 million to make voluntary IGT payments to HCMC that the County received from the Department of Human Services. Another \$14.5 million increase related to a \$20.7 million Medicaid upper payment level payment, which the County received from the Minnesota Department of Human Services (DHS). Additionally, revenue budget totaling \$12.5 million was transferred to the General Fund when the Workforce Improvement Programs were moved from the Human Services Fund to the General Fund.

## FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS – CONTINUED

### Governmental Funds – Continued

#### *Budgetary Highlights – Continued*

The increase in General Fund budgeted expenditures for 2010 were a result of the following:

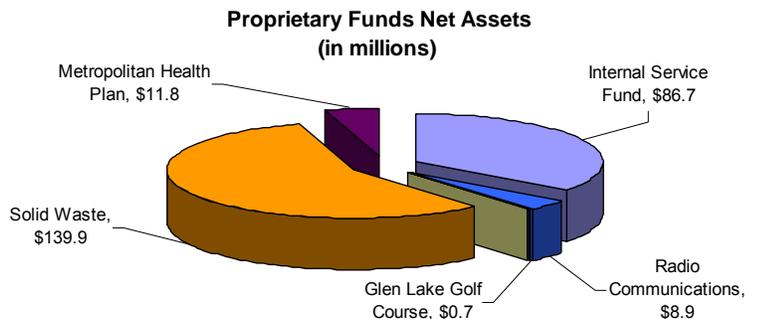
- The General Government expenditure budget was increased \$44 million, which primarily related to the decision to begin using an internal service fund to account for the cost and liquidation of postemployment healthcare benefits. This was a budgeted use of fund balance. Therefore, there was no corresponding change in the revenue budget.
- The Public Works budget was increased by \$18.3 million, which primarily related to 1) the transfer of the administration of the Workforce Improvement Board, a \$12.5 million increase; 2) an increase of \$5 million for Neighborhood Stabilization grants; and 3) budget for one-time highway turn-back revenue that was used to fund additional overlay lane miles.
- A \$14.5 million budget amendment for Health related to a \$20.7 million Medicaid upper payment limit payment which the County made to HCMC in December 2010. The payment was entirely funded by a payment from the DHS to the County. The \$20.7 million amount was not included in the original budget as the applicable Minnesota statute related to the payment was not enacted until 2010 and the amount of the payment was not determined by DHS until November 2010.

### Proprietary Funds

Other than some differences in the treatment of internal service funds, the proprietary fund information reflected in the supplementary information section provides essentially the same data as what is included in the business-type activities in the government-wide financial statements. However, more detail is included to facilitate analysis of individual funds' activities.

Total proprietary fund net assets, shown in the chart at right, were positive at the end of the year for each fund exhibited. During the year, proprietary fund net assets increased \$51.6 million, mainly within the internal service funds where net assets increased \$44.6 million.

Items that contributed to the significant changes in net assets of enterprise funds are listed below:



**The Solid Waste Fund** reported an increase in net assets of \$4.4 million in 2010, an increase that was largely planned, as indicated by the \$5.9 million budgeted excess, to help fund the 2010 debt principal payments of \$11.9 million. Revenues were \$2.3 million less than budget, primarily due to reduced federal grants. Expenses were \$0.7 million lower than budget due to reduced community grants that were offset by increases caused by delayed Environmental Response Fund projects. The Solid Waste Fund had \$1.5 million of restricted net assets relating to the Environmental Response Program statutory restrictions and the Brownfield's Assessment and Cleanup grant restrictions.

**The Metropolitan Health Plan Fund** had an increase in net assets during 2010 of \$2.2 million. Revenues increased 1.1% from 2009 as a result of small increases in total enrollment and average premium rates. Expenses were 1.2% more than 2009 expenses due to the creation of a \$4.1 million premium deficiency reserve in 2010. There was no premium deficiency expense for 2009.

## FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS – CONTINUED

### Proprietary Funds – Continued

**Internal Service Fund** total net assets increased overall by \$44.6 million. This was primarily because the cumulative deficit in the Other Employee Benefits Fund was eliminated due to one-time funding from the General, Human Services, and Library Funds. Additionally, the Information Technology Fund continued restructuring within the department and throughout the County's lines of business. Due to staff consolidation, slower asset acquisition, and general cost cutting, Information Technology expenses were reduced by 18% in 2010 from 2009. The Self Insurance internal service fund had a decrease in net assets of \$0.7 million in 2010, due primarily to an increase in the actuarial estimate of the worker's compensation liability.

### Fiduciary Fund

The County maintains one fiduciary fund, an agency fund used to account for assets that the County holds for others in an agency capacity, including pass-through grants that are equivalent to pure cash conduits; client, inmate, and other governmental agency funds held in the custody of the County; and revenues collected on behalf of other governmental units related to property taxes. Amounts held or due as agent at year-end totaled \$135.3 million, a decrease of \$40 million from the prior year that primarily related to the reduction of fiduciary responsibilities to CTIB.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

The County's investment in capital assets for its governmental and business-type activities as of December 31, 2010, amounts to \$1.6 billion, net of accumulated depreciation. Capital assets include land, buildings, improvements, software, equipment, roads and bridges, library collections, art, and historical treasures. Net capital assets increased \$45.5 million during 2010, primarily due to infrastructure projects as well as the completion of the new Maple Grove and Plymouth libraries.

Projects of significance for 2010 resulted in the capital asset increases below:

- Replacement of the Lowry Avenue Bridge, which is about 40% complete (\$39.4 million)
- Reconstruct County State Aid Highway (CSAH) 81 from North of Highway 100 to North of CSAH 10 (\$9.3 million)
- The completion of the Maple Grove and Plymouth libraries, as well as renovations to the Minneapolis Northeast and Nokomis libraries (\$8.1 million)
- Energy Center upgrades and projects (\$3.7 million)
- Brooklyn Park Transfer Station (\$3.5 million)

## CAPITAL ASSET AND DEBT ADMINISTRATION – CONTINUED

### Capital Assets – Continued

The table below summarizes the County's change in net capital assets during 2010. Additional information on the County's capital assets can be found in Note 5 on pages 61 to 62 of this report.

<b>Hennepin County's Capital Assets (in millions)</b>						
	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$106.0	\$105.4	\$9.2	\$9.2	\$115.2	\$114.6
Land improvements	23.4	23.1	1.9	1.9	25.3	25.0
Buildings	715.4	682.0	132.2	128.6	847.6	810.6
Construction in progress- buildings	11.1	37.0	0.2	0.2	11.3	37.2
Equipment	165.2	160.8	17.0	19.5	182.2	180.3
Software	14.2	-	-	-	14.2	-
Library books and other media	72.8	71.3	-	-	72.8	71.3
Leasehold improvements	13.1	11.4	2.3	2.3	15.4	13.7
Arts & Historical Treasures	4.6	4.6	-	-	4.6	4.6
Infrastructure	1,118.1	1,033.2	-	-	1,118.1	1,033.2
Construction in progress- infrastructure	114.0	142.9	-	-	114.0	142.9
	2,357.9	2,271.7	162.8	161.7	2,520.7	2,433.4
Less: accumulated depreciation and amortization	(826.1)	(787.9)	(57.5)	(53.9)	(883.6)	(841.8)
	<u>\$1,531.8</u>	<u>\$1,483.8</u>	<u>\$105.3</u>	<u>\$107.8</u>	<u>\$1,637.1</u>	<u>\$1,591.6</u>
<i>Percent change from prior year</i>	3.2%		-2.3%		2.9%	

### Debt Administration

As shown in the following table, GO bonds and notes increased by 29% from 2009 to 2010. During the year, general obligation bonds and limited tax bonds totaling \$281.5 million were issued. This included:

- \$107.7 million to finance County-wide capital improvements.
- \$15 million for Library capital improvements.
- \$52.8 million to refund the limited tax bonds and the library parking ramp note payable.
- \$106 million for the CTIB and the Minnehaha Watershed District bonds that funded the transactions described previously.

## CAPITAL ASSET AND DEBT ADMINISTRATION – CONTINUED

### Debt Administration – Continued

State law limits the amount of GO debt that counties can issue to an amount equal to 3% of taxable market value of property. The County’s outstanding GO debt is significantly below the \$4 billion statutory limit.

	<b>County Outstanding Debt (in millions)</b>					
	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
General obligation bonds and notes	\$875.9	\$677.8	\$1.6	\$1.8	\$877.5	\$679.6
Revenue bonds	335.2	339.4	8.2	20.6	343.4	360.0
Certificates of participation	13.4	15.8	0.0	0.0	13.4	15.8
	<u>\$1,224.5</u>	<u>\$1,033.0</u>	<u>\$9.8</u>	<u>\$22.4</u>	<u>\$1,234.3</u>	<u>\$1,055.4</u>

The County’s credit ratings on long-term GO bonds as of December 31, 2010 were:

Moody’s Investor Services	Aaa
Standard and Poor’s Ratings Services	AAA
Fitch Ratings	AAA

Additional information on the County’s long-term debt can be found in Notes 10 and 11 on pages 67 to 70 of this report and on the Schedule of Changes in Long-term Debt, located on pages 102 through 105.

### ECONOMIC FACTORS AND NEXT YEAR’S BUDGET

The 2011 Hennepin County governmental and proprietary fund budgets total \$1.56 billion, including a net property tax levy of \$669.4 million. The budget in 2011 decreased \$87.7 million (5.3%) from the \$1.65 billion budget in 2010. The net property tax levy is a 1.0% decrease from the 2010 level.

As expected, 2010 was a very challenging year and 2011 is expected to be even more challenging. Declining resources and increasing demands are no longer the theme of a particular year, but have become an expected part of the environment. The County will be carefully watching to see what State budget resolutions result for the next biennium, anticipating that this may require the Board to revisit the adopted County budget and make adjustments accordingly.

That said, this budget includes a 1% decrease in the property tax budget for 2011, following a 2010 budget that included no increase in property tax support for operations. This is a particular achievement for Hennepin County, given that it is occurring while expecting that the State’s most recent fiscal forecast and legislative actions will result in reductions in payments to local governments. The net property tax levy is \$669.4 million, which is \$6.8 million lower than the 2010 level. Maintaining County services while reducing property taxes is possible in part due to the planned use of funds from the balance the Board set aside in anticipation of possible shortfalls in State aid. The approved 2011 budget is not predicated on any expectation that the State and local economy will significantly improve in the near future.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET –CONTINUED**

The approved 2011 Hennepin County budget totals \$1,561,430,109. This is an overall budget decrease of 5.3% or \$87.7 million from the \$1.65 billion adjusted 2010 budget. The operating portion of the budget has decreased by \$26.7 million, or 1.8%, and the capital budget has been reduced by \$61.0 million, or 31.2%, from the adjusted 2010 levels.

The \$134.8 million capital budget includes \$44.9 million less in bonding than the \$195.7 million adjusted 2010 capital budget. Much of the difference between the two budgets and bonding levels is due to the Lowry Avenue Bridge being fully funded in 2010 and reductions in proposed funding for Library and General Government projects.

With respect to operations, budgets for all business lines are reduced, ranging from 9.8% for the General Government departments to the smallest reductions – less than 2% – in Public Safety and Libraries. This results in cost savings but also means that residents and clients are seeing reductions in some services. It should also be noted that 2011 is the second year in a two-year labor agreement with no employee cost-of-living adjustment, and there are no merit increases in 2011.

Hennepin County Medical Center, due to state changes in its health care programs, was faced with increased financial and liquidity risks in 2010. Thanks in part to County Board action last year which anticipated those risks, HCMC remains able to accomplish its mission. The 2011 budget includes \$30 million for uncompensated care payments to HCMC, which is less than the \$32.8 million budgeted in 2010.

Bonded indebtedness continues to be one of the most significant cost drivers for the County. The property tax levy for debt service increased \$8.6 million -- from \$62.5 million in 2010 to \$71.1 million in 2011. It is also anticipated that the property tax for debt service will increase substantially for 2012 and future years. Last year the County Board adopted debt guidelines to help restrict debt service increases. Nevertheless, even if debt service growth is within the debt guidelines, it is projected that the debt service property tax levy will likely exceed \$100 million by 2015.

For 2011, the County has created a new Internal Service Fund for self-insurance of employee health costs. The fund will be financed with premiums paid by the County and employees and budgeted at approximately \$99 million in 2011. Premiums for 2011 will be held constant with no increase over 2010. Included in this budget is approximately \$5 million for a reserve that is expected to be increased annually to fund health claims that may be higher than expected in future years. This self insurance plan is expected to save the County approximately \$5 million per year over fully insured health coverage. It includes a stop-loss policy to manage risks of extraordinary costs.

A request for employees to voluntarily sacrifice pay to help meet budget goals was first made in 2009, resulting in \$4.5 million in savings. In 2010, the County again asked employees to voluntarily sacrifice pay to help meet budget goals. For 2010, more than 2,400 employees responded, donating more than 92,000 hours of leave without pay and saving the County approximately \$2.5 million. This voluntary leave program is continuing in 2011. On top of zero percent salary adjustments since 2009, these additional contributions by way of the voluntary leave program represent an extraordinary level of dedication by employees.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide an overview for those interested in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Hennepin County Office of Budget and Finance, A-2301 Government Center, Minneapolis, MN 55487-0231, or readers may call (612) 348-5125. The County's Comprehensive Annual Reports can also be found at [www.hennepin.us/cafr](http://www.hennepin.us/cafr).

Hennepin County, Minnesota  
**Statement of Net Assets**  
December 31, 2010

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Hennepin County Medical Center
<b>ASSETS</b>				
<b>Current Assets:</b>				
Cash and investments	\$ 653,068,470	\$ 75,900,554	\$ 728,969,024	\$ 88,716,597
Receivables, net	95,349,701	20,236,055	115,585,756	119,681,719
Due from component unit or primary government	10,397,394	-	10,397,394	90,085
Prepaid items	6,295,250	606,235	6,901,485	6,300,580
Inventories	3,162,481	3,764	3,166,245	3,278,587
Deferred issuance costs	305,436	-	305,436	-
Lease receivable from component unit	2,553,132	-	2,553,132	-
<b>Total Current Assets</b>	<b>771,131,864</b>	<b>96,746,608</b>	<b>867,878,472</b>	<b>218,067,568</b>
<b>Noncurrent Assets:</b>				
Deferred issuance costs	4,933,096	-	4,933,096	-
Notes receivable	106,077,096	-	106,077,096	-
Lease receivable from component unit	10,539,079	-	10,539,079	-
<b>Capital assets:</b>				
Land	105,993,874	9,164,524	115,158,398	18,939,366
Land improvements	23,434,070	1,893,908	25,327,978	-
Buildings	715,396,615	132,245,209	847,641,824	289,896,144
Construction in progress-buildings	11,121,970	150,095	11,272,065	7,341,103
Equipment	165,140,065	16,955,632	182,095,697	134,467,583
Software	14,241,613	-	14,241,613	62,776,544
Library books and other media	72,833,820	-	72,833,820	-
Leasehold improvements	13,086,656	2,317,221	15,403,877	5,698,087
Art and historical treasures	4,648,919	-	4,648,919	-
Infrastructure	1,118,125,755	-	1,118,125,755	-
Construction in progress-infrastructure	113,956,014	-	113,956,014	-
	2,357,979,371	162,726,589	2,520,705,960	519,118,827
Less accumulated depreciation and amortization	(826,127,370)	(57,456,873)	(883,584,243)	(307,700,887)
<b>Net Capital Assets</b>	<b>1,531,852,001</b>	<b>105,269,716</b>	<b>1,637,121,717</b>	<b>211,417,940</b>
<b>Total Noncurrent Assets</b>	<b>1,653,401,272</b>	<b>105,269,716</b>	<b>1,758,670,988</b>	<b>211,417,940</b>
<b>Total Assets</b>	<b>2,424,533,136</b>	<b>202,016,324</b>	<b>2,626,549,460</b>	<b>429,485,508</b>

Continued on next page

Hennepin County, Minnesota  
**Statement of Net Assets**  
December 31, 2010

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Hennepin County Medical Center
<b>LIABILITIES</b>				
<b>Current Liabilities:</b>				
Accounts and contracts payable	100,477,152	9,862,285	110,339,437	21,114,671
Accrued interest payable	3,193,682	124,708	3,318,390	-
Accrued liabilities	185,219	17,713,173	17,898,392	32,610,103
Due to component unit or primary government	90,085	-	90,085	10,397,394
Unearned revenue	4,835,214	-	4,835,214	5,994,634
Workers' compensation claims	1,500,000	-	1,500,000	1,700,000
Lease due to primary government	-	-	-	2,553,132
Lease revenue certificates of participation	2,503,990	-	2,503,990	-
Revenue bonds	4,792,219	4,097,262	8,889,481	-
General obligation bonds and notes	44,903,692	205,000	45,108,692	-
Notes payable	733,929	-	733,929	-
Compensated absences	4,976,000	65,000	5,041,000	-
<b>Total Current Liabilities</b>	<b>168,191,182</b>	<b>32,067,428</b>	<b>200,258,610</b>	<b>74,369,934</b>
<b>Noncurrent Liabilities:</b>				
Workers' compensation claims	7,678,319	-	7,678,319	6,825,000
Lease due to primary government	-	-	-	10,539,079
Lease revenue certificates of participation	10,919,839	-	10,919,839	-
Revenue bonds	330,436,629	4,099,772	334,536,401	-
General obligation bonds and notes	830,987,960	1,405,000	832,392,960	-
Notes payable	7,551,957	-	7,551,957	-
Postemployment healthcare benefits	29,763,000	1,306,000	31,069,000	29,973,031
Compensated absences	90,622,367	1,766,056	92,388,423	32,922,403
<b>Total Noncurrent Liabilities</b>	<b>1,307,960,071</b>	<b>8,576,828</b>	<b>1,316,536,899</b>	<b>80,259,513</b>
<b>Total Liabilities</b>	<b>1,476,151,253</b>	<b>40,644,256</b>	<b>1,516,795,509</b>	<b>154,629,447</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	855,561,785	95,462,682	951,024,467	198,325,729
Restricted for:				
Grant and donor restrictions	5,324,429	1,454,059	6,778,488	811,875
Bond covenants	1,000,000	-	1,000,000	-
Debt service	25,141,196	-	25,141,196	-
Statutory requirements relating to:				
Regional Railroad Authority	32,519,433	-	32,519,433	-
Metropolitan Health Plan	-	11,312,602	11,312,602	-
Solid waste management	-	45,918,457	45,918,457	-
Youth sports and extended library hours	8,975,605	-	8,975,605	-
Dedicated fees and fines	7,429,084	-	7,429,084	-
Forfeitures	2,249,219	-	2,249,219	-
Unrestricted	10,181,132	7,224,268	17,405,400	75,718,457
<b>Total Net Assets</b>	<b>\$ 948,381,883</b>	<b>\$ 161,372,068</b>	<b>\$ 1,109,753,951</b>	<b>\$ 274,856,061</b>

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



Hennepin County, Minnesota  
**Statement of Activities**  
For the Year Ended December 31, 2010

	<u>Program Expenses</u>			
	<u>All Other Direct Expenses</u>	<u>Direct Depreciation Expenses</u>	<u>Total Direct Expenses</u>	<u>Indirect Expenses</u>
<b>FUNCTIONS/PROGRAMS</b>				
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
General Government .....	\$ 151,237,637	\$ 5,060,457	\$ 156,298,094	\$ (27,988,402)
Human Services .....	422,988,996	3,683,003	426,671,999	9,216,868
Health .....	130,648,709	453,154	131,101,863	594,381
Public Safety .....	255,736,300	5,746,094	261,482,394	12,452,607
Public Works .....	71,494,334	17,735,729	89,230,063	2,070,272
Libraries .....	53,702,853	16,992,534	70,695,387	3,461,986
Housing and Redevelopment Authority .....	9,072,189	632,729	9,704,918	51,891
Regional Railroad Authority .....	12,430,700	171,818	12,602,518	140,397
Interest on Long-term Debt .....	38,486,038	-	38,486,038	-
<b>Total Governmental Activities</b>	<u>1,145,797,756</u>	<u>50,475,518</u>	<u>1,196,273,274</u>	<u>-</u>
<b>Business-type Activities:</b>				
Metropolitan Health Plan .....	138,748,388	786,419	139,534,807	-
Environmental Services .....	44,690,085	5,178,950	49,869,035	-
Glen Lake Golf Course .....	802,998	117,914	920,912	-
Radio Communications .....	1,457,848	607,767	2,065,615	-
<b>Total Business-type Activities</b>	<u>185,699,319</u>	<u>6,691,050</u>	<u>192,390,369</u>	<u>-</u>
<b>Total Primary Government</b>	<u>\$ 1,331,497,075</u>	<u>\$ 57,166,568</u>	<u>\$ 1,388,663,643</u>	<u>\$ -</u>
<b>Component Unit:</b>				
Hennepin County Medical Center .....	<u>\$ 516,156,715</u>	<u>\$ 33,577,625</u>	<u>\$ 549,734,340</u>	<u>\$ -</u>

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

Program Revenues			Net Revenue (Expense) and Changes in Net Assets			Component Unit
Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	Hennepin County Medical Center
			Governmental Activities	Business-type Activities		
\$ 31,722,088	\$ 12,241,341	\$ -	\$ (84,346,263)	\$ -	\$ (84,346,263)	\$ -
49,709,455	181,349,446	-	(204,829,966)	-	(204,829,966)	-
16,565,214	47,944,366	-	(67,186,664)	-	(67,186,664)	-
18,031,530	37,339,695	-	(218,563,776)	-	(218,563,776)	-
5,527,656	34,079,982	51,519,880	(172,817)	-	(172,817)	-
3,657,735	13,479,278	-	(57,020,360)	-	(57,020,360)	-
783,085	735,477	-	(8,238,247)	-	(8,238,247)	-
886,473	814,085	190,657	(10,851,700)	-	(10,851,700)	-
-	-	-	(38,486,038)	-	(38,486,038)	-
<u>126,883,236</u>	<u>327,983,670</u>	<u>51,710,537</u>	<u>(689,695,831)</u>	<u>-</u>	<u>(689,695,831)</u>	<u>-</u>
141,575,359	-	207,192	-	2,247,744	2,247,744	-
47,130,731	4,066,616	391,079	-	1,719,391	1,719,391	-
940,444	-	-	-	19,532	19,532	-
2,367,796	-	-	-	302,181	302,181	-
<u>192,014,330</u>	<u>4,066,616</u>	<u>598,271</u>	<u>-</u>	<u>4,288,848</u>	<u>4,288,848</u>	<u>-</u>
\$ <u>318,897,566</u>	\$ <u>332,050,286</u>	\$ <u>52,308,808</u>	<u>(689,695,831)</u>	<u>4,288,848</u>	<u>(685,406,983)</u>	<u>-</u>
\$ <u>577,334,018</u>	\$ <u>17,873,152</u>	\$ <u>22,446,873</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>67,919,703</u>
General Revenues:						
Property taxes			677,617,374	4,388	677,621,762	-
Sales tax			28,244,445	-	28,244,445	-
Other taxes			2,079,744	2,630,540	4,710,284	-
Grants & contributions not restricted to specific programs			22,438,585	-	22,438,585	-
Unrestricted investment earnings			7,279,740	-	7,279,740	-
Transfers			(95,120)	95,120	-	-
Total General Revenues & Transfers			<u>737,564,768</u>	<u>2,730,048</u>	<u>740,294,816</u>	<u>-</u>
Change in Net Assets			47,868,937	7,018,896	54,887,833	67,919,703
Net Assets - Beginning			<u>900,512,946</u>	<u>154,353,172</u>	<u>1,054,866,118</u>	<u>206,936,358</u>
Net Assets - Ending			\$ <u>948,381,883</u>	\$ <u>161,372,068</u>	\$ <u>1,109,753,951</u>	\$ <u>274,856,061</u>

Hennepin County, Minnesota  
**Balance Sheets**  
**Governmental Funds**  
December 31, 2010  
With Comparative Totals for December 31, 2009

	General	Human Services	Library	Ballpark Sales Tax
<b>ASSETS</b>				
Cash and investments	\$ 177,996,246	\$ 141,750,335	\$ 36,459,714	\$ 17,359,400
Due from component unit	9,470,052	51,398	-	-
Delinquent taxes receivable	10,228,280	4,048,919	870,566	-
Due from other governmental agencies	9,757,110	33,185,557	-	-
Accrued investment interest	4,186,199	-	-	-
Advances to other fund	-	-	-	-
Other receivable	14,831,120	295,365	204,614	4,275,565
Prepaid items	2,271,421	219,346	783,215	-
Inventories	2,580,366	-	-	-
Note receivable	-	-	-	-
Restricted cash and investments	-	-	2,778,744	-
	<u>\$ 231,320,794</u>	<u>\$ 179,550,920</u>	<u>\$ 41,096,853</u>	<u>\$ 21,634,965</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts and contracts payable	\$ 59,520,505	\$ 17,150,397	\$ 725,259	\$ -
Accrued liabilities	14,440	170,779	-	-
Interfund payable	22,111,112	11,452,923	2,835,037	-
Due to component unit	90,085	-	-	-
Deferred revenue - delinquent taxes	8,402,880	3,416,120	714,266	-
Deferred revenue	2,656,057	1,980,803	1,084	-
	<u>92,795,079</u>	<u>34,171,022</u>	<u>4,275,646</u>	<u>-</u>
<b>Fund Balances:</b>				
Reserved for:				
Encumbrances	8,120,097	-	1,301,827	-
Advances and prepaid items	2,271,421	219,346	783,215	-
Inventories	2,580,366	-	-	-
Grant and donor restrictions	1,939,225	-	2,778,744	-
Bond covenants	-	-	-	-
Statutory requirements relating to:				
Sales Tax	7,527,903	-	1,447,702	-
Dedicated fees and fines	7,429,084	-	-	-
Forfeitures	2,249,219	-	-	-
Unreserved:				
Designated for:				
Subsequent year's expenditures	17,424,251	7,500,000	2,000,000	2,799,358
Grant and donor designations	1,341,043	-	3,122,726	-
Tort liability risk retention	1,800,000	-	-	-
Unrealized gain on investments	-	-	-	-
Undesignated	85,843,106	137,660,552	25,386,993	18,835,607
	<u>138,525,715</u>	<u>145,379,898</u>	<u>36,821,207</u>	<u>21,634,965</u>
Total Fund Balances	<u>138,525,715</u>	<u>145,379,898</u>	<u>36,821,207</u>	<u>21,634,965</u>
Total Liabilities and Fund Balances	<u>\$ 231,320,794</u>	<u>\$ 179,550,920</u>	<u>\$ 41,096,853</u>	<u>\$ 21,634,965</u>

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

	Housing and Redevelopment Authority (HRA)	Regional Railroad Authority (RRA)	RRA Debt Service	General Debt Service	Capital Projects	Totals	
						2010	2009
\$	1,537,698	\$ 27,804,163	\$ 469,222	\$ 5,559,894	\$ 91,866,886	\$ 500,803,558	\$ 462,281,668
	-	-	-	-	-	9,521,450	6,140,669
	-	220,670	-	957,443	33,525	16,359,403	17,225,611
	-	185,195	-	-	8,248,196	51,376,058	47,156,878
	-	-	-	-	16,397	4,202,596	4,957,673
	-	-	-	-	209,416	209,416	309,416
	128,467	423,877	-	-	1,941,900	22,100,908	26,413,750
	291,274	-	-	10,414	-	3,575,670	1,728,304
	-	-	-	-	-	2,580,366	2,182,716
	-	-	-	106,077,096	-	106,077,096	-
	606,460	-	-	1,697,272	-	5,082,476	5,297,275
\$	<u>2,563,899</u>	<u>28,633,905</u>	<u>469,222</u>	<u>114,302,119</u>	<u>102,316,320</u>	<u>721,888,997</u>	<u>573,693,960</u>
\$	439,804	\$ 1,172,245	\$ -	\$ 660,505	\$ 17,628,674	\$ 97,297,389	\$ 78,874,753
	-	-	-	-	-	185,219	23,404,418
	-	-	-	-	-	36,399,072	-
	-	-	-	-	-	90,085	2,013,839
	-	-	-	777,143	28,525	13,338,934	15,014,255
	-	182,273	-	106,077,096	4,019,573	114,916,886	9,336,838
	<u>439,804</u>	<u>1,354,518</u>	<u>-</u>	<u>107,514,744</u>	<u>21,676,772</u>	<u>262,227,585</u>	<u>128,644,103</u>
	-	221,590	-	-	111,636,638	121,280,152	129,364,931
	291,274	-	-	10,414	209,416	3,785,086	2,037,720
	-	-	-	-	-	2,580,366	2,182,716
	606,460	-	-	-	-	5,324,429	3,629,980
	-	-	-	1,000,000	-	1,000,000	1,000,000
	-	-	-	697,272	-	9,672,877	7,048,296
	-	-	-	-	-	7,429,084	9,364,980
	-	-	-	-	-	2,249,219	1,642,707
	-	12,881,875	-	-	-	42,605,484	33,736,096
	-	-	-	-	-	4,463,769	4,394,678
	-	100,000	-	-	-	1,900,000	1,900,000
	-	-	-	-	-	-	4,395,538
	<u>1,226,361</u>	<u>14,075,922</u>	<u>469,222</u>	<u>5,079,689</u>	<u>(31,206,506)</u>	<u>257,370,946</u>	<u>244,352,215</u>
	<u>2,124,095</u>	<u>27,279,387</u>	<u>469,222</u>	<u>6,787,375</u>	<u>80,639,548</u>	<u>459,661,412</u>	<u>445,049,857</u>
\$	<u>2,563,899</u>	<u>28,633,905</u>	<u>469,222</u>	<u>114,302,119</u>	<u>102,316,320</u>	<u>721,888,997</u>	<u>573,693,960</u>

Hennepin County, Minnesota  
**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets**  
 December 31, 2010

Total governmental fund balances (page 35)	\$	459,661,412
Amounts reported for governmental activities in the statement of net assets are different because:		
<b>Capital assets</b> used in governmental activities are not financial resources and, therefore, are not reported in the funds. (The capital assets of the internal service funds that serve governmental activities are included in a separate reconciling item.)		1,478,471,211
<b>Other assets</b> are not available to pay for current-period expenditures and, therefore, are not reported as revenues in the current period, but instead are deferred in the funds.		123,420,606
The <b>lease receivable</b> from component unit is not reported in the primary government's fund statements because that receivable is offset by an equal amount of long-term debt not reported at the fund level.		13,092,211
<b>Internal service funds</b> are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of internal service funds that primarily serve governmental activities are included in governmental activities in the statement of net assets. This reconciling item includes the adjustment of functional expense to eliminate internal service fund surpluses and deficits.		104,521,808
<b>Long-term liabilities</b> are not due and payable in the current period and therefore are not reported in the funds.		<u>(1,230,785,365)</u>
Net assets of governmental activities (page 30)	\$	<u><u>948,381,883</u></u>

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



Hennepin County, Minnesota  
**Statements of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
For the Year Ended December 31, 2010  
With Comparative Totals for the Year Ended December 31, 2009

	General	Human Services	Library	Ballpark Sales Tax	Housing and Redevelopment Authority (HRA)
<b>REVENUES</b>					
Property taxes	\$ 334,205,992	\$ 214,370,316	\$ 52,793,679	\$ -	\$ 3,443,202
Sales tax	-	-	-	28,244,445	-
Other taxes	1,874,843	126,343	22,654	-	2,207
Intergovernmental	142,261,126	188,709,832	9,624,945	-	217,385
Investment earnings	6,997,422	-	79,011	4,009	5,228
Charges for services	69,422,383	46,885,350	156,332	-	618,304
Fines and forfeits	315,786	-	1,651,887	-	-
Licenses and permits	4,693,274	1,206,860	-	-	-
Other	24,450,987	1,473,661	1,554,385	-	164,781
	<u>584,221,813</u>	<u>452,772,362</u>	<u>65,882,893</u>	<u>28,248,454</u>	<u>4,451,107</u>
Total Revenues					
<b>EXPENDITURES</b>					
Current:					
General government	185,328,978	-	-	4,226,147	-
Human services	-	454,975,440	-	-	-
Health	107,577,723	-	-	-	-
Public safety	249,504,292	-	-	-	-
Public works	70,171,537	-	-	-	-
Libraries	-	-	70,618,795	-	-
Housing and Redevelopment Authority	-	-	-	-	9,072,189
Regional Railroad Authority	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Capital projects	-	-	-	-	-
	<u>612,582,530</u>	<u>454,975,440</u>	<u>70,618,795</u>	<u>4,226,147</u>	<u>9,072,189</u>
Total Expenditures					
Excess (Deficiency) of Revenues Over Expenditures	<u>(28,360,717)</u>	<u>(2,203,078)</u>	<u>(4,735,902)</u>	<u>24,022,307</u>	<u>(4,621,082)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of debt	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-
Transfers in	12,954,136	1,200,000	1,468,247	-	4,512,410
Transfers out	(3,640,365)	(4,200,000)	-	(21,294,900)	-
Sale of capital assets	-	-	-	-	-
Debt premiums	-	-	-	-	-
	<u>9,313,771</u>	<u>(3,000,000)</u>	<u>1,468,247</u>	<u>(21,294,900)</u>	<u>4,512,410</u>
Total Other Financing Sources (Uses)					
Net Change in Fund Balances	(19,046,946)	(5,203,078)	(3,267,655)	2,727,407	(108,672)
Fund Balances - Beginning	<u>157,572,661</u>	<u>150,582,976</u>	<u>40,088,862</u>	<u>18,907,558</u>	<u>2,232,767</u>
Fund Balances - Ending	<u>\$ 138,525,715</u>	<u>\$ 145,379,898</u>	<u>\$ 36,821,207</u>	<u>\$ 21,634,965</u>	<u>\$ 2,124,095</u>

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

	Regional Railroad Authority (RRA)	RRA Debt Service	General Debt Service	Capital Projects	Totals	
					2010	2009
\$	11,371,721	\$ 3,029,360	\$ 61,013,699	\$ 1,706,842	\$ 681,934,811	\$ 644,310,101
	-	-	-	-	28,244,445	27,129,142
	7,245	1,915	43,827	710	2,079,744	2,172,588
	814,086	-	4,261,697	51,530,396	397,419,467	378,370,681
	190,657	-	1,235	192,835	7,470,397	12,854,534
	824,724	-	-	-	117,907,093	125,655,229
	-	-	-	-	1,967,673	2,295,170
	-	-	-	-	5,900,134	5,781,279
	61,749	-	-	751,911	28,457,474	32,791,738
	<u>13,270,182</u>	<u>3,031,275</u>	<u>65,320,458</u>	<u>54,182,694</u>	<u>1,271,381,238</u>	<u>1,231,360,462</u>
	-	-	-	-	189,555,125	142,088,557
	-	-	-	-	454,975,440	455,791,662
	-	-	-	-	107,577,723	61,808,219
	-	-	-	-	249,504,292	248,058,746
	-	-	-	-	70,171,537	51,286,705
	-	-	-	-	70,618,795	61,785,210
	-	-	-	-	9,072,189	6,206,858
	12,468,700	-	-	-	12,468,700	8,254,918
	-	1,825,000	47,175,152	-	49,000,152	44,200,987
	-	1,385,991	38,504,113	-	39,890,104	38,074,982
	-	-	113,277,589	-	113,277,589	-
	-	-	-	131,177,963	131,177,963	155,790,148
	<u>12,468,700</u>	<u>3,210,991</u>	<u>198,956,854</u>	<u>131,177,963</u>	<u>1,497,289,609</u>	<u>1,273,346,992</u>
	<u>801,482</u>	<u>(179,716)</u>	<u>(133,636,396)</u>	<u>(76,995,269)</u>	<u>(225,908,371)</u>	<u>(41,986,530)</u>
	-	42,595,000	116,215,000	122,685,000	281,495,000	248,530,000
	-	(43,682,001)	(10,295,618)	-	(53,977,619)	(119,126,545)
	-	-	19,175,761	4,200,000	43,510,554	37,666,116
	-	-	-	(14,375,289)	(43,510,554)	(37,221,555)
	-	-	-	37,030	37,030	-
	-	1,393,352	7,983,020	3,589,143	12,965,515	14,475,857
	-	306,351	133,078,163	116,135,884	240,519,926	144,323,873
	801,482	126,635	(558,233)	39,140,615	14,611,555	102,337,343
	26,477,905	342,587	7,345,608	41,498,933	445,049,857	342,712,514
\$	<u>27,279,387</u>	<u>\$ 469,222</u>	<u>\$ 6,787,375</u>	<u>\$ 80,639,548</u>	<u>\$ 459,661,412</u>	<u>\$ 445,049,857</u>

Hennepin County, Minnesota  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of  
 Governmental Funds to the Statement of Activities**  
 For the Year Ended December 31, 2010

Net change in governmental fund balances (page 39) \$ 14,611,555

Amounts reported for governmental activities in the statement of activities are different because:

**Capital outlays** are reported by governmental funds 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. 49,734,675

The net effect of **capital asset disposals, sales, and donations** is to decrease net assets in the Statement of Activities. These amounts are not reported in the governmental funds because they do not affect current financial resources. Governmental funds only report proceeds from the sale of capital assets. (5,724,568)

**Lease payments received** from component unit provide current financial resources (revenue) to governmental funds. However, in the statement of activities the payment instead reduces the lease receivable balance. (2,368,646)

**Revenues** in the statement of activities for the previous year provided current financial resources in the current year and, as such, are reported as revenues in the governmental funds. (312,861)

**Revenues** in the statement of activities that relate to long-term receivables that are offset by an equal amount of long-term debt are not reported at the fund level. 106,077,096

The issuance of **long-term debt** (e.g., bonds, leases) 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. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of the issuance and repayment of long-term debt. (180,793,613)

**Expenses** reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in governmental funds (i.e. interest on long-term debt and the amortization of long-term debt discount and issuance costs). 530,906

The net revenue of certain activities of **internal service funds** is reported with governmental activities. 66,114,393

Change in net assets of governmental activities (page 33) \$ 47,868,937

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



Hennepin County, Minnesota  
**Statements of Net Assets**  
**Proprietary Funds**  
December 31, 2010  
With Comparative Totals for December 31, 2009

	Business-type Activities - Enterprise Funds			
	Metropolitan Health Plan	Solid Waste	Glen Lake Golf Course	Radio Communications
<b>ASSETS</b>				
Current Assets:				
Cash	\$ 24,010,058	\$ 31,047,689	\$ 80,404	\$ 7,041,706
Delinquent taxes receivable	-	4,911	-	-
Interfund receivable	-	-	-	-
Due from component unit	-	-	-	-
Tip fees receivable	-	388,784	-	-
Other receivable	12,445,821	7,251,182	-	145,357
Inventories	-	-	3,764	-
Prepaid items	582,376	21,904	1,955	-
Total Current Assets	<u>37,038,255</u>	<u>38,714,470</u>	<u>86,123</u>	<u>7,187,063</u>
Noncurrent Assets:				
Restricted cash and investments	500,000	13,220,697	-	-
Capital assets:				
Land	-	8,179,432	985,092	-
Land improvements	-	-	1,893,908	-
Buildings	-	131,402,042	843,167	-
Equipment	2,840,262	6,208,628	188,034	7,718,708
Software	-	-	-	-
Leasehold improvements	2,317,221	-	-	-
Construction in progress	-	150,095	-	-
	5,157,483	145,940,197	3,910,201	7,718,708
Less accumulated depreciation and amortization	4,635,014	45,237,501	1,650,804	5,933,554
Net Capital Assets	<u>522,469</u>	<u>100,702,696</u>	<u>2,259,397</u>	<u>1,785,154</u>
Total Noncurrent Assets	<u>1,022,469</u>	<u>113,923,393</u>	<u>2,259,397</u>	<u>1,785,154</u>
Total Assets	<u>\$ 38,060,724</u>	<u>\$ 152,637,863</u>	<u>\$ 2,345,520</u>	<u>\$ 8,972,217</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts and contracts payable	\$ 6,823,922	\$ 2,989,445	\$ 5,777	\$ 43,141
Accrued interest payable	-	124,708	-	-
Accrued expenses	17,713,173	-	-	-
Current portion of:				
Workers' compensation claims	-	-	-	-
Lease revenue certificates of participation	-	-	-	-
General obligation bonds and notes	-	4,097,262	205,000	-
Notes payable	-	-	-	-
Compensated absences	50,000	15,000	-	-
Total Current Liabilities	<u>24,587,095</u>	<u>7,226,415</u>	<u>210,777</u>	<u>43,141</u>
Noncurrent Liabilities, Net of Current Portion:				
Advance from other funds	-	-	-	-
Workers' compensation claims	-	-	-	-
Lease revenue certificates of participation	-	-	-	-
General obligation bonds and notes	-	4,099,772	1,405,000	-
Notes payable	-	-	-	-
Postemployment healthcare benefits	866,000	440,000	-	-
Compensated absences	772,558	993,498	-	-
Total Noncurrent Liabilities	<u>1,638,558</u>	<u>5,533,270</u>	<u>1,405,000</u>	<u>-</u>
Total Liabilities	<u>\$ 26,225,653</u>	<u>\$ 12,759,685</u>	<u>\$ 1,615,777</u>	<u>\$ 43,141</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	\$ 522,469	\$ 92,505,662	\$ 649,397	\$ 1,785,154
Restricted for:				
Statutory requirements relating to:				
Metropolitan Health Plan	500,000	-	-	-
Solid waste management	-	13,220,697	-	-
Dedicated fees and fines	-	-	-	-
Grants	-	1,454,059	-	-
Unrestricted	<u>10,812,602</u>	<u>32,697,760</u>	<u>80,346</u>	<u>7,143,922</u>
Total Net Assets	<u>\$ 11,835,071</u>	<u>\$ 139,878,178</u>	<u>\$ 729,743</u>	<u>\$ 8,929,076</u>

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

<u>Totals</u>		2010 Internal
<u>2010</u>	<u>2009</u>	<u>Service Funds</u>
\$ 62,179,857	\$ 58,541,788	\$ 147,182,436
4,911	11,308	-
-	-	36,399,072
-	3,593	875,944
388,784	2,528,257	-
19,842,360	15,866,745	1,310,736
3,764	6,933	582,115
606,235	852,448	2,719,580
<u>83,025,911</u>	<u>77,811,072</u>	<u>189,069,883</u>
<u>13,720,697</u>	<u>16,223,836</u>	<u>-</u>
9,164,524	9,164,524	1,040,600
1,893,908	1,893,908	-
132,245,209	128,609,493	32,876,335
16,955,632	19,514,584	106,501,120
-	-	821,168
2,317,221	2,317,221	-
150,095	150,095	182,784
<u>162,726,589</u>	<u>161,649,825</u>	<u>141,422,007</u>
<u>57,456,873</u>	<u>53,897,322</u>	<u>88,041,217</u>
<u>105,269,716</u>	<u>107,752,503</u>	<u>53,380,790</u>
<u>118,990,413</u>	<u>123,976,339</u>	<u>53,380,790</u>
\$ <u>202,016,324</u>	\$ <u>201,787,411</u>	\$ <u>242,450,673</u>
\$ 9,862,285	\$ 6,351,518	\$ 3,179,763
124,708	278,708	11,820
17,713,173	15,366,876	-
-	-	1,500,000
-	-	62,118
4,302,262	12,638,855	1,109,635
-	-	70,596
65,000	43,000	5,041,000
<u>32,067,428</u>	<u>34,678,957</u>	<u>10,974,932</u>
-	-	209,416
-	-	7,678,319
-	-	269,500
5,504,772	9,807,040	16,086,920
-	-	243,911
1,306,000	922,000	29,763,000
1,766,056	2,026,242	90,557,367
<u>8,576,828</u>	<u>12,755,282</u>	<u>144,808,433</u>
\$ <u>40,644,256</u>	\$ <u>47,434,239</u>	\$ <u>155,783,365</u>
\$ 95,462,682	\$ 85,306,608	\$ 35,852,617
500,000	500,000	-
13,220,697	16,942,145	-
-	-	-
1,454,059	-	-
<u>50,734,630</u>	<u>51,604,419</u>	<u>50,814,691</u>
\$ <u>161,372,068</u>	\$ <u>154,353,172</u>	\$ <u>86,667,308</u>

Hennepin County, Minnesota  
**Statements of Revenues, Expenses, and Changes in Fund Net Assets**  
**Proprietary Funds**  
For the Year Ended December 31, 2010  
With Comparative Totals for the Year Ended December 31, 2009

	Business-type Activities - Enterprise Funds			
	Metropolitan Health Plan	Solid Waste	Glen Lake Golf Course	Radio Communications
<b>OPERATING REVENUES</b>				
Net charges for services	\$ 141,575,359	\$ 47,130,731	\$ 940,444	\$ 2,367,796
<b>OPERATING EXPENSES</b>				
Personal services	12,105,642	5,827,266	457,437	-
Commodities	712,180	209,529	89,197	183,098
Contractual services	118,161,039	32,831,701	125,709	1,274,750
Depreciation and amortization	786,419	5,178,950	117,914	607,767
Other	7,727,064	687,390	62,807	-
<b>Total Operating Expenses</b>	<b>139,492,344</b>	<b>44,734,836</b>	<b>853,064</b>	<b>2,065,615</b>
Operating Income	2,083,015	2,395,895	87,380	302,181
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Property taxes	-	4,388	-	-
Other taxes	-	161,085	-	-
Intergovernmental	-	4,066,616	-	-
Investment earnings	207,192	391,079	-	-
Interest expense	(42,463)	(669,499)	(67,848)	-
Gain on sale of capital assets	-	-	-	-
Other	-	2,469,455	-	-
Environmental grants awarded	-	(4,464,700)	-	-
<b>Total Nonoperating Revenues (Expenses)</b>	<b>164,729</b>	<b>1,958,424</b>	<b>(67,848)</b>	<b>-</b>
Income Before Contributions	2,247,744	4,354,319	19,532	302,181
Capital contributions	-	-	-	95,120
Change in Net Assets	2,247,744	4,354,319	19,532	397,301
Total Net Assets - Beginning	9,587,327	135,523,859	710,211	8,531,775
Total Net Assets - Ending	\$ 11,835,071	\$ 139,878,178	\$ 729,743	\$ 8,929,076

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

Total		2010 Internal Service Funds
2010	2009	
\$ 192,014,330	\$ 207,511,893	\$ 148,934,198
18,390,345	19,367,711	59,442,190
1,194,004	718,079	7,816,214
152,393,199	165,803,688	23,470,896
6,691,050	7,966,406	13,553,003
<u>8,477,261</u>	<u>4,676,831</u>	<u>1,612,699</u>
<u>187,145,859</u>	<u>198,532,715</u>	<u>105,895,002</u>
<u>4,868,471</u>	<u>8,979,178</u>	<u>43,039,196</u>
4,388	676,255	-
161,085	163,878	-
4,066,616	3,287,175	-
598,271	1,543,077	-
(779,810)	(1,342,088)	(641,884)
-	-	614,649
2,469,455	4,272,060	-
<u>(4,464,700)</u>	<u>(2,294,149)</u>	<u>-</u>
<u>2,055,305</u>	<u>6,306,208</u>	<u>(27,235)</u>
<u>6,923,776</u>	<u>15,285,386</u>	<u>43,011,961</u>
<u>95,120</u>	<u>59,855</u>	<u>1,543,664</u>
7,018,896	15,345,241	44,555,625
<u>154,353,172</u>	<u>139,007,931</u>	<u>42,111,683</u>
\$ <u>161,372,068</u>	\$ <u>154,353,172</u>	\$ <u>86,667,308</u>

Hennepin County, Minnesota  
**Statement of Cash Flows**  
**Proprietary Funds**  
For the Year Ended December 31, 2010

	Business-type Activities - Enterprise Funds					
	Metropolitan Health Plan	Solid Waste	Glen Lake Golf Course	Radio Communications	Totals	Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Receipts from customers and users	\$ 141,934,884	\$ 47,280,505	\$ 940,444	\$ 2,372,245	\$ 192,528,078	\$ 111,976,990
Payments to suppliers for goods and services	(114,222,299)	(33,922,742)	(211,663)	(1,470,350)	(149,827,054)	(34,238,491)
Payments to employees for services	(12,152,670)	(5,634,424)	(457,437)	-	(18,244,531)	(28,475,039)
Other operating disbursements	(7,727,064)	(687,390)	(62,807)	-	(8,477,261)	(1,712,699)
Net Cash Provided by Operating Activities	<u>7,832,851</u>	<u>7,035,949</u>	<u>208,537</u>	<u>901,895</u>	<u>15,979,232</u>	<u>47,550,761</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Property taxes	-	10,785	-	-	10,785	-
Other taxes	-	161,085	-	-	161,085	-
Grants and contributions	-	2,071,371	-	-	2,071,371	-
Noncapital debt payments	-	-	-	-	-	(65,837)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>-</u>	<u>2,243,241</u>	<u>-</u>	<u>-</u>	<u>2,243,241</u>	<u>(65,837)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Purchase of property, plant and equipment	-	(3,671,933)	-	(441,211)	(4,113,144)	(15,974,607)
Interest paid	(42,463)	(823,499)	(67,848)	-	(933,810)	(644,447)
Proceeds from sale or disposal of property, plant and equipment	-	-	-	-	-	616,922
Proceeds from issuance of debt	-	-	-	-	-	2,543,496
Debt issuance cost and principal payments	-	(12,428,860)	(210,000)	-	(12,638,860)	(1,045,099)
Net Cash Used by Capital and Related Financing Activities	<u>(42,463)</u>	<u>(16,924,292)</u>	<u>(277,848)</u>	<u>(441,211)</u>	<u>(17,685,814)</u>	<u>(14,503,735)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Interest income	207,192	391,079	-	-	598,271	-
Net Cash Provided By Investing Activities	<u>207,192</u>	<u>391,079</u>	<u>-</u>	<u>-</u>	<u>598,271</u>	<u>-</u>
Net Increase (Decrease) In Cash	7,997,580	(7,254,023)	(69,311)	460,684	1,134,930	32,981,189
Cash at Beginning of Year	16,512,478	51,522,409	149,715	6,581,022	74,765,624	114,201,247
Cash at End of Year	<u>\$ 24,510,058</u>	<u>\$ 44,268,386</u>	<u>\$ 80,404</u>	<u>\$ 7,041,706</u>	<u>\$ 75,900,554</u>	<u>\$ 147,182,436</u>
<b>CASH COMPONENTS:</b>						
Cash	\$ 24,010,058	\$ 31,047,689	\$ 80,404	\$ 7,041,706	\$ 62,179,857	\$ 147,182,436
Restricted cash	500,000	13,220,697	-	-	13,720,697	-
Cash at End of Year	<u>\$ 24,510,058</u>	<u>\$ 44,268,386</u>	<u>\$ 80,404</u>	<u>\$ 7,041,706</u>	<u>\$ 75,900,554</u>	<u>\$ 147,182,436</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>						
Operating income	\$ 2,083,015	\$ 2,395,895	\$ 87,380	\$ 302,181	\$ 4,868,471	\$ 43,039,196
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation and amortization	786,419	5,178,950	117,914	607,767	6,691,050	13,553,003
(Increase) decrease in:						
Receivables and prepaid items	(1,938,876)	347,436	655	856	(1,589,929)	(37,655,411)
Due from component unit	-	-	-	3,593	3,593	446,493
Inventories	-	-	3,169	-	3,169	61,791
Increase (decrease) in:						
Accounts payable and accrued expenses	6,902,293	(886,332)	(581)	(12,502)	6,002,878	28,205,689
Advance from other funds	-	-	-	-	-	(100,000)
Net Cash Provided by Operating Activities	<u>\$ 7,832,851</u>	<u>\$ 7,035,949</u>	<u>\$ 208,537</u>	<u>\$ 901,895</u>	<u>\$ 15,979,232</u>	<u>\$ 47,550,761</u>
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>						
Capital asset additions through increase in debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,514,776
Contributions of capital assets	-	-	-	95,120	95,120	1,543,664
Decrease in fair value of investments	(194,207)	(549,482)	-	-	(743,689)	-

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

Hennepin County, Minnesota  
**Statement of Fiduciary Net Assets**  
**Agency Fund**  
December 31, 2010

	<u>Agency</u>
<b>ASSETS</b>	
Cash and investments	\$ 85,252,759
Delinquent taxes receivable	<u>50,057,804</u>
Total Assets	<u><u>135,310,563</u></u>
<b>LIABILITIES</b>	
Amounts held or due as agent	<u><u>\$ 135,310,563</u></u>

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



Hennepin County, Minnesota  
**Notes to the Basic Financial Statements**  
December 31, 2010

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Hennepin County, Minnesota  
**Notes to the Basic Financial Statements**  
December 31, 2010

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**The Financial Reporting Entity**

Hennepin County (the County) was established in 1852 as an organized county having powers, duties, and privileges granted counties by Minnesota Statutes. The County is governed by a seven-member board of commissioners elected from districts within the County. As required by accounting principles generally accepted in the United States of America (GAAP), these financial statements present the activities of the County and its blended component units (the primary government), as well as its discretely presented component unit. While legally separate entities, the blended component units discussed below are included as part of the primary government, due to their governance structure and the significance of their operational and financial relationships with the County. The County's discretely presented component unit is also a legally separate entity; however discrete presentation is required because this component unit's governing board is not essentially the same as the governing board of the County. Each component unit has a December 31 year end.

**Blended Component Units**

The Hennepin County Regional Railroad Authority (RRA) provides for the preservation and improvement of local rail service for agriculture, industry, or passenger traffic when determined to be practicable and necessary for the public welfare. The county commissioners comprise the entire RRA board and exercise financial accountability. The RRA is included in the County's governmental funds, and separately issued financial statements can be obtained from the RRA.

The Hennepin County Housing and Redevelopment Authority (HRA) provides for the development of housing, the expanding of the tax base, increasing jobs, and industrial and commercial development. The county commissioners comprise the entire HRA board and exercise financial accountability. The HRA is included in the County's governmental funds, and separately issued financial statements can be obtained from the HRA.

**Discretely Presented Component Unit**

The Hennepin County Medical Center engages in the organization and delivery of healthcare and related services to the general public and conducts related programs and research. The Medical Center functions as a principal crisis and emergency treatment center, and as a teaching and research institution. The County has certain ownership and governing rights and obligations, including the review and approval of the annual capital and operating budgets and the annual health service plan. Land and buildings used by the Medical Center are owned by the County and leased to the Medical Center; therefore these assets are reported by the Medical Center, rather than the County. Separately issued Medical Center financial statements can be obtained from the Medical Center.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

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

Hennepin County, Minnesota  
**Notes to the Basic Financial Statements**  
December 31, 2010

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

➤ **Government-wide 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 primary government and its component units using the *economic resources measurement focus* and the *accrual basis of accounting*. The economic resources measurement focus results in the reporting of all inflows, outflows, and balances affecting or reflecting the County's net assets. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which the taxes are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the County's various functions where elimination would distort the direct costs and program revenues reported for the functions concerned.

Both of the government-wide financial statements distinguish between functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The two government-wide statements also distinguish between the primary government and the discretely presented component unit. The structure of these two statements is further described in the following two paragraphs.

*Statement of Net Assets* – This statement is designed to display the financial position of the County. The County reports all capital assets, including infrastructure, and all long-term liabilities, such as long-term debt. The net assets of the County are broken down into three categories 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted. Restrictions reported are those imposed by parties outside the County, such as creditors, grantors, contributors, laws and regulations of other governments. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as they are needed. Internal service funds have been consolidated into the governmental activities that they primarily benefit.

*Statement of Activities* – This statement demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Indirect expenses are allocated based on the annual County-wide Cost Allocation Plan. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as general revenues. Just as the Statement of Net Assets includes all capital assets, the Statement of Activities includes all depreciation expense. In the Statement of Activities, the operations of internal service funds have been consolidated into the governmental activities that they primarily benefit.

Hennepin County, Minnesota  
**Notes to the Basic Financial Statements**  
December 31, 2010

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

➤ **Fund Financial Statements**

The accounts of the County are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. The minimum number of funds is maintained consistent with legal and managerial requirements. All individual funds are considered major and are reported as separate columns in the fund financial statements. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. Separate financial statements are provided for governmental funds, proprietary funds, and the fiduciary fund.

*Governmental Funds*

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. The current financial resources measurement focus results in the reporting of only near-term (current) inflows, outflows, and balances of expendable (spendable) financial resources. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The County considers revenues, including property tax revenues, to be available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to claims and judgments, compensated absences, and other post-employment benefits, are recorded only when payment is due.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes when levied for; and investment earnings, charges for services, and intergovernmental revenue when eligibility requirements are met. Changes in the fair value of investments are recognized in interest revenues at the end of each year. Fines, forfeitures, licenses, and permit revenues are recorded when cash is received by the County because they are generally not measurable until actually received.

The County reports the following governmental funds:

The *General Fund* is the County's primary operating fund. It accounts for all financial resources of the general government except those required to be accounted for in another fund. The fund is used to account for revenues and expenditures necessary to carry out basic governmental activities relating to areas such as administration, legal, judicial, public safety, assessment, tax collection, roads and bridges.

Hennepin County, Minnesota  
**Notes to the Basic Financial Statements**  
December 31, 2010

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

*Special revenue funds* are governmental funds that account for revenue sources that are legally restricted (by parties outside the County as well as those imposed by the County) to expenditure for specific purposes other than major capital projects. The County reports five special revenue funds.

- The *Human Services Fund* is used to account for health policy; community health; veterans' services; economic assistance; children, adult, and family services; and training and employment assistance programs.
- The *Library Fund* is used to account for the activities of the County's public libraries.
- The *Ballpark Sales Tax Fund* is used to account for the inflows of cash from taxpayers to the trustee and transfers to other funds for repayment of Ballpark related bonds, Minnesota Ballpark Authority operating costs, and other expenditures allowed under legislation.
- The *Regional Railroad Authority Fund* is used to account for the preservation and improvement of local rail service for agriculture, industry, or passenger traffic when determined to be practicable and necessary for the public welfare.
- The *Housing and Redevelopment Authority Fund* is used to account for the development of housing, the expanding of the tax base, increasing jobs, and industrial and commercial development.

*Debt service funds* account for the servicing of general long-term debt not being financed by proprietary funds. Debt service funds include the General Debt Service Fund, used to account for County levy supported bonds and notes, as well as revenue bonds, and the Regional Railroad Authority Debt Service Fund, used to account for debt issued by the RRA.

*The Capital Projects Fund* accounts for the acquisition of certain capital assets or the construction of major capital projects not being financed by proprietary funds, such as construction costs of highways, libraries, roads, bridges, and other construction and improvement projects. This fund is also used for the County's contributions toward other capital projects that ultimately will not be owned by the County.

*Proprietary Funds*

The proprietary funds use the *economic resources measurement focus* and the *accrual basis of accounting*. The economic resources measurement focus results in the reporting of all inflows, outflows, and balances affecting or reflecting the fund net assets. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Proprietary funds distinguish operating revenues and expenses from nonoperating items.

Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Hennepin County, Minnesota  
**Notes to the Basic Financial Statements**  
December 31, 2010

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

In applying the provisions of Governmental Accounting Standards Board (GASB) Statement No. 20 to enterprise funds, the County adopted all applicable GASB pronouncements as well as all Financial Accounting Standards Board (FASB) statements issued on or before November 30, 1989, with the exception of those pronouncements that conflict with GASB pronouncements. The County has elected not to adopt FASB Statements and Interpretations issued after November 30, 1989.

The County reports the following proprietary funds:

*Enterprise funds* are proprietary funds used to account for those operations that are financed and operated in a manner similar to private business or where the Board of County Commissioners has decided that the determination of revenues earned, costs incurred, and/or net income is necessary for management accountability.

- The *Metropolitan Health Plan Fund* (MHP) is used to account for the state-certified health maintenance organization operations. MHP serves Medicaid, General Assistance Medical Care, and MinnesotaCare participants residing in Hennepin, Anoka, Scott, and Carver Counties, as well as Medicare/Medicaid-eligible residents of Hennepin County. Funding for these services is provided through a contract with the Minnesota Department of Human Services.
- The *Solid Waste Fund* is used to account for the management of the solid waste system, which includes the resource recovery facilities, transfer stations, and recycling and household hazardous waste programs and the environmental response fund program. The environmental response program is funded by certain mortgage registry and deed taxes, which are used for acquisition of polluted or contaminated properties, indemnifying or holding harmless, remediation, or improving those properties for economic development.
- The *Glen Lake Golf Course Fund* is used to account for the operations of the golf course.
- The *Radio Communications Fund* is used to account for the Sheriff radio system and related maintenance activities. Radios are used by the County or leased to participating entities.

*Internal service funds* account for the financing of goods or services provided by one department or agency to other departments or agencies of the government, or to other governmental units, on a cost-reimbursement basis.

- The *Central Services Fund* is used to account for receiving and distribution, mail handling, printing, paper recycling, and surplus furnishings and equipment services.
- The *Central Mobile Equipment Division Fund* is used to account for the costs of purchasing, operating, and replacing all automotive and other mobile equipment used by departments.
- The *Information Technology Fund* is used to account for the costs of data processing and data processing equipment leasing services provided to departments.
- The *Energy Center Fund* is used to account for the costs of operating the Energy Center, which provides heat and air conditioning primarily to County-owned facilities.
- The *Self Insurance Fund* is used to account for worker's compensation and the funds designated for the building and contents property insurance retentions.
- The *Other Employee Benefits Fund* is used to account for the cost of compensated absences and the cost of other post employment benefit obligations for governmental funds.

Hennepin County, Minnesota  
**Notes to the Basic Financial Statements**  
December 31, 2010

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

*Fiduciary Funds*

The County has one fiduciary fund, an agency fund, which is custodial in nature and does not present results of operations or have a measurement focus. The Agency Fund is accounted for using the accrual basis of accounting. This fund is used to account for assets that the County holds for others in an agency capacity, including pass-through grants that are equivalent to pure cash conduits; client, inmate, and other governmental agency funds held in the custody of the County; and revenues collected on behalf of other governmental units related to property taxes.

**Cash and Investments**

The County maintains an investment pool for substantially all cash and investments of all funds. Each fund's portion of the pool is presented as "cash" or "restricted cash" as appropriate. For the County funds that receive investment earnings, the allocation of those earnings is based on average monthly balances of cash and investments.

Investments are stated at fair value. The fair value of investments is determined annually and is based on quoted market prices. State law authorizes the County to invest in the following instruments:

- United States Treasury obligations
- Federal agency issues
- Repurchase agreements
- Reverse repurchase agreements
- Certificates of deposit
- General obligations of state, local, and housing finance agencies that are rated "A" or better by a national bond rating service
- Revenue obligations of any state or local government that are rated "AA" or better by a national bond rating service
- Bankers acceptances
- Commercial paper
- Futures contracts
- Guaranteed investment contracts
- Options
- Shares of certain investment companies

**Receivables and Payables**

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as "interfund receivables/payables" (i.e., the current portion of interfund loans) or advances due to/from other funds (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Taxes receivable are shown net of the allowance for uncollectible delinquent taxes, which is an estimate based on historical collection experience. All other receivables are shown net of any allowance for uncollectible accounts based on collection experience and management's evaluation of the current status of existing receivables. The portion of all receivables not included in the allowance and not collected within 60 days is offset by deferred revenue in the governmental fund financial statements.

Hennepin County, Minnesota  
**Notes to the Basic Financial Statements**  
 December 31, 2010

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Inventories and Prepaid Items**

All inventories are valued at the lower of cost or market, using the first-in, first-out (FIFO) method. Expenditures or expenses are recognized in the funds when inventories are consumed. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Governmental fund inventories and prepaid items are offset by reservation of fund balance.

**Capital Assets**

Capital assets are reported in the proprietary fund financial statements and in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets include property (e.g. land, art/historical treasures), plant (e.g. buildings, improvements), infrastructure (e.g., roads, bridges), equipment (e.g. vehicles, computers, and office equipment), library books and materials, and intangible assets (e.g., computer software). The capitalization thresholds are \$5,000 for equipment, improvements and art/historical treasures; \$250,000 for intangibles; and \$500,000 for land, buildings and infrastructure. Capital assets are recorded at historical cost or estimated historical 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 (e.g. County road overlays).

In governmental funds, capital outlays are reported as expenditures. In proprietary funds, major outlays for capital assets are capitalized as the projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on project specific invested debt proceeds over the same period. Capital assets are depreciated or amortized using the straight-line method over the following estimated useful lives:

Buildings and improvements	20-50 years
Leasehold improvements	Initial lease term
Land improvements	10-25 years
Infrastructure: Major river crossings	90 years
Conventional bridges	70 years
County roads	60 years
Equipment: Automobiles and light trucks	4-6 years
Construction/maintenance vehicles	10-20 years
General equipment	10 years
Computer equipment	3-4 years
Library books and materials	2-10 years
Intangible assets	3-7 years

**Long-Term Obligations**

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net assets. Bonds payable are reported net of the applicable bond premiums, discounts, and gain or loss on refunding. Bond premiums and discounts, as well as gain or loss on refunding, are deferred and amortized over the life of the bonds using the interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

Hennepin County, Minnesota  
**Notes to the Basic Financial Statements**  
December 31, 2010

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Long-Term Obligations - Continued**

Governmental funds recognize bond premiums, discounts, refunding gains, refunding losses, and bond issuance costs in the period issued. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances and refunding gains are reported as other financing sources. Discounts on debt issuances and refunding losses are reported as other financing uses. Issuance costs, even if withheld from the actual net proceeds received, are reported as expenditures. Debt principal payments are reported as expenditures.

**Employee Compensated Absences**

It is the County's policy to permit employees to accumulate earned but unused compensated absences. Under certain conditions, employees are compensated upon termination of employment for their accumulated unpaid vacation, paid time off, and sick leave up to a maximum number of hours. Accumulated compensated absences are reported as an expense and an accrued liability as the benefits accrue to employees in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if benefits have matured as a result of employee resignations and retirements. The Other Employee Benefits internal service fund reports the governmental funds' liability for compensated absences on the accrual basis.

**Fund Balance and Net Assets**

In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties to be used for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. In the enterprise fund and government-wide financial statements, the portion of net assets that is invested in capital assets net of related debt is reported separately. Restricted net assets are reported for amounts that are legally restricted by outside parties to be used for a specific purpose.

**Comparative Data/Reclassifications**

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements and footnotes in order to provide an understanding of the changes in the County's financial position and operations. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation. The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended December 31, 2009, from which the summarized information was derived.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from these estimates.

Hennepin County, Minnesota  
**Notes to the Basic Financial Statements**  
December 31, 2010

**2. RECONCILIATION OF GOVERNMENT-WIDE AND GOVERNMENTAL FUND FINANCIAL STATEMENTS**

**Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets:**

The basic financial statements include a reconciliation of the governmental fund balance sheet to the statement of net assets. The capital assets element of that reconciliation consists of the following:

Governmental fund capital assets (note that the capital assets of the internal service funds that serve governmental activities are included in a separate reconciling item.) .....	\$ 2,230,914,239
Governmental fund accumulated depreciation .....	(752,443,028)
Total Capital Assets Reconciliation Item	\$ 1,478,471,211

The long-term liabilities element of that reconciliation consists of the following:

General obligation (G.O.) bonds and notes payable .....	\$ (860,890,000)
Deferred charge on refundings of G.O. bonds (to be amortized as interest expense) .....	7,645,845
Net G.O. premiums and discounts (to be amortized as interest expense) .....	(22,647,497)
Deferred charges for G.O. issuance costs (to be amortized over the live of the debt) .....	4,014,825
Revenue bonds .....	(326,400,000)
Revenue bond premiums (to be amortized as interest expense) .....	(8,828,848)
Deferred charges for revenue bond issuance costs (to be amortized over the life of the debt) .....	1,223,707
Lease revenue certificate of participation (C.O.P.) payable .....	(13,422,608)
C.O.P. premiums (to be amortized as interest expense) .....	(1,221)
Notes payable .....	(8,285,886)
Accrued interest payable .....	(3,193,682)
Total Long-Term Liabilities Reconciliation Item	\$ (1,230,785,365)

**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 basic financial statements include a reconciliation of the governmental fund statement of revenues, expenditures, and changes in fund balances to the government-wide statement of activities. The details of one element of that reconciliation, the amount by which capital outlays exceeded depreciation, follow:

Capital outlay .....	\$ 100,210,193
Less depreciation expense .....	(50,475,518)
Total Capital Outlays and Depreciation Reconciliation Item	\$ 49,734,675

The reconciling item relating to long-term debt consists of the following:

Issuance of debt .....	\$ (281,495,000)
Bond premiums .....	(5,221,364)
Issuance costs .....	1,442,134
Loss on refunding .....	2,362,619
Principal repayments – G.O. debt .....	43,655,000
Principal repayments – G.O. refundings .....	51,465,000
Principal repayments – Ballpark revenue bonds .....	3,850,000
Principal repayments – note payable .....	668,092
Principal repayments – lease revenue certificate of participation .....	2,479,906
Total Long-term Debt Reconciliation Item	\$ (180,793,613)

Hennepin County, Minnesota  
**Notes to the Basic Financial Statements**  
 December 31, 2010

**3. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS**

**Deposits with Financial Institutions**

It is the County's policy to follow MN Statute 118A.03, which states that to the extent that funds deposited are in excess of available federal deposit insurance, the County must require the financial institution to furnish collateral security or a corporate surety bond. All collateral must be placed in safekeeping in a restricted account at a Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution not owned/controlled by the financial institution furnishing the collateral.

At year end, the bank balance was \$15,510,913. The bank balance was covered by either federal depository insurance, surety bonds, or by collateral held by the County's agent in the County's name. The carrying amount of deposits at year end was (\$6,089,961). To maximize investment income, the float caused by outstanding checks was invested in short-term repurchase agreements, thus causing the negative book balance. County, fiduciary, and discretely presented component unit cash and investments are pooled.

**Management of Investment Risk**

At December 31, 2010, the County had the following investments. Effective duration is shown in years.

<u>Non-fiduciary Investments</u>	<u>Fair Value</u>	<u>Effective Duration</u>
U.S. government agency securities	\$ 732,819,272	1.66
Repurchase agreements	160,408,940	0.03
Money market funds	19,056,673	0.01
Total fair value	<u>\$ 912,284,885</u>	
Effective duration		1.34

*Interest Rate Risk.* Through its investment policy, the County manages its exposure to fair value losses arising from increasing interest rates by limiting the effective duration of its investment portfolio to six years or shorter. It is the County's practice to generally ensure that investments can be held to maturity if necessary.

*Credit Risk.* The County's investments in the bonds of U.S. agencies, money market funds, and repurchase agreements were rated AAA by Standard & Poor's and Fitch Ratings, and Aaa by Moody's Investors Service. The County's general investment policy is to apply the prudent-investor rule: investments are made as a prudent investor would be expected to act. County policy allows investment in all instruments authorized by State law (detailed in Note 1), with the exception of:

- Bankers acceptances
- Commercial paper
- Shares of investment companies

*Concentration of Credit Risk.* The County primarily invests in U.S. government agency securities and, therefore, places no limit on the amount that may be invested in any one issuer. More than 5% of the fair value of the County's total investments are in each of the following: Federal National Mortgage Association (36%), Federal Home Loan Bank (25%), and Federal Home Loan Mortgage Corporation (17%).

Hennepin County, Minnesota  
**Notes to the Basic Financial Statements**  
December 31, 2010

**3. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS – CONTINUED**

*Custodial Credit Risk.* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County purchases securities in such a manner that the securities are insured, registered in the County's name, or are in the possession of the County's trustee or held by a custodial bank for the County under a tri-party agreement.

**Investment Income, Realized Gains and Losses, and Unrealized Gains and Losses**

Cash from all funds is pooled for deposit and investment purposes. In accordance with legal restrictions, investment earnings from pooled deposits and investments are recorded in the General Fund, MHP Fund, Housing and Redevelopment Fund, Solid Waste Fund, Capital Projects Fund, Regional Railroad Authority Fund, and Agency Fund (for Three Rivers Park District). Investment earnings are allocated based on average monthly cash balances. The net change in the fair value of investments is reported as a component of total investment earnings. A detail, by fund type, of this activity for 2010 is as follows:

Fund	Investment Income and Realized Gains and Losses	Net Decrease in the Fair Value of Investments	Total Investment Earnings
<u>Governmental Funds:</u>			
General	\$ 12,772,888	\$ (5,775,466)	\$ 6,997,422
Special Revenue:			
Libraries	91,881	(12,870)	79,011
Ballpark Sales Tax	4,009	-	4,009
Housing and Redevelopment	6,163	(935)	5,228
Regional Railroad	492,548	(301,891)	190,657
Capital Projects	192,835	-	192,835
Debt Service	1,235	-	1,235
	<u>13,561,559</u>	<u>(6,091,162)</u>	<u>7,470,397</u>
<u>Proprietary Funds:</u>			
Enterprise:			
Metropolitan Health Plan	401,399	(194,207)	207,192
Solid Waste	940,561	(549,482)	391,079
	<u>1,341,960</u>	<u>(743,689)</u>	<u>598,271</u>
Total	<u>\$ 14,903,519</u>	<u>\$ (6,834,851)</u>	<u>\$ 8,068,668</u>

A summary comparing the results of stating investments at fair value follows:

	2010	2009
Investment income and realized gains and losses	\$ 14,903,519	\$ 18,495,601
Net annual decrease in the fair value of investments	(6,834,851)	(4,097,990)
Total Investment Earnings	<u>\$ 8,068,668</u>	<u>\$ 14,397,611</u>

The calculation of realized gains and losses is independent of the calculation of the net change in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year are included as a change in the fair value of investments in the current year.

**4. RESTRICTED CASH AND INVESTMENTS**

Proprietary fund assets are reported as restricted based on applicable legal requirements. Restrictions indicate the asset may only be used for a specific purpose that is narrower than the purpose of the fund or funds indicated by the column heading. Cash and investment restrictions are shown below.

- \$500,000 MHP cash restricted by MN statute 62D.041 for protection in the event of insolvency
- \$13,220,697 Solid Waste Fund Environmental Response Program cash and investments restricted for purposes specified by Minnesota statutes, section 383B.81

Hennepin County, Minnesota  
**Notes to the Basic Financial Statements**  
December 31, 2010

**5. CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2010 was as follows:

	Balance January 1, 2010	Additions and Transfers In	Deletions and Transfers Out	Balance December 31, 2010
<b>Governmental Activities:</b>				
<i>Capital assets not being depreciated:</i>				
Art & historical treasures	\$ 4,641,516	\$ 7,403	\$ -	\$ 4,648,919
Land	105,405,145	640,759	(52,030)	105,993,874
Construction in progress – buildings	37,041,326	10,344,332	(36,263,688)	11,121,970
Construction in progress – infrastructure	142,911,899	65,831,662	(94,787,547)	113,956,014
<i>Total capital assets not being depreciated</i>	<u>289,999,886</u>	<u>76,824,156</u>	<u>(131,103,265)</u>	<u>235,720,777</u>
<i>Capital assets being depreciated:</i>				
Buildings	681,958,303	35,851,181	(2,412,869)	715,396,615
Equipment	160,780,450	18,609,406	(14,249,791)	165,140,065
Software	-	14,241,613	-	14,241,613
Library books and materials	71,316,995	8,005,405	(6,488,580)	72,833,820
Leasehold improvements	11,385,780	1,700,876	-	13,086,656
Land improvements	23,115,820	318,250	-	23,434,070
Infrastructure	1,033,191,302	94,787,547	(9,853,094)	1,118,125,755
<i>Total capital assets being depreciated</i>	<u>1,981,748,650</u>	<u>173,514,278</u>	<u>(33,004,334)</u>	<u>2,122,258,594</u>
<i>Less accumulated depreciation for:</i>				
Buildings	278,983,499	20,488,561	(964,342)	298,507,718
Equipment	104,069,903	17,530,789	(11,533,249)	110,067,443
Software	-	185,719	-	185,719
Library books and materials	41,060,201	8,742,523	(6,488,580)	43,314,144
Leasehold improvements	11,385,779	192,610	-	11,578,389
Land improvements	5,190,592	1,511,482	-	6,702,074
Infrastructure	347,179,662	15,376,837	(6,784,616)	355,771,883
<i>Total accumulated depreciation</i>	<u>787,869,636</u>	<u>64,028,521</u>	<u>(25,770,787)</u>	<u>826,127,370</u>
Total capital assets being depreciated, net	<u>1,193,879,014</u>	<u>109,485,757</u>	<u>(7,233,547)</u>	<u>1,296,131,224</u>
Governmental activities capital assets, net	<u>1,483,878,900</u>	<u>186,309,913</u>	<u>(138,336,812)</u>	<u>1,531,852,001</u>
<b>Business-type Activities</b>				
<i>Capital assets not being depreciated:</i>				
Land	9,164,524	-	-	9,164,524
Construction in progress – buildings	150,095	-	-	150,095
<i>Total capital assets not being depreciated</i>	<u>9,314,619</u>	<u>-</u>	<u>-</u>	<u>9,314,619</u>
<i>Capital assets being depreciated:</i>				
Buildings	128,609,493	3,635,716	-	132,245,209
Equipment	19,514,584	572,547	(3,131,499)	16,955,632
Leasehold improvements	2,317,221	-	-	2,317,221
Land improvements	1,893,908	-	-	1,893,908
<i>Total capital assets being depreciated</i>	<u>152,335,206</u>	<u>4,208,263</u>	<u>(3,131,499)</u>	<u>153,411,970</u>
<i>Less accumulated depreciation for:</i>				
Buildings	37,343,521	5,000,830	-	42,344,351
Equipment	14,222,047	1,166,634	(3,131,499)	12,257,182
Leasehold improvements	1,346,922	447,830	-	1,794,752
Land improvements	984,832	75,756	-	1,060,588
<i>Total accumulation depreciation</i>	<u>53,897,322</u>	<u>6,691,050</u>	<u>(3,131,499)</u>	<u>57,456,873</u>
Total capital assets being depreciated, net	<u>98,437,884</u>	<u>(2,482,787)</u>	<u>-</u>	<u>95,955,097</u>
Business-type activities capital assets, net	<u>107,752,503</u>	<u>(2,482,787)</u>	<u>-</u>	<u>105,269,716</u>
Total Capital Assets, Net	<u>\$ 1,591,631,403</u>	<u>\$ 183,827,126</u>	<u>\$ (138,336,812)</u>	<u>\$ 1,637,121,717</u>

Hennepin County, Minnesota  
**Notes to the Basic Financial Statements**  
December 31, 2010

**5. CAPITAL ASSETS – CONTINUED**

The direct depreciation expenses shown in the Statement of Activities includes the depreciation expenses of the Internal Service Funds. The \$13,553,003 of depreciation is included in the governmental activities programs in the following amounts: General Government \$3,464,757, Human Services \$3,230,000, Health \$276,957, Public Safety \$2,872,187, Public Works \$3,432,059 and Libraries \$277,043.

Of the capital assets shown in governmental activities in the previous table, the Hennepin County Regional Railroad Authority (RRA) and Hennepin County Housing Authority (HRA) blended component units' capital asset activity for the year ended December 31, 2010 was as follows:

	Balance January 1, 2010	Additions	Deletions	Balance December 31, 2010
<b>RRA Activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land (including rail corridor)	\$ 36,197,290	\$ -	\$ -	\$ 36,197,290
<i>Capital assets being depreciated:</i>				
Buildings	2,371,256	-	-	2,371,256
Less accumulated depreciation	1,302,552	171,818	-	1,474,370
Total capital assets being depreciated, net	1,068,704	(171,818)	-	896,886
RRA Capital Assets, Net	\$ 37,265,994	\$ (171,818)	\$ -	\$ 37,094,176
<b>HRA Activities:</b>				
<i>Capital assets being depreciated:</i>				
Buildings	\$ 12,654,573	\$ -	\$ -	\$ 12,654,573
Less accumulated depreciation	2,311,581	632,729	-	2,944,310
Total capital assets being depreciated, net	10,342,992	(632,729)	-	9,710,263
HRA Capital Assets, Net	\$ 10,342,992	\$ (632,729)	\$ -	\$ 9,710,263

**6. RECEIVABLES**

Receivables as of year end for the County's individual funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Fund(s):	Taxes Receivable	Intergov- ernmental Receivable	Interest Receivable	Accounts Receivable	Allowance for Uncollectibles	Net Total Receivables
General	\$ 13,037,729	\$ 9,757,110	\$ 4,186,199	\$ 14,831,120	\$ (2,809,449)	\$ 39,002,709
Human Services	6,007,812	33,185,557	-	295,365	(1,958,893)	37,529,841
Library	1,294,292	-	-	204,614	(423,726)	1,075,180
Ballpark Sales Tax	-	-	-	4,275,565	-	4,275,565
HRA	-	-	-	128,467	-	128,467
RRA	330,410	185,195	-	423,877	(109,740)	829,742
Debt Service	1,425,515	-	-	-	(468,072)	957,443
Capital Projects	49,474	8,248,196	16,397	1,941,900	(15,949)	10,240,018
MHP	-	-	-	12,650,068	(204,247)	12,445,821
Solid Waste	6,972	-	-	7,639,966	(2,061)	7,644,877
Radio Comm.	-	-	-	131,281	-	131,281
Internal Service	-	-	-	1,035,270	-	1,035,270
<b>Total</b>	<b>\$ 22,152,204</b>	<b>\$ 51,376,058</b>	<b>\$ 4,202,596</b>	<b>\$ 43,557,493</b>	<b>\$ (5,992,137)</b>	<b>\$ 115,296,214</b>

Hennepin County, Minnesota  
**Notes to the Basic Financial Statements**  
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**6. RECEIVABLES – CONTINUED**

**Notes Receivable**

In addition to the receivables detailed in the preceding table, the County reports notes receivable totaling \$106,077,096. In 2010, the County assisted the Counties Transit Improvement Board (CTIB) in obtaining more favorable financing terms by issuing \$102,810,000 of sales tax revenue bonds and loaning the proceeds to CTIB. CTIB will repay the County from sales tax revenues equal to the bond debt service paid by the County as disclosed in Note 7. The County also has a \$3,267,096 note receivable from the Minnehaha Watershed District due to a similar transaction.

**Taxes Receivable**

Property taxes are a lien on property from the year in which the property is assessed. The lien attaches on the first Monday of the following year. Tax levies are certified to the county auditor five business days after December 20 of the year the property is assessed. The taxes levied are payable in the following year in two equal installments. The amounts and due dates for taxes on real property are half on or before May 15 and the balance on or before October 15. Personal property taxes are due in one installment on May 15. The amount of the allowance for uncollectible delinquent taxes is an estimate based on historical collection experience. Estimated uncollectible delinquent taxes total \$5,785,829 in the governmental funds and \$2,061 in proprietary funds.

**Deferred Long-term Loans Receivable**

In 2000 the HCHRA Board of Commissioners established the Affordable Housing Incentive Fund (AHIF) Program to assist municipalities, government and nonprofit agencies, private and nonprofit housing developers, and lenders in the development of affordable housing throughout Hennepin County. As of December 31, 2010 there are 129 AHIF deferred loans outstanding, with original terms ranging from 10 to 60 years. Loans totaling \$19,022,025 are underwritten with no interest payments, and will be forgiven at the end of the loan period if all program conditions are met. Additional loans totaling \$19,391,305 are written so that both interest and principal payments are deferred for the full term of the loans if all program conditions are met and are expected to be repaid or refinanced with extended terms at their due date. Given the nature of these loans and the uncertainty of repayment, at the time of origination they were fully reserved resulting in a net carrying value of zero.

A total of \$10,520,430 is outstanding at year-end for 613 County-administered single-family home rehabilitation projects funded under the federal Community Development Block Grant (CDBG) deferred loan program. The original terms of these loans generally range from 10 to 30 years, and all such loans will be forgiven and become grants if the homeowners remain in their homes for the full term of the loan. Given the nature of these loans, they are not recognized in the financial statements.

The federal Home Investments Partnership (HOME) program focuses on meeting affordable housing needs by funding certain rental housing development and home ownership activities. As of December 31, 2010 there are 360 HOME deferred loans totaling \$27,120,402 outstanding, with original terms ranging from 20 to 30 years. Loans are structured with various terms, including those with principal and interest deferred until the end of the loan term and expected to be repaid or refinanced with extended terms at that date; forgivable loan agreements placed through Habitat for Humanity; forgivable loans providing funding to the West Hennepin Affordable Housing Land Trust; loans to low-income homebuyers in the form of deferred, zero interest loans that are payable at the end of their 30-year term; and other loan structures. Given the nature of these loans and the uncertainty of repayment, at the time of origination they are fully reserved resulting in a net carrying value of zero.

Hennepin County, Minnesota  
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**7. COMMITMENTS**

**Solid Waste Facilities**

The County is obligated under service agreements to make certain payments and supply solid waste to two solid waste facilities. Payments are being made from user charges and bond receipts, and future payments are expected to be:

Years Ending December 31	Expected Payment
2011	\$ 5,708,833
2012	5,880,098
2013	6,056,501
2014	6,238,196
2015	6,425,341
2016-2018	20,455,891
Total	\$ 50,764,860

**Medical Center Discretely Presented Component Unit**

In furtherance of its charitable purpose, the Medical Center provides a wide variety of benefits to the community, including offering various community-based social service programs such as free clinics, health screenings, trauma services, training for emergency service personnel, crisis intervention, and transportation to and from the hospital campus. Additionally, a large number of health-related education programs are provided for the benefit of the community, including: health enhancements and wellness, classes on specific conditions, unreimbursed costs of medical education, telephone information services, and costs related to programs designed to improve the general standards of the health of the community.

The Medical Center also provides medical care without charge or at reduced cost to residents of its community through the provision of charity care. Included in the Medical Center's definition of charity care is: (a) services provided to the uninsured or underinsured, and (b) the services provided to patients expressing a willingness to pay but who are determined to be unable to pay because of socioeconomic factors.

Based on the community benefits provided by the Medical Center, the County is committed to the provision of significant support to Medical Center operations, including allowing the Medical Center to use specific County-owned land and buildings at essentially no cost, guaranteeing a specific level of cash liquidity for the Medical Center, providing funding for the provision of uncompensated care services based on a specific formula, and providing funding for Medical Center capital improvement projects approved through the County's budgeting process. County Board budget approvals through the end of 2010 relating to HCMC capital improvements that had not yet been completed totaled \$92.5 million with \$66 million already expended, resulting in a remaining budget of \$26.5 million.

Hennepin County, Minnesota  
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## 7. COMMITMENTS – CONTINUED

### **Medical Center Discretely Presented Component Unit – Continued**

The County is committed to providing 100% of employer-paid healthcare benefits for Medical Center employees who were retired as of December 31, 2006. In addition, should the Medical Center's costs for healthcare benefits for employees retiring after December 31, 2006 who receive that benefit exceed \$1 million annually, the County will reimburse the Medical Center for 50% of the amount in excess of \$1 million.

### **Counties Transit Improvement Board – Joint Venture (non-equity interest)**

In 2008, the County Board authorized the County to join Anoka, Dakota, Ramsey, and Washington counties in the establishment of the Counties Transit Improvement Board (CTIB). The Minnesota Legislature authorized this joint powers board to impose a 0.25% sales and use tax, and an excise tax of \$20 on sales of motor vehicles. The taxes are used to provide grants to fund improvements to the transit system, including light rail, commuter rail, and bus rapid transit. In 2010, CTIB provided funding for:

- purchasing right of way; performing utility relocation; and constructing dedicated bus lanes, pedestrian and bikeway facilities, and streetscape elements for the Cedar Avenue Corridor;
- preliminary engineering and development of a final environmental impact statement for the Southwest Light Rail Transit Corridor Project;
- construction of transit facility and purchase of buses for I-35W Bus Rapid Transit (BRT) project;
- acquisition of land for the Newport Transit Station in the City of Newport;
- procurement of light rail vehicles; completion of final design; and continuation of utility relocation and other construction activities for the Central Corridor Light Rail Transit Project; and
- 50% of operations costs of the Northstar line, Hiawatha line, and I-35W and Cedar Avenue BRT.

In 2010, the County assisted CTIB in obtaining more favorable financing terms by issuing \$102.8 million of sales tax revenue bonds and loaning the proceeds to CTIB. CTIB will repay the County from sales tax revenues equal to the bond debt service paid by the County. Remaining principal and interest payments total \$162.1 million. At year-end, CTIB assets totaled \$179 million and liabilities totaled \$119.7 million, resulting in net assets of \$59.3 million. Separately issued financial statements can be obtained from CTIB.

## 8. RELATED PARTY TRANSACTIONS

Significant transactions between the County and the Medical Center discretely presented component unit during 2010 included the following.

- While the County has retained ownership of land and buildings used by Medical Center operations, the majority of those facilities were leased to the Medical Center for a nominal amount.
- The County received \$2.4 million from the Medical Center under a capital lease agreement.
- The County provided \$32.8 million to the Medical Center in support of uncompensated care provided to Hennepin County citizens.
- The County contributed \$22.4 million to the Medical Center for capital improvement projects.
- The County's MHP enterprise fund is a health maintenance organization purchasing services from the Medical Center and other medical service providers. During 2010, MHP purchased Medical Center services totaling approximately \$32.5 million.

Hennepin County, Minnesota  
**Notes to the Basic Financial Statements**  
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**9. INTERFUND BALANCES AND ACTIVITY**

**Interfund Balances**

Interfund balances at December 31 consisted of the following:

- \$209,416 due from an Internal Service Fund to the Capital Projects Fund for Energy Center facility modifications. \$109,416 is not expected to be repaid within one year.
- \$22,111,112 due from the General Fund to an Internal Service Fund for future postemployment healthcare benefits. \$21 million is not expected to be repaid within one year.
- \$11,452,923 due from the Human Services Fund to an Internal Service Fund for future postemployment healthcare benefits. \$10 million is not expected to be repaid within one year.
- \$2,835,037 due from the Library Fund to an Internal Service Fund for future postemployment healthcare benefits. \$2 million is not expected to be repaid within one year.

Beginning in 2010, the County has chosen the option of using an Internal Service Fund to account for the cost and liquidation of the governmental funds' postemployment healthcare benefits. Because of this choice and a previous decision to account for compensated absences similarly, the County reports these estimated future benefit costs in the fund statements on a full accrual basis. Interfund liabilities are reported in the governmental funds for the amounts to be paid to the internal service fund in future years for these benefits.

**Interfund transfers during 2010:**

Fund Transferred From	Fund Transferred To	Purpose	Amount
<b><i>Between Funds Within Governmental Activities:</i></b>			
General	Human Services	Support mental health contract services	\$ 1,200,000
General	Debt Service	Century Plaza Building debt service	1,840,750
General	Debt Service	Central Library Parking Facility debt service	599,615
Human Services	Capital Projects	Northwest Suburban Hub project	4,200,000
Ballpark Sales Tax	General	Sales tax support of youth sports & activities	3,289,422
Ballpark Sales Tax	Library	Sales tax support of extended library hours	1,468,247
Ballpark Sales Tax	Debt Service	Ballpark debt service	16,537,231
Capital Projects	General	APEX software implementation project	9,544,385
Capital Projects	General	Support Minneapolis libraries' capital projects staffing costs	120,329
Capital Projects	HRA	Affordable housing and transit oriented development	4,512,410
Capital Projects	Debt Service	Augsburg debt service	198,165
			<b>\$ 43,510,554</b>

Hennepin County, Minnesota  
**Notes to the Basic Financial Statements**  
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**10. LONG-TERM OBLIGATIONS**

Changes in long-term obligations for the year ended December 31, 2010 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities:</u>					
G.O. bonds – County-wide	\$538,302,250	\$97,685,000	\$(33,744,500)	\$602,242,750	\$32,534,000
G.O. bonds – libraries Limited Authority G.O. bonds – RRA	68,237,750	25,215,000	(6,955,500)	86,497,250	7,621,000
G.O. bonds – non-levy supported	42,850,000	42,595,000	(43,580,000)	41,865,000	1,360,000
G.O. revenue bonds – CTIB	1,415,000	-	(130,000)	1,285,000	135,000
G.O. Capital notes	-	102,810,000	-	102,810,000	-
Unamortized premiums	14,000,000	13,190,000	(1,000,000)	26,190,000	1,955,000
Deferred amount on refundings	18,845,906	12,965,515	(9,163,924)	22,647,497	1,824,758
Total G.O. bonds & notes	(5,783,041)	(2,362,619)	499,815	(7,645,845)	(526,066)
Sales tax revenue bonds	677,867,865	292,097,896	(94,074,109)	875,891,652	44,903,692
Unamortized premiums	330,250,000	-	(3,850,000)	326,400,000	4,420,000
Total revenue bonds and notes	9,201,067	-	(372,219)	8,828,848	372,219
Total G.O. & revenue bonds and notes	339,451,067	-	(4,222,219)	335,228,848	4,792,219
Lease revenue certificates of participation (COPs)	16,505,000	-	(2,540,000)	13,965,000	2,615,000
Deferred amount on refunding	(715,027)	-	172,635	(542,392)	(111,260)
Unamortized premiums	62,876	-	(61,655)	1,221	250
Total COPs	15,852,849	-	(2,429,020)	13,423,829	2,503,990
Notes payable	18,729,815	-	(10,443,929)	8,285,886	733,929
Compensated absences	93,695,716	5,650,898	(3,748,247)	95,598,367	5,041,000
Postemployment healthcare	20,783,000	8,980,000	-	29,763,000	-
	1,166,380,312	306,728,794	(114,917,524)	1,358,191,582	57,974,830
<u>Business-type Activities:</u>					
G.O. bonds – Golf Course	1,820,000	-	(210,000)	1,610,000	215,000
G.O. revenue bonds – Solid Waste	20,110,000	-	(11,910,000)	8,200,000	4,100,000
Unamortized premiums	515,895	-	(518,861)	(2,966)	(2,738)
Total G.O. Revenue bonds	20,625,895	-	(12,428,861)	8,197,034	4,097,262
Compensated absences	2,069,242	237,695	(475,881)	1,831,056	-
Postemployment healthcare	922,000	384,000	-	1,306,000	-
	25,437,137	621,695	(13,114,742)	12,944,090	4,312,262
Government-wide Total	\$1,191,817,449	\$307,350,489	\$(128,032,266)	\$1,371,135,672	\$62,287,092

The Schedule of Changes in Long-term Debt (page 102) provides additional detail on bonds, notes, and certificates of participation. The lease revenue certificates of participation balance shown above is net of an adjustment on refunding debt (not included on the Schedule of Changes in Long-term Debt). Long-term liabilities of the internal service funds are included in governmental activities. An internal service fund is used to liquidate the governmental fund long-term obligation for compensated absences and post-employment healthcare.

Hennepin County, Minnesota  
**Notes to the Basic Financial Statements**  
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**11. DEBT SERVICE REQUIREMENTS**

**General obligation bonds and notes** are direct obligations and pledge the full faith and credit of the County. These bonds generally are issued as 20-year serial bonds with varying amounts of principal maturing each year. The County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. During the year, general obligation bonds totaling \$136,090,000 were issued. Of this amount, \$110,875,000 was issued to finance County-wide capital improvements and \$15,000,000 was issued for Library capital improvements. The remaining \$10,215,000 was issued to refund the \$9,860,000 outstanding Central Library Parking Ramp note payable to the City of Minneapolis. The reacquisition price exceeded the net carrying amount of the old debt by \$435,618. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is the same as the life of the new debt issued. This advance refunding resulted in a total reduction of the County's debt service payments of \$1,354,973 over the next 18 years and a total economic gain (difference between the present value of the debt service payments for the old and new debt) of \$807,875. During 2010, RRA limited tax obligation debt was issued to refund the \$41,755,000 outstanding RRA debt of the same type. The reacquisition price exceeded the net carrying amount of the old debt by \$1,927,001. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is the same as the life of the new debt issued. This advance refunding resulted in a total reduction of the RRA's debt service payments of \$6,435,653 over the next 21 years and a total economic gain of \$4,531,722.

**Sales tax revenue bonds** are issued when sales tax income is pledged to pay debt service. In 2007 and 2008, the County issued Ballpark Revenue Bonds and pledged income derived from a 0.15% Hennepin County sales tax to pay the debt service. The revenue bonds were issued for the construction of Target Field in Minneapolis, the home of the Minnesota Twins. Target Field is owned by the Minnesota Ballpark Authority, which is not a County agency or component unit. At December 31 \$530,274,877 of total remaining Ballpark Revenue Bond principal and interest was expected to be paid from future sales tax collected through 2037. The 2010 \$16,570,768 principal and interest payments were paid from \$28,244,445 of net sales tax revenues collected during 2010 (revenue total is net of State service fees for collecting sales tax). To the extent that sales tax revenues are available each year after payment of debt service, other allowable payments may occur. In addition to use for debt service and for sales tax collection fees, the sales tax revenues may be used 1) to pay for certain operating costs of the Ballpark Authority, 2) to establish and annually fund a reserve fund for capital improvements to the Ballpark, and 3) to make certain expenditures and grants for youth activities and amateur sports and extension of library hours.

Hennepin County, Minnesota  
**Notes to the Basic Financial Statements**  
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**11. DEBT SERVICE REQUIREMENTS – CONTINUED**

Annual debt service requirements for general obligation bonds and notes and for sales tax revenue bonds, as of December 31 are as follows (assuming that the liquidity facility agreement with respect to the Series 2005A variable rate bonds is renewed in 2013).

	<b>General Obligation Bonds &amp; Notes</b>		<b>Sales Tax Revenue Bonds</b>		Total
	Principal	Interest	Principal	Interest	
<b>Governmental Activities:</b>					
2011	\$ 43,470,000	\$ 30,835,044	\$ 4,420,000	\$ 12,536,386	\$ 91,261,430
2012	44,710,000	28,455,783	4,900,000	12,364,247	90,430,030
2013	47,165,000	27,052,734	5,230,000	12,172,752	91,620,486
2014	46,550,000	25,543,122	5,690,000	11,954,163	89,737,285
2015	46,400,000	23,955,036	6,130,000	11,714,173	88,199,209
2016-2020	231,840,000	93,122,683	38,895,000	54,418,078	418,275,761
2021-2025	164,875,000	51,632,590	58,770,000	44,317,113	319,594,703
2026-2030	98,720,000	19,399,665	78,965,000	28,491,654	225,576,319
2031-2035	34,675,000	4,748,675	88,250,000	14,036,843	141,710,518
2036-2037	-	-	35,150,000	1,869,468	37,019,468
	<u>758,405,000</u>	<u>304,745,332</u>	<u>326,400,000</u>	<u>203,874,877</u>	<u>1,593,425,209</u>
<b>Business-type Activities:</b>					
2011	205,000	62,761	-	-	267,761
2012	215,000	49,500	-	-	264,500
2013	225,000	43,050	-	-	268,050
2014	230,000	36,300	-	-	266,300
2015	240,000	29,400	-	-	269,400
2016-2020	495,000	29,800	-	-	524,800
	<u>1,610,000</u>	<u>250,811</u>	<u>-</u>	<u>-</u>	<u>1,860,811</u>
Total	<u>\$ 760,015,000</u>	<u>\$304,996,143</u>	<u>\$326,400,000</u>	<u>\$203,874,877</u>	<u>\$1,595,286,020</u>

The interest on variable rate debt is computed using the interest rate effective at December 31. The interest rates on the County's variable rate debt are set by the remarketing agent and are reset weekly on Wednesday effective Thursday. The liquidity facility that supports the Series 2005A variable rate bonds expires June 2013. If renewal or substitution efforts are unsuccessful, the Series 2005A bonds outstanding at that time will be mandatorily redeemed under the terms of the liquidity facility and the County will be required to reimburse the liquidity provider. As of December 31, 2010, the Series 2005A outstanding balance was \$47.1 million of which \$37.7 million is reported in the table above as maturing in December 2013 through December 2025. If the bonds are mandatorily redeemed, the 2013 debt service requirement for G.O. principal will be \$80 million, rather than the \$47.2 million shown in the table above.

**General obligation revenue bonds** are issued when specific revenues are pledged to pay debt service. The County has pledged future solid waste fee revenues, net of specified operating expenses, to repay \$8,200,000 of General Obligation Solid Waste Refunding Revenue Bonds issued in July 2003. Proceeds from the original issue of bonds were used to provide financing for the acquisition of the Hennepin Energy Recovery Center. The bonds are payable from net fee revenues and are payable through 2012. Principal and interest paid for the current year and total net fees available for debt service were \$12,579,499 and \$12,198,013, respectively. An additional \$1,285,000 of County revenue bonds relating to the Augsburg Ice Arena are payable from the facility's pledged revenue through 2018. In 2010, the County issued \$102,810,000 of General Obligation Senior Sales Tax Revenue Bonds. The bonds are payable from CTIB sales tax revenues in 2012 through 2030. Additional information is provided in Note 7.

Hennepin County, Minnesota  
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**11. DEBT SERVICE REQUIREMENTS – CONTINUED**

Annual debt service requirements for general obligation revenue bonds, as of December 31 are as follows:

	<b>General Obligation Revenue Bonds</b>		
	Principal	Interest	Total
<b>Governmental Activities:</b>			
2011	\$ 135,000	\$ 4,713,211	\$ 4,848,211
2012	3,685,000	4,799,104	8,484,104
2013	3,835,000	4,650,724	8,485,724
2014	3,990,000	4,496,274	8,486,274
2015	4,155,000	4,335,589	8,490,589
2016-2020	23,455,000	18,580,869	42,035,869
2021-2025	28,910,000	12,534,444	41,444,444
2026-2030	35,930,000	5,519,655	41,449,655
	104,095,000	59,629,870	163,724,870
<b>Business-type Activities:</b>			
2011	4,100,000	226,525	4,326,525
2012	4,100,000	76,875	4,176,875
	8,200,000	303,400	8,503,400
Total	\$112,295,000	\$ 59,933,270	\$172,228,270

**Notes Payable** annual debt service requirements are as follows:

	Principal	Interest	Total
<b>Governmental Activities:</b>			
2011	588,688	17,272	605,960
2012	593,791	11,987	605,778
2013	599,264	6,321	605,585
2014	605,132	908	606,040
2015	518,092	-	518,092
2016-2020	2,590,460	-	2,590,460
2021-2025	2,590,460	-	2,590,460
2026-2028	200,000	-	200,000
	\$ 8,285,887	\$36,488	\$ 8,322,375
Total	\$ 8,285,887	\$36,488	\$ 8,322,375

**Lease revenue certificates of participation**, with final maturity in 2015, are secured by annual lease payments payable by the County for use of the related facility. Center Hospital Corporation, a public benefit corporation, was created to issue certificates of participation. The County leases a facility from Center Hospital, and the lease revenues are used by Center Hospital to pay bond interest and principal. Annual lease revenue certificate of participation debt service payments for the next five years range from \$2,615,000 to \$2,985,000 for principal, and from \$104,475 to \$444,556 for interest.

**12. HOUSING AND REDEVELOPMENT AUTHORITY CONDUIT FINANCING**

In support of housing, the HRA has issued, or acted as an agent for, various debt instruments (e.g., revenue bonds, refunding bonds, notes) for which the HRA has no legal obligation to make principal and interest payments. These conduit financings do not constitute an indebtedness of the County within the meaning of any state constitutional provision or statutory limitation.

Hennepin County, Minnesota  
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**12. HOUSING AND REDEVELOPMENT AUTHORITY CONDUIT FINANCING – CONTINUED**

In one case, the Community Provider Program Conduit Financing, if the reserve fund falls below the reserve requirement, the county administrator is obligated pursuant to the moral obligation agreement to include in the annual budget presented to the board of county commissioners an amount sufficient to make up the deficiency, and the board may, but is not obligated to, make an appropriation for such purpose. All other conduit financings are special limited obligations of the HRA payable solely from amounts pledged by the agencies shown in the table below.

Conduit Financing, Agreement Date	Original Balance	Balance December 31, 2009	Balance December 31, 2010
Community Provider Program, August 1993	\$ 4,409,000	\$ 508,000	\$ 386,000
Opportunity Partners, Inc., September 2008	2,940,022	2,730,846	2,544,444
Loring Park Apartments LLC, December 2001	17,250,000	17,250,000	17,250,000
Minneapolis Stone Arch Partners, LLC, May 2002	20,120,000	20,120,000	20,120,000
Bloomington Bethany Senior Housing, Inc., December 2008	9,743,000	9,743,000	-
Ebenezer York Assisted Living LLC December 2009	16,000,000	16,000,000	16,000,000
Total	<u>\$ 70,462,022</u>	<u>\$ 66,351,846</u>	<u>\$ 56,300,444</u>

**13. RISK MANAGEMENT**

The County is exposed to various risks of loss related to general, automobile, and professional liability torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. Minnesota Statutes Section 466.04 limits the tort liability of the County to \$500,000 for a claimant and \$1,500,000 for multiple claims arising out of a single occurrence for claims arising on or after July 1, 2009. The limits double when a claim arises out of the release of a hazardous substance.

The County has chosen to retain the risk of torts. Liabilities are recorded when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payout, and other economic and social factors. This estimated amount is expected to be paid within one year. Changes in the estimated tort liabilities during the past two years are as follows:

	General Fund	
	2010	2009
Estimated liability at beginning of year	\$300,000	\$300,000
Estimated incurred claims (including IBNR)	489,633	251,405
Claim Payments	<u>(289,633)</u>	<u>(251,405)</u>
Estimated liability at end of year	<u>\$500,000</u>	<u>\$300,000</u>

Hennepin County, Minnesota  
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**13. RISK MANAGEMENT – CONTINUED**

The County maintains a self-insurance internal service fund for workers' compensation claims and certain property risks. Portions of the fund balance have been designated for workers' compensation and property risk retentions. During 2010, \$2,298,145 in benefits and administrative costs were paid and charged to the workers' compensation liability account. The balance in the liability account at December 31, 2010 was \$9,178,319. The liability amount is between the high and low actuarial estimates of the remaining ultimate claim costs. Changes in the estimated workers' compensation liability during the past two years are as follows:

	2010	2009
Estimated liability at beginning of year	\$ 8,656,829	\$ 8,405,667
Estimated incurred claims (including IBNR)	2,819,635	2,427,789
Administrative payments	(550,068)	(660,973)
Claim Payments	(1,748,077)	(1,515,654)
Estimated liability at End of Year	\$ 9,178,319	\$ 8,656,829

Commercial property insurance is carried for the County's buildings and contents, subject to deductible amounts. Settled claims from insured losses have not exceeded commercial insurance coverage in any of the past three years.

**14. CONTINGENT LIABILITIES**

The County is involved in disputes and litigation, which normally occur in governmental operations and often involve claims for money damages. These pending cases are not considered unusual in number or amount and, based on past experiences in similar litigation, should not have a material adverse effect on the financial position of the County; however, they could be material to an individual period.

**15. OTHER EMPLOYEE BENEFITS**

The County uses an internal service fund to account for the cost and liquidation of governmental fund compensated absences. Beginning in 2010, the internal service fund is also used to account for the cost and liquidation of postemployment healthcare benefits for governmental funds. The Other Employee Benefits internal service fund has a deficit balance, which the County expects to eliminate through future funding of benefits.

**Compensated Absences**

Under certain conditions, employees are compensated upon termination of employment for accumulated unpaid vacation, sick leave, and/or paid time off up to a maximum of 1,280 hours. Payments to terminating employees for accumulated compensated absences totaled \$4,224,127 in 2010. The Other Employee Benefits internal service fund is used to account for these benefits and to liquidate the liability for the governmental funds. As of December 31, 2010, the liability for accumulated compensated absences for all employees totaled \$97,429,423. At the government-wide level, \$1,831,056 is reported in business-type activities. The remaining amount of \$95,598,367 is reported in governmental activities, of which \$71,028,310 is funded in the Other Employee Benefits internal service fund.

Hennepin County, Minnesota  
**Notes to the Basic Financial Statements**  
December 31, 2010

**15. OTHER EMPLOYEE BENEFITS – CONTINUED**

**Single-Employer Postemployment Healthcare Benefit Program**

*Plan Description*

Employees who have County-sponsored health coverage in force as of their termination date and who meet certain age and length of service requirements may be eligible for one of the County's retiree healthcare coverage categories. Eligible retirees may continue health coverage in the County's group health insurance program indefinitely.

While they are under age 65, retirees may participate in the County's group health coverage program with access to the same health plan (and benefit levels) available to active employees. Retirees can qualify to receive a County contribution toward health plan premium (an amount equal to that contributed to an active employee electing employee-only health coverage) until they reach age 65 by meeting one of three specific age and length of service requirements or by qualifying for and applying for a retirement annuity from an approved public service retirement program on the basis of a specified minimum number of years of service. If an employee was hired prior to July 1, 1989, they are eligible for retirement when the sum of their age and service equals 90. Employees eligible to receive this benefit include certain former County employees who are now employees of either the State of MN Fourth Judicial District Court or Hennepin County Medical Center.

This benefit is not available to non-organized employees beginning County employment after January 1, 2007 or to organized employees beginning County employment after January 1, 2008. Additionally, this benefit is not available to employees who traded their eligibility for the retiree healthcare benefit for participation in a Health Care Savings Program (HCSP) through a one-time opt-out offered to organized employees hired prior to January 1, 2008. The HCSP is funded by contributions of 1% of salary by the employee and \$500-\$700 per year by the County, beginning in January 2009. The County's contributions to the HCSP for the years ending December 31, 2010 and 2009 were \$324,300 and \$253,700, respectively.

Upon reaching age 65, retirees not eligible for Parts A and B of Medicare can continue to participate in the same health plan as active employees, however this benefit is not subsidized by the County. Retirees who are eligible for Parts A and B of Medicare, to remain in the County group program, must enroll in a County sponsored community-rated group Medicare Cost Managed Care plan, which is not subsidized by the County or active employees.

The current retiree healthcare benefit plan is approved by the County Board on a year-to-year basis. According to MN Statute 179A.20, subdivision 2a, a contract may not obligate an employer to fund all or part of the cost of healthcare benefits for a former employee beyond the duration of the contract. The statute also states that a personnel policy may not obligate an employer to fund all or part of healthcare benefits for a former employee beyond the duration of the policy. Within the dictates of existing contracts, the County Board may change the benefit structure at any time. The retiree healthcare plan does not issue a publicly available financial report.

Hennepin County, Minnesota  
**Notes to the Basic Financial Statements**  
December 31, 2010

**15. OTHER EMPLOYEE BENEFITS – CONTINUED**

*Funding Policy*

Beginning in 2010, the Other Employee Benefits internal service fund is used to account for the cost and liquidation of postemployment healthcare benefits relating to governmental funds. Cash set aside in this internal service fund for the future costs of retiree healthcare does not meet requirements for reporting this funding as a contribution in relation to the Annual Required Contribution (ARC). Therefore, postemployment healthcare benefits are considered to be funded on a pay-as-you-go basis. The County Board may change the funding policy at any time. In 2010, the County paid eligible single premium amounts for the enrolled retirees described above, while these retirees contributed \$25 per month to the County for the benefit. Eligible retiree family members, as well as ineligible retirees, may pay their full premium to obtain coverage.

*Annual OPEB Cost and Net OPEB Obligation*

The County's annual other postemployment benefit (OPEB) expense is actuarially determined in accordance with the parameters of GASB Statement 45. The County's annual OPEB cost (AOC) represents a level of funding that would be projected to cover the normal cost each year including interest and adjustments, and would amortize the unfunded actuarial liabilities (UAL) over a 30-year period. The \$24.9 million AOC in 2010 consists of the \$12.8 million normal cost and the \$12.1 million amortization of UAL, with interest and adjustments netting to zero. During 2010, 933 former employees received the postemployment healthcare benefit. The table below shows the components of the County's annual OPEB cost, the amount actually contributed to the plan, and changes in the County's net OPEB obligation relating to the postemployment healthcare plan:

ARC	\$ 24,898,000
Interest on net OPEB obligation	975,000
Adjustments to ARC	<u>(943,000)</u>
Annual OPEB cost (expense)	24,930,000
Contributions made	<u>(15,566,000)</u>
Increase in net OPEB obligation	9,364,000
Net OPEB obligation - beginning of year	<u>21,705,000</u>
Net OPEB obligation - end of year	<u><u>\$ 31,069,000</u></u>

Annual cost, contributions, and year-end obligation information for the last three years are shown below:

Year Ended December 31:	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Costs Contributed</u>	<u>Net OPEB Obligation</u>
2008	\$ 19,744,000	60%	\$ 15,483,000
2009	19,403,000	68%	21,705,000
2010	24,930,000	62%	31,069,000

Hennepin County, Minnesota  
**Notes to the Basic Financial Statements**  
December 31, 2010

**15. OTHER EMPLOYEE BENEFITS – CONTINUED**

*Funded Status and Funding Progress*

The actuarial accrued liability for benefits as of January 1, 2010, the most recent actuarial valuation date, was \$277.4 million. This liability will be phased in over 30 years. Contributions in relation to the \$24.9 million AOC during 2010 totaled \$15.6 million. No plan assets exist under the GASB 45 definition of plan assets; therefore the unfunded actuarial accrued liability (UAAL) at December 31, 2010 remained \$277.4 million. The annual payroll of active employees covered by the plan was \$474.0 million. The ratio of the UAAL to the covered payroll was 58.5%.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

A schedule of funding progress, showing multiyear trend information about the actuarial accrued liability for benefits and the non-funded status, immediately follows the notes to the basic financial statements.

*Actuarial Methods & Assumptions*

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the County and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2010 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions include a 4.5% investment rate of return, which is the expected long-term investment return on the County's own investments. An annual healthcare cost trend rate of 9% initially, reduced over five years to an ultimate rate of 4.5%, was used. Both rates include a 2.5% inflation assumption. A level percentage of projected payroll 30-year open amortization period was used.

The Schedule of Funding Progress for the Retiree Health Plan is found in the Required Supplementary Information section on page 79.

Hennepin County, Minnesota  
**Notes to the Basic Financial Statements**  
December 31, 2010

**16. EMPLOYEE RETIREMENT SYSTEMS**

**Public Employees Retirement Association of Minnesota**

Most employees are covered by a statewide, defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). In addition, a few employees are covered by the Minneapolis Employees Retirement Fund (MERF). All full-time and part-time employees in permanent positions are required to participate in PERA or MERF. PERA covers the vast majority of employees and MERF covers less than 0.2% of employees. In the case of MERF, only employees who were previously employed by the City of Minneapolis and whose work unit was transferred to the County under legislative authority are eligible to participate in MERF.

*Plan Description*

All full-time and certain part-time employees of the County are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF), the Public Employees Police and Fire Fund (PEPFF), and the Local Government Correctional Service Retirement Fund, called the Public Employees Correctional Fund (PECF), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356.

GERF 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. All police officers, fire-fighters and peace officers who qualify for membership by statute are covered by the PEPFF. Members who are employed in a county correctional institution as a correctional guard or officer, a joint jailer/dispatcher, or as a supervisor of correctional guards or officers or of joint jailers/dispatchers and are directly responsible for the direct security, custody, and control of the county correctional institution and its inmates are covered by the PECF.

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. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for PERA's 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% of average salary for each of the first 10 years of service and 2.7% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first 10 years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% for Coordinated Plan members for each year of service. For PEPFF members, the annuity accrual rate is 3.0% for each year of service. The annuity accrual rate is 1.9% for each year of service for PECF members. For all PEPFF members, PECF members, and GERF 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 55 for PEPFF and PECF members and 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

Hennepin County, Minnesota  
**Notes to the Basic Financial Statements**  
December 31, 2010

**16. EMPLOYEE RETIREMENT SYSTEMS – CONTINUED**

There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon the death of the retiree – no survivor annuity is payable. There are also various types of joint and survivor annuity options available, which will be payable over joint lives. Members may also leave their contributions in the fund upon termination of public service in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

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 receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERP, PEPFF, and PECF. That report may be obtained on the web at mnpera.org, by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026.

*Funding Policy*

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The County makes annual contributions to the pension plans equal to the amount required by state statutes. GERP Basic Plan members and Coordinated Plan members are required to contribute 9.1% and 6.0%, respectively, of their annual covered salary in 2010. PEPFF members are required to contribute 9.4% of their annual covered salary in 2010. PECF members are required to contribute 5.83% of their annual covered salary. The County is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan GERP members, 6.75% for Coordinated Plan GERP members, 14.1% for PEPFF members, and 8.75% for PECF members. The County's contributions to GERP, PEPFF, and PECF for the years ending December 31, 2010, 2009, and 2008 were \$34,411,830, \$33,598,912, and \$32,380,161, respectively. The County's contributions were equal to the contractually required contributions for each year as set by state statute.

**Supplemental Retirement Defined Contribution Plan**

The County administers a plan which provides additional pension benefits for eligible employees through a nonelective deferred compensation plan "grandfathered" under Section 6064(d)(3) of the Technical and Miscellaneous Revenue Act of 1988 (TAMRA). In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The plan is established and administered in accordance with Minnesota Statutes, Chapter 383B. Employees have the option to participate after five years of continuous service, although the plan has been discontinued for employees hired after April 13, 1982. State legislation requires that both the employee and the employer contribute an amount equal to 1% of the employee's gross salary each pay period. Contributions for each employee (and interest allocated to the employee's account) are fully vested immediately. The County's contributions to the Supplemental Retirement Plan for the years ending December 31, 2010, 2009, and 2008 were \$374,139, \$424,427, and \$448,112, respectively.

Hennepin County, Minnesota  
**Notes to the Basic Financial Statements**  
December 31, 2010

## 17. NEW ACCOUNTING PRONOUNCEMENTS

### Accounting Standards Not Yet Adopted

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, will be effective for the County beginning the year ending December 31, 2011. This statement provides clearer fund balance classifications and clarifies existing governmental fund type definitions.

GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, will be effective for the County beginning the year ending December 31, 2012. This statement addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. The standard addresses SCAs in which there is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The statement also includes required disclosures about the SCAs.

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*—an amendment of GASB Statements No. 14 and No. 34, will be effective for the County beginning the year ending December 31, 2012. This statement modifies certain requirements for inclusion of component units, amends criteria for blending, and clarifies the reporting of equity interests in legally separate entities.

The County's management has not yet determined the effect these GASB statements will have on the financial statements.

## 18. SUBSEQUENT EVENTS

In April 2011, the County Board authorized the negotiation of a purchase agreement with CH701, LLC in the amount of \$25,779,240 (plus closing costs and other adjustments) for the office building located at 701 4<sup>th</sup> Avenue South in the City of Minneapolis. The Board authorized transfers from the General Fund and Solid Waste Fund to the Capital Projects Fund to cover 93.7% and 6.3% of the costs, respectively.

In June 2011, the County Board authorized participation with Independent School District 279 (Osseo Schools) and the Community Emergency Assistance Program (CEAP) in a project to construct a 3-story 63,000 square foot addition to Osseo Schools' existing Adult Education and Enrollment Center and a parking ramp to serve as the Northwest Family Service Center. The Human Services Fund will provide \$18 million for this project, which will flow through the HRA. The facilities will initially be owned by a CEAP affiliate Qualified Active Low Income Community Business (QALICB). The County will lease approximately 34,000 square feet of the new space from the QALICB for seven years and then ownership of that space will transfer to Hennepin County. The County is undertaking this transaction to allow the County and CEAP to benefit from New Market Tax Credits.

In May, 2011, the County issued taxable commercial paper in a par amount of \$70 million. This short-term debt was sold with a yield of 23 basis points (less than 0.25%) and a maturity of two months. The County Board authorized the commercial paper program as a liquidity instrument and as an option for short-term financing of the capital improvement plan.

Hennepin County, Minnesota  
**Schedule of Funding Progress**  
**for the Retiree Health Plan**  
 Last Four Years

Actuarial valuation date	1/1/2007	1/1/2008	1/1/2009	1/1/2010
Actuarial value of assets	\$ -	-	-	-
Actuarial accrued liability (AAL) entry age normal cost method	\$ 216,093,000	227,798,000	213,269,000	277,388,000
Unfunded AAL (UAAL)	\$ 216,093,000	227,798,000	213,269,000	277,388,000
Funded ratio	0.0 %	0.0 %	0.0 %	0.0 %
Covered payroll	\$ 445,028,504	474,842,065	475,854,166	474,028,795
UAAL as a percentage of covered payroll	48.6 %	48.0 %	44.8 %	58.5 %

<u>Trend Information for Year Ended:</u>	<u>12/31/07</u>	<u>12/31/08</u>	<u>12/31/09</u>	<u>12/31/10</u>
Annual Required Contribution (ARC)	\$ 18,555,000	19,716,000	19,340,000	24,898,000
Employer contributions	\$ 11,006,000	11,810,000	13,181,000	15,566,000
Contributions as a percentage of the ARC	59 %	60 %	68 %	63 %
Net OPEB obligation	\$ 7,549,000	15,483,000	21,642,000	30,974,000
Active employees	7,528	7,458	7,789	7,394
Retirees utilizing the retiree health plan	1,023	1,006	968	933
Number of active employees age 50-55	1,329	1,249	1,289	1,206
Number of active employees age 55-60	1,242	1,305	1,370	1,318
Number of active employees age 60-65	515	617	753	761
Number of active employees age 65+ (ineligible for benefit)	53	144	170	173

Notes:

See Note 16 in the Notes to the Basic Financial Statements for additional information relating to the plan description, funding, cost, obligation, and actuarial methods/assumptions.

The discount rate and ultimate trend rate used for the January 1, 2010 actuarial valuation was changed from 5.0% to 4.5%, resulting in a \$27.3 million liability increase. Claims costs increased 23.0% in 2009, rather than the expected 9.0% increase, therefore the January 1, 2010 liability increased \$28.4 million. The decrease in the number of active employees did not have a significant impact on the accrued liability at January 1, 2010 because primarily younger members left and the liability associated with these members is low.

The January 1, 2009 actuarial valuation reflects various benefit changes including discontinuation of the County-paid retiree health benefit for organized employees hired after 1/1/2008 (non-organized new hires became ineligible as of 1/1/2007). Additionally, certain employees hired before 1/1/2008 were offered the opportunity to elect a County-funded Health Care Savings Plan in exchange for the potential future retiree health insurance benefit. Together with improved claims experience and various other factors, the benefit changes resulted in a decrease of \$23.2 million in the accrued liability and \$1.1 million in the annual OPEB expense.

The January 1, 2008 actuarial valuation reflects that retirees were required to make a contribution to the County for their healthcare benefits beginning in 2008 (e.g., \$15 per month for single coverage). This change resulted in a decrease of \$2.9 million in the accrued liability and \$0.3 million in the annual required contribution. In 2008, retirement assumptions were updated to reflect fewer retirements relating to the Rule of 90 option. This resulted in a decrease of \$7.3 million in the accrued liability and \$0.4 million in the annual required contribution.

See notes to required supplementary information.

Hennepin County, Minnesota  
**Schedules of Revenues, Expenditures, and Changes in Fund Balance**  
**Budgetary Comparisons by Department**  
**General Fund**  
For the Year Ended December 31, 2010  
With Comparative Actual Amounts for Year Ended December 31, 2009

	2010				
	Original Budget	Final Amended Budget	Actual	Variance with Final Budget	2009 Actual
<b>REVENUES</b>					
Property taxes	\$ 327,507,728	\$ 318,108,816	\$ 334,205,992	\$ 16,097,176	\$ 292,311,247
Other taxes	1,612,189	1,612,189	1,874,843	262,654	1,964,553
Intergovernmental	96,215,666	162,084,181	142,261,126	(19,823,055)	96,185,039
Investment earnings	13,750,000	13,750,000	6,997,422	(6,752,578)	11,376,229
Charges for services	72,515,960	72,580,960	69,422,383	(3,158,577)	69,082,303
Fines and forfeits	78,800	265,000	315,786	50,786	494,855
Licenses and permits	5,199,482	5,199,482	4,693,274	(506,208)	4,650,947
Other	31,700,377	33,806,606	24,450,987	(9,355,619)	25,707,252
<b>TOTAL REVENUES</b>	<b>548,580,202</b>	<b>607,407,234</b>	<b>584,221,813</b>	<b>(23,185,421)</b>	<b>501,772,425</b>
<b>EXPENDITURES - CURRENT</b>					
<b>General Government</b>					
County Board:					
Personal services	2,412,774	2,394,574	2,346,667	47,907	2,343,082
Commodities	35,760	(21,881)	17,825	(39,706)	22,980
Contractual services	168,043	75,043	83,500	(8,457)	117,485
Capital outlay	6,085	58,085	(259)	58,344	259
Other charges	131,075	127,275	57,302	69,973	74,843
	<u>2,753,737</u>	<u>2,633,096</u>	<u>2,505,035</u>	<u>128,061</u>	<u>2,558,649</u>
County Administration:					
Personal services	1,754,764	1,754,764	1,720,144	34,620	1,721,661
Commodities	20,671	20,871	17,185	3,686	12,823
Contractual services	1,106,914	1,176,028	936,560	239,468	5,478,088
Capital outlay	3,000	3,000	(3,708)	6,708	-
Other charges	50,633	50,633	18,691	31,942	109,265
	<u>2,935,982</u>	<u>3,005,296</u>	<u>2,688,872</u>	<u>316,424</u>	<u>7,321,837</u>
Assessor:					
Personal services	3,505,949	3,505,949	3,392,740	113,209	3,348,441
Commodities	15,900	21,900	19,220	2,680	11,782
Contractual services	324,918	318,918	304,552	14,366	309,234
Capital outlay	2,000	2,000	280	1,720	(6,937)
Other charges	28,450	28,450	23,354	5,096	22,744
	<u>3,877,217</u>	<u>3,877,217</u>	<u>3,740,146</u>	<u>137,071</u>	<u>3,685,264</u>
Budget & Finance:					
Personal services	7,761,683	7,761,683	7,122,462	639,221	2,582,492
Commodities	42,580	44,737	31,013	13,724	14,190
Contractual services	9,693,968	12,263,148	11,724,265	538,883	1,055,213
Capital outlay	-	304,079	(6,870)	310,949	8,820
Other charges	81,400	81,400	595,545	(514,145)	50,896
	<u>17,579,631</u>	<u>20,455,047</u>	<u>19,466,415</u>	<u>988,632</u>	<u>3,711,611</u>
Research, Planning and Development:					
Personal services	2,206,653	2,206,653	1,948,629	258,024	2,356,042
Commodities	29,660	35,660	31,754	3,906	54,614
Contractual services	1,011,196	862,854	876,511	(13,657)	1,265,288
Capital outlay	7,000	7,000	2,243	4,757	(430)
Other charges	17,500	21,650	28,727	(7,077)	21,709
	<u>3,272,009</u>	<u>3,133,817</u>	<u>2,887,864</u>	<u>245,953</u>	<u>3,697,223</u>
Property Services:					
Personal services	17,510,049	17,510,049	16,509,784	1,000,265	16,430,129
Commodities	1,384,119	1,213,511	1,410,031	(196,520)	1,045,246
Contractual services	24,748,698	24,909,353	22,579,366	2,329,987	22,428,895
Capital outlay	137,680	183,225	216,995	(33,770)	58,935
Other charges	521,403	246,614	746,483	(499,869)	548,080
	<u>44,301,949</u>	<u>44,062,752</u>	<u>41,462,659</u>	<u>2,600,093</u>	<u>40,511,285</u>
CIO Admin Service Management & Compliance:					
Personal services	6,084,112	6,084,112	5,456,511	627,601	9,862,037
Commodities	41,003	632,868	(13,168)	646,036	18,408
Contractual services	2,871,910	2,186,088	2,609,796	(423,708)	2,738,270
Capital outlay	29,000	29,000	(12,010)	41,010	7,885
Other charges	72,556	167,606	63,966	103,640	57,878
	<u>9,098,581</u>	<u>9,099,674</u>	<u>8,105,095</u>	<u>994,579</u>	<u>12,684,478</u>
Taxpayer Services:					
Personal services	22,560,867	22,560,867	21,063,567	1,497,300	20,603,110
Commodities	357,795	1,411,824	386,508	1,025,316	208,974
Contractual services	10,795,190	9,714,822	5,554,764	4,160,058	6,116,464
Capital outlay	13,500	22,759	6,822	15,937	16,871
Other charges	97,254	142,782	372,430	(229,648)	360,630
	<u>33,824,606</u>	<u>33,853,054</u>	<u>27,384,091</u>	<u>6,468,963</u>	<u>27,306,049</u>

Hennepin County, Minnesota  
**Schedules of Revenues, Expenditures, and Changes in Fund Balance**  
**Budgetary Comparisons by Department**  
**General Fund**  
For the Year Ended December 31, 2010  
With Comparative Actual Amounts for Year Ended December 31, 2009

	2010				
	Original Budget	Final Amended Budget	Actual	Variance with Final Budget	2009 Actual
<b>General Government, Continued</b>					
Human Resources:					
Personal services	6,210,179	6,210,179	5,495,777	714,402	5,937,037
Commodities	97,060	94,583	86,753	7,830	101,895
Contractual services	1,380,977	1,383,247	1,000,053	383,194	971,579
Capital outlay	4,143	6,203	10,919	(4,716)	10,300
Other charges	98,915	75,627	137,911	(62,284)	174,903
	<u>7,791,274</u>	<u>7,769,839</u>	<u>6,731,413</u>	<u>1,038,426</u>	<u>7,195,714</u>
Public Affairs:					
Personal services	1,683,568	1,633,568	1,598,277	35,291	1,594,544
Commodities	36,400	46,400	57,361	(10,961)	39,662
Contractual services	614,631	579,762	565,557	14,205	681,710
Capital outlay	26,841	26,841	36,460	(9,619)	15,658
Other charges	86,749	86,749	82,380	4,369	73,956
	<u>2,448,189</u>	<u>2,373,320</u>	<u>2,340,035</u>	<u>33,285</u>	<u>2,405,530</u>
Internal Audit:					
Personal services	1,247,982	1,247,982	1,127,839	120,143	1,043,279
Commodities	10,507	10,523	10,508	15	6,198
Contractual services	708,287	708,287	574,032	134,255	472,346
Capital outlay	-	-	796	(796)	(407)
Other charges	22,550	22,550	19,179	3,371	21,944
	<u>1,989,326</u>	<u>1,989,342</u>	<u>1,732,354</u>	<u>256,988</u>	<u>1,543,360</u>
General County Purposes <sup>1</sup> :					
Personal services	7,638,407	52,342,406	51,294,280	1,048,126	6,892,811
Commodities	85,132	159,125	72,193	86,932	70,110
Contractual services	17,836,079	17,679,461	12,730,984	4,948,477	18,809,269
Capital outlay	55,100	55,100	6,814	48,286	147,054
Other charges	14,208,258	11,165,243	2,180,728	8,984,515	423,772
	<u>39,822,976</u>	<u>81,401,335</u>	<u>66,284,999</u>	<u>15,116,336</u>	<u>26,343,016</u>
<b>Total General Government:</b>					
Personal services	80,576,987	125,212,786	119,076,677	6,136,109	74,714,665
Commodities	2,156,587	3,670,121	2,127,183	1,542,938	1,606,882
Contractual services	71,260,811	71,857,011	59,539,940	12,317,071	60,443,841
Capital outlay	284,349	697,292	258,482	438,810	258,008
Other charges	15,416,743	12,216,579	4,326,696	7,889,883	1,940,620
	<u>169,695,477</u>	<u>213,653,789</u>	<u>185,328,978</u>	<u>28,324,811</u>	<u>138,964,016</u>
<b>Health</b>					
NorthPoint Health and Wellness Center:					
Personal services	17,374,863	17,502,319	17,252,603	249,716	16,695,447
Commodities	2,082,913	3,670,121	2,125,224	(22,526)	2,123,806
Contractual services	5,966,967	5,968,683	5,450,756	517,927	6,038,898
Capital outlay	135,000	79,774	14,316	65,458	245,047
Other charges	493,095	493,095	475,205	17,890	316,618
	<u>26,052,838</u>	<u>26,146,569</u>	<u>25,318,104</u>	<u>828,465</u>	<u>25,419,816</u>
Medical Examiner:					
Personal services	2,980,404	2,980,404	2,958,510	21,894	2,723,050
Commodities	33,250	33,250	29,696	3,554	28,932
Contractual services	503,295	524,295	435,526	88,769	591,924
Capital outlay	-	-	(428)	428	-
Other charges	18,228	18,228	14,790	3,438	14,065
	<u>3,535,177</u>	<u>3,556,177</u>	<u>3,438,094</u>	<u>118,083</u>	<u>3,357,971</u>
Uncompensated Care:					
Personal services	-	-	-	-	-
Commodities	-	-	-	-	-
Contractual services	38,080,702	78,870,399	78,821,525	48,874	33,030,432
Capital outlay	-	-	-	-	-
Other charges	-	-	-	-	-
	<u>38,080,702</u>	<u>78,870,399</u>	<u>78,821,525</u>	<u>48,874</u>	<u>33,030,432</u>
HCMC Contingency:					
Personal services	-	-	-	-	-
Commodities	-	-	-	-	-
Contractual services	18,750,000	17,550,000	-	17,550,000	-
Capital outlay	-	-	-	-	-
Other charges	-	-	-	-	-
	<u>18,750,000</u>	<u>17,550,000</u>	<u>-</u>	<u>17,550,000</u>	<u>-</u>
<b>Total Health:</b>					
Personal services	20,355,267	20,482,723	20,211,113	271,610	19,418,497
Commodities	2,116,163	2,135,948	2,154,920	(18,972)	2,152,738
Contractual services	63,300,964	102,913,377	84,707,807	18,205,570	39,661,254
Capital outlay	135,000	79,774	13,888	65,886	245,047
Other charges	511,323	511,323	489,995	21,328	330,683
	<u>86,418,717</u>	<u>126,123,145</u>	<u>107,577,723</u>	<u>18,545,422</u>	<u>61,808,219</u>

Hennepin County, Minnesota  
**Schedules of Revenues, Expenditures, and Changes in Fund Balance**  
**Budgetary Comparisons by Department**  
**General Fund**  
For the Year Ended December 31, 2010  
With Comparative Actual Amounts for Year Ended December 31, 2009

	2010				2009 Actual
	Original Budget	Final Amended Budget	Actual	Variance with Final Budget	
<b>Public Safety</b>					
County Attorney:					
Personal services	35,759,762	35,969,405	35,697,827	271,578	35,090,661
Commodities	273,756	267,756	277,661	(9,905)	206,267
Contractual services	5,501,142	5,488,467	4,718,927	769,540	3,725,886
Capital outlay	-	2,536	(25,509)	28,045	12,959
Other charges	158,470	158,470	196,355	(37,885)	125,411
	<u>41,693,130</u>	<u>41,886,634</u>	<u>40,865,261</u>	<u>1,021,373</u>	<u>39,161,184</u>
Court Functions:					
Personal services	-	-	-	-	-
Commodities	-	-	-	-	-
Contractual services	2,415,000	2,509,577	1,815,804	693,773	1,754,273
Capital outlay	-	-	-	-	-
Other charges	-	-	-	-	-
	<u>2,415,000</u>	<u>2,509,577</u>	<u>1,815,804</u>	<u>693,773</u>	<u>1,754,273</u>
Law Library:					
Personal services	620,539	620,539	583,890	36,649	571,737
Commodities	9,100	8,505	14,750	(6,245)	9,737
Contractual services	268,200	268,200	250,550	17,650	266,759
Capital outlay	762,098	762,098	717,585	44,513	771,467
Other charges	21,000	21,000	11,998	9,002	11,329
	<u>1,680,937</u>	<u>1,680,342</u>	<u>1,578,773</u>	<u>101,569</u>	<u>1,631,029</u>
Public Defender:					
Personal services	13,302,683	13,302,973	13,308,235	(5,262)	13,441,833
Commodities	71,150	381,562	320,194	61,368	67,041
Contractual services	2,760,262	2,465,438	2,486,200	(20,762)	2,590,727
Capital outlay	40,000	40,000	8,576	31,424	(460)
Other charges	22,150	25,328	33,339	(8,011)	33,723
	<u>16,196,245</u>	<u>16,215,301</u>	<u>16,156,544</u>	<u>58,757</u>	<u>16,132,864</u>
Sheriff:					
Personal services	71,175,655	71,348,255	72,312,859	(964,604)	71,066,037
Commodities	4,040,583	4,504,488	4,540,090	(35,602)	4,003,377
Contractual services	8,403,825	8,147,655	7,472,932	674,723	8,482,581
Capital outlay	310,510	644,990	523,536	121,454	374,237
Other charges	1,150,495	1,172,139	863,148	308,991	884,912
	<u>85,081,068</u>	<u>85,817,527</u>	<u>85,712,565</u>	<u>104,962</u>	<u>84,811,144</u>
Community Corrections:					
Personal services	81,998,559	82,215,400	82,920,064	(704,664)	83,380,875
Commodities	4,654,666	5,111,042	4,400,462	710,580	4,876,363
Contractual services	16,280,748	16,056,469	15,684,737	371,732	15,815,193
Capital outlay	128,720	142,133	76,318	65,815	185,257
Other charges	410,470	455,470	293,764	161,706	310,564
	<u>103,473,163</u>	<u>103,980,514</u>	<u>103,375,345</u>	<u>605,169</u>	<u>104,568,252</u>
<b>Total Public Safety</b>					
Personal services	202,857,198	203,456,572	204,822,875	(1,366,303)	203,551,143
Commodities	9,049,255	10,273,353	9,553,157	720,196	9,162,785
Contractual services	35,629,177	34,935,806	32,429,150	2,506,656	32,635,419
Capital outlay	1,241,328	1,591,757	1,300,506	291,251	1,343,460
Other charges	1,762,585	1,832,407	1,398,604	433,803	1,365,939
	<u>250,539,543</u>	<u>252,089,895</u>	<u>249,504,292</u>	<u>2,585,603</u>	<u>248,058,746</u>

Hennepin County, Minnesota  
**Schedules of Revenues, Expenditures, and Changes in Fund Balance**  
**Budgetary Comparisons by Department**  
**General Fund**  
For the Year Ended December 31, 2010  
With Comparative Actual Amounts for Year Ended December 31, 2009

	2010				
	Original Budget	Final Amended Budget	Actual	Variance with Final Budget	2009 Actual
<b>Public Works</b>					
Public Works Administration:					
Personal services	2,254,304	2,254,304	2,041,326	212,978	2,075,540
Commodities	17,637	41,898	667,610	(625,712)	37,834
Contractual services	503,142	2,014,259	977,346	1,036,913	673,687
Capital outlay	-	17,383	200,575	(183,192)	79,285
Other charges	69,237	69,237	56,212	13,025	30,151
	<u>2,844,320</u>	<u>4,397,081</u>	<u>3,943,069</u>	<u>454,012</u>	<u>2,896,497</u>
Housing, Community Works & Transit:					
Personal services	6,208,320	6,555,625	6,307,811	247,814	5,408,260
Commodities	216,325	233,110	401,534	(168,424)	303,234
Contractual services	14,383,877	21,694,165	18,473,213	3,220,952	8,563,436
Capital outlay	2,000	10,039	16,527	(6,488)	799
Other charges	152,055	6,374,184	2,884,331	3,489,853	121,723
	<u>20,962,577</u>	<u>34,867,123</u>	<u>28,083,416</u>	<u>6,783,707</u>	<u>14,397,452</u>
Management Support:					
Personal services	2,415,878	2,458,431	2,165,482	292,949	2,049,304
Commodities	17,075	17,302	41,439	(24,137)	7,909
Contractual services	175,225	221,809	126,231	95,578	113,282
Capital outlay	4,250	5,374	(30,076)	35,450	28,265
Other charges	30,080	30,080	5,792	24,288	4,991
	<u>2,642,508</u>	<u>2,732,996</u>	<u>2,308,868</u>	<u>424,128</u>	<u>2,203,751</u>
Transportation:					
Personal services	18,316,171	18,316,171	17,965,947	350,224	18,002,529
Commodities	5,746,631	5,749,950	5,599,335	150,615	4,739,400
Contractual services	9,210,989	12,008,611	11,776,985	231,626	8,514,458
Capital outlay	251,115	233,740	348,541	(114,801)	378,292
Other charges	154,750	154,750	145,376	9,374	154,326
	<u>33,679,656</u>	<u>36,463,222</u>	<u>35,836,184</u>	<u>627,038</u>	<u>31,789,005</u>
<b>Total Public Works:</b>					
Personal services	29,194,673	29,584,531	28,480,566	1,103,965	27,535,633
Commodities	5,997,668	6,042,260	6,709,918	(667,658)	5,088,377
Contractual services	24,273,233	35,938,844	31,353,775	4,585,069	17,864,863
Capital outlay	257,365	266,536	535,567	(269,031)	486,641
Other charges	406,122	6,628,251	3,091,711	3,536,540	311,191
	<u>60,129,061</u>	<u>78,460,422</u>	<u>70,171,537</u>	<u>8,288,885</u>	<u>51,286,705</u>
<b>TOTAL EXPENDITURES - CURRENT:</b>					
Personal services	332,984,125	378,736,612	372,591,231	6,145,381	325,219,938
Commodities	19,319,673	22,121,682	20,545,178	1,576,504	18,010,782
Contractual services	194,464,185	245,645,038	208,030,672	37,614,366	150,605,377
Capital outlay	1,918,042	2,635,359	2,108,443	526,916	2,333,156
Other charges	18,096,773	21,188,560	9,307,006	11,881,554	3,948,433
	<u>\$ 566,782,798</u>	<u>\$ 670,327,251</u>	<u>\$ 612,582,530</u>	<u>\$ 57,744,721</u>	<u>\$ 500,117,686</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(18,202,596)</u>	<u>(62,920,017)</u>	<u>(28,360,717)</u>	<u>34,559,300</u>	<u>1,654,739</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	253,600	3,590,412	12,954,136	9,363,724	11,028,969
Transfers out	-	-	(3,640,365)	(3,640,365)	(2,421,000)
Total Other Financing Sources (Uses)	<u>253,600</u>	<u>3,590,412</u>	<u>9,313,771</u>	<u>5,723,359</u>	<u>8,607,969</u>
Net Change in Fund Balance	(17,948,996)	(59,329,605)	(19,046,946)	<u>\$ 40,282,659</u>	10,262,708
Fund Balance - Beginning	<u>157,572,661</u>	<u>157,572,661</u>	<u>157,572,661</u>		<u>147,309,953</u>
Fund Balance - Ending	<u>\$ 139,623,665</u>	<u>\$ 98,243,056</u>	<u>\$ 138,525,715</u>		<u>\$ 157,572,661</u>

<sup>1</sup> In 2009 and 2010 the General County Purposes program in General Government included functions such as the APEX Software Project, the Municipal Building Commission, the Purchasing and Contract Services Department, the Examiner of Titles Division, Extension Services, the Computer Forensics Unit, the Ballpark Project Office, the Youth Activities/Amateur Sports function, the Historical Society, and the County Fair. Additionally, in 2010, the General County Purposes program included Justice Integration Grants, Non-Federal Medical Assistance, and General Fund Retiree Health Care.

See notes to required supplementary information.

Hennepin County, Minnesota  
**Comparative Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**Human Services Fund**  
For the Year Ended December 31, 2010  
With Comparative Actual Amounts for Year Ended December 31, 2009

	2010				2009 Actual
	Budgeted Amounts		Actual	Variance with Final Budget	
	Original	Final			
<b>REVENUES</b>					
Property taxes	\$ 212,954,745	\$ 208,592,550	\$ 214,370,316	\$ 5,777,766	\$ 233,308,070
Other taxes	-	-	126,343	126,343	138,807
Intergovernmental	197,227,403	191,257,280	188,709,832	(2,547,448)	210,126,479
Charges for services	55,007,000	55,007,000	46,885,350	(8,121,650)	55,382,828
Licenses and permits	1,200,000	1,200,000	1,206,860	6,860	1,130,332
Other	1,720,580	1,720,580	1,473,661	(246,919)	2,141,248
<b>Total Revenues</b>	<b>468,109,728</b>	<b>457,777,410</b>	<b>452,772,362</b>	<b>(5,005,048)</b>	<b>502,227,764</b>
<b>EXPENDITURES</b>					
<b>Human Services:</b>					
Personal services	226,343,217	252,656,291	246,847,698	5,808,593	218,366,610
Commodities	3,086,086	4,450,354	2,382,585	2,067,769	2,370,790
Contractual services	42,585,070	40,962,819	28,947,099	12,015,720	35,142,247
Public aid assistance	192,321,688	182,652,608	165,969,463	16,683,145	188,445,842
Capital outlay	420,000	420,000	(84,184)	504,184	255,639
Other	11,313,060	11,295,060	10,912,779	382,281	11,210,534
<b>Total Expenditures</b>	<b>476,069,121</b>	<b>492,437,132</b>	<b>454,975,440</b>	<b>37,461,692</b>	<b>455,791,662</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(7,959,393)</b>	<b>(34,659,722)</b>	<b>(2,203,078)</b>	<b>32,456,644</b>	<b>46,436,102</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	1,200,000	1,200,000	565,000
Transfers out	-	-	(4,200,000)	(4,200,000)	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>(3,000,000)</b>	<b>(3,000,000)</b>	<b>565,000</b>
<b>Net Change in Fund Balance</b>	<b>(7,959,393)</b>	<b>(34,659,722)</b>	<b>(5,203,078)</b>	<b>\$ 29,456,644</b>	<b>47,001,102</b>
<b>Fund Balance - Beginning</b>	<b>150,582,976</b>	<b>150,582,976</b>	<b>150,582,976</b>		<b>103,581,874</b>
<b>Fund Balance - Ending</b>	<b>\$ 142,623,583</b>	<b>\$ 115,923,254</b>	<b>\$ 145,379,898</b>		<b>\$ 150,582,976</b>

See notes to required supplementary information.

Hennepin County, Minnesota  
**Comparative Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**Library Fund**  
For the Year Ended December 31, 2010  
With Comparative Actual Amounts for Year Ended December 31, 2009

	2010				
	Budgeted Amounts		Actual	Variance with Final Budget	2009 Actual
	Original	Final			
<b>REVENUES</b>					
Property taxes	\$ 52,539,699	\$ 51,201,947	\$ 52,793,679	\$ 1,591,732	\$ 56,220,576
Other taxes	-	-	22,654	22,654	33,418
Intergovernmental	9,846,729	11,184,481	9,624,945	(1,559,536)	11,282,292
Investment earnings (loss)	-	-	79,011	79,011	672,730
Charges for services	132,324	132,324	156,332	24,008	134,591
Fines and forfeits	1,785,828	1,785,828	1,651,887	(133,941)	1,800,315
Other	2,104,502	2,104,502	1,554,385	(550,117)	2,310,785
<b>Total Revenues</b>	<b>66,409,082</b>	<b>66,409,082</b>	<b>65,882,893</b>	<b>(526,189)</b>	<b>72,454,707</b>
<b>EXPENDITURES</b>					
<b>Libraries:</b>					
Personal services	44,005,496	51,087,496	48,115,576	2,971,920	41,341,653
Commodities	571,899	638,293	712,678	(74,385)	713,528
Contractual services	16,484,542	16,004,846	14,709,114	1,295,732	12,905,356
Capital outlay	7,571,769	8,177,889	6,736,699	1,441,190	6,684,125
Other	467,412	807,977	344,728	463,249	140,548
<b>Debt Service:</b>					
Principal retirement	-	-	-	-	140,000
Interest and fiscal charges	-	-	-	-	453,909
<b>Total Expenditures</b>	<b>69,101,118</b>	<b>76,716,501</b>	<b>70,618,795</b>	<b>6,097,706</b>	<b>62,379,119</b>
Excess (Deficiency) of Revenues Over Expenditures	(2,692,036)	(10,307,419)	(4,735,902)	5,571,517	10,075,588
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	1,468,247	1,468,247	-
Transfers out	-	-	-	-	(675,576)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>1,468,247</b>	<b>1,468,247</b>	<b>(675,576)</b>
Net Change in Fund Balance	(2,692,036)	(10,307,419)	(3,267,655)	\$ 7,039,764	9,400,012
Fund Balance	40,088,862	40,088,862	40,088,862		30,688,850
Fund Balance - Ending	\$ 37,396,826	\$ 29,781,443	\$ 36,821,207		\$ 40,088,862

See notes to required supplementary information.

Hennepin County, Minnesota  
**Comparative Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
Ballpark Sales Tax**  
For the Year Ended December, 31, 2010  
With Comparative Actual Amounts for Year Ended December 31, 2009

	2010				
	Budgeted Amounts		Actual	Variance with Final Budget	2009 Actual
	Original	Final			
<b>REVENUES</b>					
Sales tax	\$ 28,071,414	\$ 28,071,414	\$ 28,244,445	\$ 173,031	\$ 27,129,142
Investment Earnings	-	-	4,009	4,009	43,744
Total Revenues	<u>28,071,414</u>	<u>28,071,414</u>	<u>28,248,454</u>	<u>177,040</u>	<u>27,172,886</u>
<b>EXPENDITURES</b>					
<b>Ballpark Sales Tax</b>					
Contractual services	3,468,247	3,468,247	718,147	2,750,100	550,881
Grants	<u>3,408,000</u>	<u>3,408,000</u>	<u>3,508,000</u>	<u>(100,000)</u>	<u>2,573,660</u>
Total Expenditures	<u>6,876,247</u>	<u>6,876,247</u>	<u>4,226,147</u>	<u>2,650,100</u>	<u>3,124,541</u>
Excess of Revenues Over Expenditures	<u>21,195,167</u>	<u>21,195,167</u>	<u>24,022,307</u>	<u>2,827,140</u>	<u>24,048,345</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers out	<u>(24,202,830)</u>	<u>(24,202,830)</u>	<u>(21,294,900)</u>	<u>2,907,930</u>	<u>(21,108,648)</u>
Total Other Financing Sources (Uses)	<u>(24,202,830)</u>	<u>(24,202,830)</u>	<u>(21,294,900)</u>	<u>2,907,930</u>	<u>(21,108,648)</u>
Net Change in Fund Balance	(3,007,663)	(3,007,663)	2,727,407	<u>\$ 5,735,070</u>	2,939,697
Fund Balance - Beginning	<u>18,907,558</u>	<u>18,907,558</u>	<u>18,907,558</u>		<u>15,967,861</u>
Fund Balance - Ending	<u>\$ 15,899,895</u>	<u>\$ 15,899,895</u>	<u>\$ 21,634,965</u>		<u>\$ 18,907,558</u>

See notes to required supplementary information.

Hennepin County, Minnesota  
**Comparative Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**Housing and Redevelopment Authority Fund**  
For the Year Ended December 31, 2010  
With Comparative Actual Amounts for Year Ended December 31, 2009

	2010				
	Budgeted Amounts		Actual	Variance with Final Budget	2009 Actual
	Original	Final			
<b>REVENUES</b>					
Property taxes	\$ 3,612,734	\$ 3,518,020	\$ 3,443,202	\$ (74,818)	\$ 1,251,919
Other taxes	-	-	2,207	2,207	842
Intergovernmental	1,174,192	1,268,906	217,385	(1,051,521)	129,840
Investment earnings (loss)	30,000	30,000	5,228	(24,772)	(8,770)
Charges for services	712,231	712,231	618,304	(93,927)	713,645
Other	131,129	131,129	164,781	33,652	408,522
<b>Total Revenues</b>	<u>5,660,286</u>	<u>5,660,286</u>	<u>4,451,107</u>	<u>(1,209,179)</u>	<u>2,495,998</u>
<b>EXPENDITURES</b>					
<b>Housing and Redevelopment Authority:</b>					
Commodities	1,250	1,250	134	1,116	194,238
Contractual services	2,642,537	2,642,537	2,524,934	117,603	2,144,642
Other	61,489	61,489	49,941	11,548	6,940
Grants	7,955,010	7,955,010	6,497,180	1,457,830	3,861,038
<b>Total Expenditures</b>	<u>10,660,286</u>	<u>10,660,286</u>	<u>9,072,189</u>	<u>1,588,097</u>	<u>6,206,858</u>
Deficiency of Revenues Over Expenditures	(5,000,000)	(5,000,000)	(4,621,082)	378,918	(3,710,860)
<b>OTHER FINANCING SOURCES</b>					
Transfers in	5,000,000	5,000,000	4,512,410	(487,590)	3,688,141
Net Change in Fund Balance	-	-	(108,672)	\$ <u>(108,672)</u>	(22,719)
Fund Balance - Beginning	2,232,767	2,232,767	2,232,767		2,255,486
Fund Balance - Ending	\$ <u>2,232,767</u>	\$ <u>2,232,767</u>	\$ <u>2,124,095</u>		\$ <u>2,232,767</u>

See notes to required supplementary information.

Hennepin County, Minnesota  
**Comparative Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**Regional Railroad Authority Fund**  
For the Year Ended December 31, 2010  
With Comparative Actual Amounts for Year Ended December 31, 2009

	2010				
	Budgeted Amounts		Actual	Variance with Final Budget	2009 Actual
	Original	Final			
<b>REVENUES</b>					
Property taxes	\$ 9,513,416	11,471,344	\$ 11,371,721	\$ (99,623)	\$ 3,813,741
Other taxes	4,700	4,700	7,245	2,545	1,964
Intergovernmental	-	393,006	814,086	421,080	196,576
Investment earnings	500,000	500,000	190,657	(309,343)	618,822
Charges for services	641,000	641,000	824,724	183,724	341,862
Other	2,500	2,500	61,749	59,249	76,201
<b>Total Revenues</b>	<b>10,661,616</b>	<b>13,012,550</b>	<b>13,270,182</b>	<b>257,632</b>	<b>5,049,166</b>
<b>EXPENDITURES</b>					
<b>Regional Railroad Authority:</b>					
Commodities	3,150	1,433	42,154	(40,721)	1,504
Contractual services	10,534,828	10,472,063	12,034,211	(1,562,148)	6,622,669
Capital outlay	1,905,000	1,902,892	276,475	1,626,417	-
Other	11,314,803	11,164,803	115,860	11,048,943	1,630,745
<b>Total Expenditures</b>	<b>23,757,781</b>	<b>23,541,191</b>	<b>12,468,700</b>	<b>11,072,491</b>	<b>8,254,918</b>
Net Change in Fund Balance	(13,096,165)	(10,528,641)	801,482	\$ <u>11,330,123</u>	(3,205,752)
Fund Balance - Beginning	26,477,905	26,477,905	26,477,905		29,683,657
Fund Balance - Ending	\$ <u>13,381,740</u>	\$ <u>15,949,264</u>	\$ <u>27,279,387</u>		\$ <u>26,477,905</u>

See notes to required supplementary information.

Hennepin County, Minnesota  
**Notes to Required Supplementary Information**  
December 31, 2010

**STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Budgets are presented on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general, special revenue, debt service, and enterprise funds. Project-length financial plans are adopted for all capital projects in the five-year Capital Improvement Plan and an annual capital budget is adopted which reflects the annual portion of the project-length plans. All annual appropriations lapse at year-end to the extent that they have not been expended or encumbered.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting – under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation – is utilized in the General Fund, Human Services Fund, Library Fund, Regional Railroad Authority Fund, Housing and Redevelopment Authority, and Capital Projects Funds. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. The encumbrances are reappropriated as part of the following year's budget.

In approximately July of each year, County departments submit budget requests for the following year to the County Administrator. The budget is prepared by fund and department and includes information on the past year, current year estimates, and requested appropriations. The County Administrator reviews the budget requests, makes modifications to the requests, and submits the total budget to the County Board.

The County Board must adopt a proposed maximum property tax levy by September 15. The Board holds public hearings, makes modifications to the budget, and legally enacts the budget by passage of a resolution. The final levy must be certified to the County Auditor by December 20. Expenditures may not legally exceed budgeted appropriations at the departmental level. Changes in the budget must be within the revenues and reserves estimated as available by the County Administrator or the revenue estimates must be changed by a vote of the County Board. Generally the County Administrator may adjust budgets only between accounts within a department. However, the Assistant Administrators for Public Works and Human Services have been delegated authority by the Board to transfer budgeted amounts between departments within those program areas. The County Board may authorize the transfer of budgeted amounts between all other departments.



Hennepin County, Minnesota  
**Comparative Balance Sheets**  
**General Fund**  
December 31, 2010  
With Comparative Totals for December 31, 2009

	2010	2009
<b>ASSETS</b>		
Cash and Investments	\$ 177,996,246	\$ 167,797,395
Due from component unit	9,470,052	6,072,565
Delinquent taxes receivable	10,228,280	10,422,577
Due from other governmental agencies	9,757,110	10,165,401
Accrued investment interest	4,186,199	4,951,182
Other receivable	14,831,120	15,278,069
Prepaid items	2,271,421	645,328
Inventories	2,580,366	2,182,716
	<u>\$ 231,320,794</u>	<u>\$ 217,515,233</u>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts and contracts payable	\$ 59,520,505	\$ 35,862,101
Accrued liabilities	14,440	9,532,349
Interfund payable	22,111,112	-
Due to component unit	90,085	1,991,004
Deferred revenue - delinquent taxes	8,402,880	9,234,797
Deferred revenue	2,656,057	3,322,321
	<u>92,795,079</u>	<u>59,942,572</u>
<b>Fund Balances:</b>		
Reserved for:		
Encumbrances	8,120,097	6,267,317
Prepaid items	2,271,421	645,328
Inventories	2,580,366	2,182,716
Grant and donor restrictions	1,939,225	253,851
Statutory requirements relating to:		
Sales tax - youth sports	7,527,903	4,540,933
Dedicated fees and fines	7,429,084	9,364,980
Forfeitures	2,249,219	1,642,707
Unreserved:		
Designated for:		
Subsequent year's expenditures	17,424,251	10,795,020
Grant and donor designations	1,341,043	1,346,519
Tort liability risk retention	1,800,000	1,800,000
Unrealized gain on investments	-	4,172,208
Undesignated	85,843,106	114,561,082
	<u>138,525,715</u>	<u>157,572,661</u>
Total Fund Balances	<u>138,525,715</u>	<u>157,572,661</u>
Total Liabilities and Fund Balances	<u>\$ 231,320,794</u>	<u>\$ 217,515,233</u>

Hennepin County, Minnesota  
**Comparative Balance Sheets**  
**Special Revenue Funds**  
December 31, 2010  
With Comparative Totals for December 31, 2009

	Human Services		Library	
	2010	2009	2010	2009
<b>ASSETS</b>				
Cash and investments	\$ 141,750,335	\$ 153,707,315	\$ 36,459,714	\$ 35,149,877
Due from component unit	51,398	68,104	-	-
Delinquent taxes receivable	4,048,919	4,537,050	870,566	1,153,212
Due from other governmental agencies	33,185,557	30,816,097	-	-
Other receivables	295,365	136,228	204,614	3,890,217
Prepaid items	219,346	294,903	783,215	491,559
Restricted cash and investments	-	-	<u>2,778,744</u>	<u>2,804,021</u>
 Total Assets	 <u>\$ 179,550,920</u>	 <u>\$ 189,559,697</u>	 <u>\$ 41,096,853</u>	 <u>\$ 43,488,886</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts and contracts payable	\$ 17,150,397	\$ 20,680,037	\$ 725,259	\$ 1,466,139
Accrued liabilities	170,779	12,730,313	-	1,141,756
Interfund payable	11,452,923	-	2,835,037	-
Due to component unit	-	22,835	-	-
Deferred revenue - delinquent taxes	3,416,120	4,129,610	714,266	792,129
Deferred revenue	<u>1,980,803</u>	<u>1,413,926</u>	<u>1,084</u>	<u>-</u>
 Total Liabilities	 <u>34,171,022</u>	 <u>38,976,721</u>	 <u>4,275,646</u>	 <u>3,400,024</u>
<b>Fund Balances:</b>				
Reserved for:				
Encumbrances	-	-	1,301,827	2,051,862
Prepaid items	219,346	294,903	783,215	491,559
Grant and donor restrictions	-	572,108	2,778,744	2,804,021
Statutory requirements relating to:				
Sales tax - extended library hours	-	-	1,447,702	1,777,788
Unreserved:				
Designated for:				
Subsequent year's expenditures	7,500,000	7,959,393	2,000,000	1,223,789
Grant and donor designations	-	107,399	3,122,726	2,940,760
Risk retention	-	-	-	-
Unrealized gain on investments	-	-	-	-
Undesignated	<u>137,660,552</u>	<u>141,649,173</u>	<u>25,386,993</u>	<u>28,799,083</u>
 Total Fund Balances	 <u>145,379,898</u>	 <u>150,582,976</u>	 <u>36,821,207</u>	 <u>40,088,862</u>
 Total Liabilities and Fund Balances	 <u>\$ 179,550,920</u>	 <u>\$ 189,559,697</u>	 <u>\$ 41,096,853</u>	 <u>\$ 43,488,886</u>

Ballpark Sales Tax		Housing and Redevelopment Authority		Regional Railroad Authority	
2010	2009	2010	2009	2010	2009
\$ 17,359,400	\$ 14,766,466	\$ 1,537,698	\$ 1,316,736	\$ 27,804,163	\$ 29,318,824
-	-	-	-	-	-
-	-	-	-	220,670	162,764
-	-	-	-	185,195	-
4,275,565	4,141,092	128,467	155,769	423,877	294,152
-	-	291,274	296,514	-	-
-	-	606,460	763,820	-	-
<u>\$ 21,634,965</u>	<u>\$ 18,907,558</u>	<u>\$ 2,563,899</u>	<u>\$ 2,532,839</u>	<u>\$ 28,633,905</u>	<u>\$ 29,775,740</u>
\$ -	\$ -	\$ 439,804	\$ 300,072	\$ 1,172,245	\$ 3,102,870
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	182,273	194,965
<u>-</u>	<u>-</u>	<u>439,804</u>	<u>300,072</u>	<u>1,354,518</u>	<u>3,297,835</u>
-	-	-	107,734	221,590	63,502
-	-	291,274	296,514	-	-
-	-	606,460	-	-	-
-	-	-	-	-	-
2,799,358	3,007,663	-	-	12,881,875	10,750,231
-	-	-	-	-	-
-	-	-	-	100,000	100,000
-	-	-	-	-	223,330
<u>18,835,607</u>	<u>15,899,895</u>	<u>1,226,361</u>	<u>1,828,519</u>	<u>14,075,922</u>	<u>15,340,842</u>
<u>21,634,965</u>	<u>18,907,558</u>	<u>2,124,095</u>	<u>2,232,767</u>	<u>27,279,387</u>	<u>26,477,905</u>
<u>\$ 21,634,965</u>	<u>\$ 18,907,558</u>	<u>\$ 2,563,899</u>	<u>\$ 2,532,839</u>	<u>\$ 28,633,905</u>	<u>\$ 29,775,740</u>

Hennepin County, Minnesota  
**Comparative Balance Sheets**  
**Debt Service Fund - Regional Railroad Authority Debt**  
 December 31, 2010  
 With Comparative Totals for December 31, 2009

	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
Cash and Investments	\$ <u>469,222</u>	\$ <u>342,587</u>
 <b>LIABILITIES AND FUND BALANCES</b>		
<b>Fund Balances:</b>		
Unreserved	<u>469,222</u>	<u>342,587</u>
 Total Liabilities and Fund Balances	 \$ <u>469,222</u>	 \$ <u>342,587</u>

Hennepin County, Minnesota  
**Comparative Balance Sheets**  
**Debt Service Fund - General Debt**  
December 31, 2010  
With Comparative Totals for December 31, 2009

	2010	2009
<b>ASSETS</b>		
Cash and Investments	\$ 5,559,894	\$ 5,805,226
Delinquent taxes receivable	957,443	911,255
Other receivable	-	141
Prepaid items	10,414	-
Note receivable	106,077,096	-
Restricted cash and investments	1,697,272	1,729,434
Total Assets	\$ 114,302,119	\$ 8,446,056
<b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 660,505	\$ 278,622
Deferred revenue - delinquent taxes	777,143	821,826
Deferred revenue	106,077,096	-
Total Liabilities	107,514,744	1,100,448
<b>Fund Balances:</b>		
Reserved for:		
Prepaid items	10,414	-
Bond Covenants	1,000,000	1,000,000
Statutory requirements relating to:		
Sales tax - Ballpark debt	697,272	729,575
Unreserved	5,079,689	5,616,033
Total Fund Balances	6,787,375	7,345,608
Total Liabilities and Fund Balances	\$ 114,302,119	\$ 8,446,056

Hennepin County, Minnesota  
**Comparative Balance Sheets**  
**Capital Projects Fund**  
December 31, 2010  
With Comparative Totals for December 31, 2009

	2010	2009
<b>ASSETS</b>		
Cash and investments	\$ 91,866,886	\$ 54,077,242
Delinquent taxes receivable	33,525	38,753
Due from other governmental agencies	8,248,196	6,175,380
Accrued investment interest	16,397	6,491
Advances to other fund	209,416	309,416
Other receivable	1,941,900	2,518,082
Total Assets	\$ 102,316,320	\$ 63,125,364
<b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts and contracts payable	\$ 17,628,674	\$ 17,184,912
Deferred revenue - delinquent taxes	28,525	35,893
Deferred revenue	4,019,573	4,405,626
Total Liabilities	21,676,772	21,626,431
<b>Fund Balances:</b>		
Reserved for:		
Encumbrances	111,636,638	120,874,516
Advances and prepaid items	209,416	309,416
Unreserved	(31,206,506)	(79,684,999)
Total Fund Balances	80,639,548	41,498,933
Total Liabilities and Fund Balances	\$ 102,316,320	\$ 63,125,364

Hennepin County, Minnesota  
**Comparative Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
 General Fund**

For the Year Ended December 31, 2010  
 With Comparative Actual Amounts for Year Ended December 31, 2009

	2010				
	Budgeted Amounts		Actual	Variance with Final Budget	2009 Actual
	Original	Final			
<b>REVENUES</b>					
Property taxes	\$ 327,507,728	\$ 318,108,816	\$ 334,205,992	\$ 16,097,176	\$ 292,311,247
Other taxes	1,612,189	1,612,189	1,874,843	262,654	1,964,553
Intergovernmental	96,215,666	162,084,181	142,261,126	(19,823,055)	96,185,039
Investment earnings	13,750,000	13,750,000	6,997,422	(6,752,578)	11,376,229
Charges for services	72,515,960	72,580,960	69,422,383	(3,158,577)	69,082,303
Fines and forfeits	78,800	265,000	315,786	50,786	494,855
Licenses and permits	5,199,482	5,199,482	4,693,274	(506,208)	4,650,947
Other	31,700,377	33,806,606	24,450,987	(9,355,619)	25,707,252
<b>Total Revenues</b>	<u>548,580,202</u>	<u>607,407,234</u>	<u>584,221,813</u>	<u>(23,185,421)</u>	<u>501,772,425</u>
<b>EXPENDITURES</b>					
General government	169,695,477	213,653,789	185,328,978	28,324,811	138,964,016
Health	86,418,717	126,123,145	107,577,723	18,545,422	61,808,219
Public safety	250,539,543	252,089,895	249,504,292	2,585,603	248,058,746
Public works	60,129,061	78,460,422	70,171,537	8,288,885	51,286,705
<b>Total Expenditures</b>	<u>566,782,798</u>	<u>670,327,251</u>	<u>612,582,530</u>	<u>57,744,721</u>	<u>500,117,686</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(18,202,596)</u>	<u>(62,920,017)</u>	<u>(28,360,717)</u>	<u>34,559,300</u>	<u>1,654,739</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	253,600	3,590,412	12,954,136	9,363,724	11,028,969
Transfers out	-	-	(3,640,365)	(3,640,365)	(2,421,000)
<b>Total Other Financing Sources (Uses)</b>	<u>253,600</u>	<u>3,590,412</u>	<u>9,313,771</u>	<u>5,723,359</u>	<u>8,607,969</u>
<b>Net Change in Fund Balance</b>	<u>(17,948,996)</u>	<u>(59,329,605)</u>	<u>(19,046,946)</u>	<u>\$ 40,282,659</u>	<u>10,262,708</u>
Fund Balance - Beginning	<u>157,572,661</u>	<u>157,572,661</u>	<u>157,572,661</u>		<u>147,309,953</u>
<b>Fund Balance - Ending</b>	<u>\$ 139,623,665</u>	<u>\$ 98,243,056</u>	<u>\$ 138,525,715</u>		<u>\$ 157,572,661</u>

Hennepin County, Minnesota  
**Comparative Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**Debt Service Fund - Regional Railroad Authority Debt**  
For the Year Ended December 31, 2010  
With Comparative Actual Amounts for Year Ended December 31, 2009

	2010				
	Budgeted Amounts		Actual	Variance with Final Budget	2009 Actual
	Original	Final			
<b>REVENUES</b>					
Property taxes	\$ 3,135,650	\$ 3,135,650	\$ 3,029,360	\$ (106,290)	\$ 3,069,247
Other taxes	-	-	1,915	1,915	1,590
Total Revenues	<u>3,135,650</u>	<u>3,135,650</u>	<u>3,031,275</u>	<u>(104,375)</u>	<u>3,070,837</u>
<b>EXPENDITURES</b>					
<b>Debt Service:</b>					
Principal retirement	1,095,000	1,095,000	1,825,000	(730,000)	1,045,000
Interest and fiscal charges	<u>2,040,650</u>	<u>2,040,650</u>	<u>1,385,991</u>	<u>654,659</u>	<u>2,081,144</u>
Total Expenditures	<u>3,135,650</u>	<u>3,135,650</u>	<u>3,210,991</u>	<u>(75,341)</u>	<u>3,126,144</u>
Deficiency of Revenues Over Expenditures	-	-	(179,716)	\$ (179,716)	(55,307)
<b>OTHER FINANCING SOURCES</b>					
Issuance of debt	-	40,000,000	42,595,000	2,595,000	-
Payment to refunded bond escrow agent	-	(40,000,000)	(43,682,001)	(3,682,001)	-
Debt premiums	-	-	<u>1,393,352</u>	<u>1,393,352</u>	-
Total Other Financing Sources (Uses)	-	-	<u>306,351</u>	<u>306,351</u>	-
Net Change in Fund Balance	-	-	126,635	<u>126,635</u>	(55,307)
Fund Balance - Beginning	<u>342,587</u>	<u>342,587</u>	<u>342,587</u>		<u>397,894</u>
Fund Balance - Ending	<u>\$ 342,587</u>	<u>\$ 342,587</u>	<u>\$ 469,222</u>		<u>\$ 342,587</u>

Hennepin County, Minnesota  
**Comparative Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**Debt Service Fund - General Debt**  
For the Year Ended December 31, 2010  
With Comparative Actual Amounts for Year Ended December 31, 2009

	2010				
	Budgeted Amounts		Actual	Variance with Final Budget	2009 Actual
	Original	Final			
<b>REVENUES</b>					
Property taxes	\$ 62,550,000	\$ 61,005,130	\$ 61,013,699	\$ 8,569	\$ 52,502,685
Other taxes	-	-	43,827	43,827	30,366
Intergovernmental	27,065,553	28,610,423	4,261,697	(24,348,726)	6,247,772
Investment earnings	-	-	1,235	1,235	12,641
Total Revenues	<u>89,615,553</u>	<u>89,615,553</u>	<u>65,320,458</u>	<u>(24,295,095)</u>	<u>58,793,464</u>
<b>EXPENDITURES</b>					
<b>Debt Service:</b>					
Principal retirement	46,210,000	45,810,000	47,175,152	(1,365,152)	43,015,987
Interest and fiscal charges	63,608,383	64,008,383	38,504,113	25,504,270	35,539,929
<b>Intergovernmental</b>	-	113,275,000	113,277,589	(2,589)	-
Total Expenditures	<u>109,818,383</u>	<u>223,093,383</u>	<u>198,956,854</u>	<u>24,136,529</u>	<u>78,555,916</u>
Deficiency of Revenues Over Expenditures	<u>(20,202,830)</u>	<u>(133,477,830)</u>	<u>(133,636,396)</u>	<u>(158,566)</u>	<u>(19,762,452)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of debt	-	123,675,000	116,215,000	(7,460,000)	108,530,000
Payment to refunded bond escrow agent	-	(10,400,000)	(10,295,618)	104,382	(119,126,545)
Transfers in	20,202,830	20,202,830	19,175,761	(1,027,069)	21,708,430
Debt premiums	-	-	7,983,020	7,983,020	11,002,262
Total Other Financing Sources (Uses)	<u>20,202,830</u>	<u>133,477,830</u>	<u>133,078,163</u>	<u>(399,667)</u>	<u>22,114,147</u>
Net Change in Fund Balance	-	-	(558,233)	<u>(558,233)</u>	2,351,695
Fund Balance - Beginning	<u>7,345,608</u>	<u>7,345,608</u>	<u>7,345,608</u>		<u>4,993,913</u>
Fund Balance - Ending	<u>\$ 7,345,608</u>	<u>\$ 7,345,608</u>	<u>\$ 6,787,375</u>		<u>\$ 7,345,608</u>

Hennepin County, Minnesota  
**Comparative Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
 Capital Projects Fund**  
 For the Year Ended December 31, 2010  
 With Comparative Actual Amounts for Year Ended December 31, 2009

	2010				
	Budgeted Amounts		Actual	Variance with Final Budget	2009 Actual
	Original	Final			
<b>REVENUES</b>					
Property taxes	\$ 1,656,000	\$ 1,615,100	\$ 1,706,842	\$ 91,742	\$ 1,832,616
Other taxes	-	-	710	710	1,048
Intergovernmental	69,779,000	76,181,900	51,530,396	(24,651,504)	54,202,683
Investment earnings	-	-	192,835	192,835	139,138
Other	15,536,000	15,536,000	751,911	(14,784,089)	2,147,730
<b>Total Revenues</b>	<b>86,971,000</b>	<b>93,333,000</b>	<b>54,182,694</b>	<b>(39,150,306)</b>	<b>58,323,215</b>
<b>EXPENDITURES</b>					
Capital projects	159,316,000	195,716,000	131,177,963	64,538,037	155,790,148
<b>Total Expenditures</b>	<b>159,316,000</b>	<b>195,716,000</b>	<b>131,177,963</b>	<b>64,538,037</b>	<b>155,790,148</b>
Deficiency of Revenues Over Expenditures	(72,345,000)	(102,383,000)	(76,995,269)	25,387,731	(97,466,933)
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of debt	72,345,000	102,383,000	122,685,000	20,302,000	140,000,000
Transfers in	-	-	4,200,000	4,200,000	675,576
Transfers out	-	-	(14,375,289)	(14,375,289)	(13,016,331)
Sale of capital assets	-	-	37,030	37,030	-
Debt premiums	-	-	3,589,143	3,589,143	3,473,595
<b>Total Other Financing Sources (Uses)</b>	<b>72,345,000</b>	<b>102,383,000</b>	<b>116,135,884</b>	<b>13,752,884</b>	<b>131,132,840</b>
Net Change in Fund Balance	-	-	39,140,615	\$ 39,140,615	33,665,907
Fund Balance - Beginning	41,498,933	41,498,933	41,498,933		7,833,026
<b>Fund Balance - Ending</b>	<b>\$ 41,498,933</b>	<b>\$ 41,498,933</b>	<b>\$ 80,639,548</b>		<b>\$ 41,498,933</b>



Hennepin County, Minnesota  
**Schedule of Changes in Long-term Debt**  
For the Year Ended December 31, 2010

General Obligation - Levy Supported Bonds and Notes	Repayment Terms	Interest Rates	Amount of Original Issue
<b>Countywide:</b>			
Capital Improvements:			
February 1, 2001 Series A	Retired in 2010	4.25%	\$ 20,000,000
July 17, 2001 Series B	Retired in 2010	4.25%	45,000,000
February 1, 2002 Series A	\$1,300,000 due 2011	4.0 to 4.1%	30,000,000
September 1, 2002 Series B	Retired in 2010	3.75%	40,000,000
September 1, 2003 Series C	\$1,000,000 due in 2011	4.00%	30,000,000
May 1, 2004 Series A	\$1,500,000 in 2011 through 2013, \$2,000,000 in 2014 through 2023	4.0 to 5.0%	30,000,000
July 1, 2005 Series A	\$4,200,000 in 2011, \$4,400,000 in 2012, \$4,500,000 in 2013 and \$31,600,000 in various increments in years 2014 through 2020	Variable - Est .212%	89,600,000
May 1, 2006 Series A	\$4,999,000 in 2011, \$4,820,250 in 2012, \$4,845,750 in 2013 and \$55,102,000 in various increments in years 2014 through 2025	4.50 to 4.875%	88,688,000
July 1, 2007 Series A	\$4,645,000 in 2011, \$4,845,000 in 2012, \$5,055,000 in 2013 and \$35,990,000 in various increments in years 2014 through 2026	4.25 to 4.65%	68,140,000
March 26, 2008 Series A	\$2,000,000 in 2011, \$ 2,075,000 in 2012, \$2,125,000 in 2013 and \$39,875,000 in various increments in years 2014 through 2027	3.25 to 4.625%	50,000,000
November 10, 2008 Series D	\$2,910,000 in 2011, \$2,955,000 in 2012, \$3,005,000 in 2013 and \$44,020,000 in various increments in years 2014 through 2028	4.0 to 5.0%	58,335,000
October 22, 2008 Series E Capital Notes	\$1,020,000 in 2011, \$1,820,000 in 2012, \$1,910,000 in 2013 and \$8,250,000 in various increments in years 2014 through 2017	3.5 to 4.5%	15,000,000
April 14, 2009 Series A	\$990,000 in 2011 through 2012, \$2,435,000 in 2013, \$2,505,000 in 2014 and \$46,345,000 in various increments in years 2015 through 2028	2.0 to 4.375%	55,000,000
December 1, 2009 Series B	\$5,020,000 in 2011, \$7,295,000 in 2012, \$7,790,000 in 2013 and \$80,550,000 in various increments from 2014 through 2023	2.5 to 5.0%	100,935,000
December 1, 2009 Series C	\$2,270,000 in 2011, \$2,325,000 in 2012, \$2,400,000 in 2013 and \$13,520,000 in various increments from 2014 through 2018	3.0 to 5.0%	22,035,000
December 1, 2009 Series D, (1) Taxable	Zero payments in 2011 through 2018, \$3,118,500 in 2019, \$3,256,312 in 2020 and \$34,590,938 in various increments in 2021 through 2029	4.35 to 5.40%	40,965,750
September 15, 2010 Series B	\$1,700,000 in 2011, \$2,560,000 in 2012, \$2,610,000 in 2013 and \$20,570,000 in various increments from 2014 through 2020	2.0 to 4.0%	27,440,000
September 15, 2010 Series B Capital Notes	\$835,000 in 2011, \$910,000 in 2012, \$930,000 in 2013 and \$7,325,000 in various increments from 2014 through 2020	2.0 to 4.0%	10,000,000
September 15, 2010 Series B Watershed District Notes	\$100,000 in 2011, \$125,000 in 2012 through 2013, \$130,000 in 2014 and \$2,710,000 in various increments from 2015 through 2030	2.0 to 4.0%	3,190,000
September 15, 2010 Series C, (1) Taxable	\$0 in 2011 through 2020, \$3,305,000 in 2021, \$3,380,000 in 2022 and \$26,185,000 in various increments from 2023 through 2029	3.5 to 4.5%	32,870,000
September 15, 2010 Series D, (2) Recovery Zone Econ Development	\$0 in 2011 through 2029, \$5,665,000 in 2030, \$5,950,000 in 2031 and \$25,760,000 in various increments from 2032 through 2039	4.65 to 4.875%	37,375,000
<b>Suburban Library:</b>			
February 1, 2001 Series A	Retired in 2010	4.25%	10,000,000
July 17, 2001 Series B	Retired in 2010	4.25%	5,000,000
September 1, 2002 Series B	Retired in 2010	3.75%	5,000,000
September 1, 2003 Series C	\$1,000,000 due in 2011	4.00%	12,000,000
May 1, 2004 Series A	\$500,000 annually in 2011 through 2014	4.00%	5,000,000
July 1, 2005 Series A	\$400,000 annually in 2011 through 2016	Variable - Est .212%	6,400,000
May 1, 2006 Series A	\$1,421,000 in 2011, \$1,434,750 in 2012 and \$1,439,250 in 2013 and \$4,758,000 in various increments in 2014 through 2020	4.75% to 5.0%	12,727,000
July 1, 2007 Series A	\$190,000 in 2011, \$200,000 in 2012, \$205,000 in 2013 and \$3,595,000 in various increments in years 2014 through 2026	4.25 to 4.65%	5,000,000
March 26, 2008 Series A	\$400,000 in 2011 through 2012, \$425,000 in 2013, \$450,000 in 2014 and \$7,550,000 in various increments in years 2015 through 2027	3.25 to 4.625%	10,000,000
November 10, 2008 Series D	\$185,000 in 2011, \$190,000 in 2012, \$200,000 in 2013 and \$4,095,000 in various increments in years 2014 through 2028	4.0 to 5.0%	5,000,000

	Principal Payable					Interest Payable	
	Balance Dec. 31, 2009	Additions	Payments	Balance Dec. 31, 2010	Due Within One Year	Total	Due Within One Year
<b>General Obligation - Levy Supported Bonds and Notes Countywide:</b>							
Capital Improvements:							
February 1, 2001 Series A	\$ 1,000,000	\$ -	1,000,000	\$ -	\$ -	\$ -	\$ -
July 17, 2001 Series B	2,000,000	-	2,000,000	-	-	-	-
February 1, 2002 Series A	2,500,000	-	1,200,000	1,300,000	1,300,000	53,300	53,300
September 1, 2002 Series B	2,000,000	-	2,000,000	-	-	-	-
September 1, 2003 Series C	2,000,000	-	1,000,000	1,000,000	1,000,000	40,000	40,000
May 1, 2004 Series A	26,000,000	-	1,500,000	24,500,000	1,500,000	8,780,000	1,160,000
July 1, 2005 Series A	52,800,000	-	8,100,000	44,700,000	4,200,000	505,907	94,977
May 1, 2006 Series A	74,881,500	-	5,114,500	69,767,000	4,999,000	23,363,367	3,217,827
July 1, 2007 Series A	54,990,000	-	4,455,000	50,535,000	4,645,000	18,489,083	2,229,886
March 26, 2008 Series A	48,000,000	-	1,925,000	46,075,000	2,000,000	19,595,500	1,880,438
November 10, 2008 Series D	55,760,000	-	2,870,000	52,890,000	2,910,000	23,418,425	2,368,144
October 22, 2008 Series E Capital Notes	14,000,000	-	1,000,000	13,000,000	1,020,000	2,358,200	527,050
April 14, 2009 Series A	54,255,000	-	990,000	53,265,000	990,000	22,430,813	1,904,963
December 1, 2009 Series B	100,935,000	-	280,000	100,655,000	5,020,000	30,041,600	4,263,100
December 1, 2009 Series C	22,035,000	-	1,520,000	20,515,000	2,270,000	3,956,800	780,350
December 1, 2009 Series D, (1) Taxable	40,965,750	-	-	40,965,750	-	29,407,943	2,019,825
September 15, 2010 Series B	-	27,440,000	-	27,440,000	1,700,000	4,963,631	946,181
September 15, 2010 Series B Capital Notes	-	10,000,000	-	10,000,000	835,000	1,772,592	342,442
September 15, 2010 Series B Watershed District Notes	-	3,190,000	-	3,190,000	100,000	1,163,012	115,737
September 15, 2010 Series C, (1) Taxable	-	32,870,000	-	32,870,000	-	20,680,586	1,605,691
September 15, 2010 Series D, (2) Recovery Zone Econ Development	-	37,375,000	-	37,375,000	-	40,606,030	2,155,788
	<b>554,122,250</b>	<b>110,875,000</b>	<b>34,954,500</b>	<b>630,042,750</b>	<b>34,489,000</b>	<b>251,626,788</b>	<b>25,705,698</b>

**Suburban Library:**

February 1, 2001 Series A	1,100,000	-	1,100,000	-	-	-	-
July 17, 2001 Series B	500,000	-	500,000	-	-	-	-
September 1, 2002 Series B	500,000	-	500,000	-	-	-	-
September 1, 2003 Series C	2,000,000	-	1,000,000	1,000,000	1,000,000	40,000	40,000
May 1, 2004 Series A	2,500,000	-	500,000	2,000,000	500,000	200,000	80,000
July 1, 2005 Series A	2,800,000	-	400,000	2,400,000	400,000	17,848	5,099
May 1, 2006 Series A	10,423,500	-	1,370,500	9,053,000	1,421,000	2,439,395	590,385
July 1, 2007 Series A	4,375,000	-	185,000	4,190,000	190,000	1,773,063	186,285
March 26, 2008 Series A	9,600,000	-	375,000	9,225,000	400,000	3,929,656	376,656
November 10, 2008 Series D	4,850,000	-	180,000	4,670,000	185,000	2,352,594	213,700

See additional debt categories on the following page

	Repayment Terms	Interest Rates	Amount of Original Issue
<b>Suburban Library - continued:</b>			
April 14, 2009 Series A	\$10,000 in 2011 through 2012, \$235,000 in 2013, \$245,000 in 2014 and \$4,485,000 in various increments from 2015 through 2028	2.0 to 4.375%	5,000,000
December 1, 2009 Series B	\$2,225,000 in 2011, \$1,985,000 in 2012 \$1,465,000 in 2013 and \$1,895,000 in various increments from 2014 through 2015	2.0 to 5.0%	7,595,000
December 1, 2009 Series C	\$610,000 in 2011, \$630,000 in 2012, 645,000 in 2013 and \$3,650,000 in various increments from 2014 through 2018	3.0 to 5.0%	5,945,000
December 1, 2009 Series D, (1) Taxable	Zero payments in 2011 through 2018, \$841,500 in 2019, \$878,687 in 2020 and \$9,334,063 in various increments in 2021 through 2029	4.35 to 5.40%	11,054,250
May 4, 2010 Series A	\$280,000 in 2011, \$305,000 in 2012, \$335,000 in 2013 and \$8,895,000 in various increments from 2014 through 2028	2.0 to 4.0%	10,215,000
September 15, 2010 Series B	\$400,000 in 2011, \$640,000 in 2012, \$650,000 in 2013 and \$5,120,000 in various increments from 2014 through 2028	2.0 to 4.0%	6,810,000
September 15, 2010 Series C, (1) Taxable	\$0 in 2011 through 2020, \$825,000 in 2021, \$840,000 in 2022 and \$6,525,000 in various increments from 2023 through 2028	3.5 to 4.5%	8,190,000
<b>G.O. Revenue Bonds</b>			
December 1, 1998 Augsburg Financing	\$135,000 in 2011, \$140,000 in 2012, \$150,000 in 2013 and \$860,000 in various increments from 2014 thru 2018	4.7 to 4.9%	2,550,000
December 22, 2010 Series E	\$0 in 2011, \$3,545,000 in 2012, \$3,685,000 in 2013 and \$95,580,000 in various increments in years 2014 through 2030	4.0 to 5.0%	102,810,000
<b>Solid Waste Resource Recovery:</b>			
July 1, 2003 Series A	\$4,100,000 annually in years 2011 through 2012	3.55 to 3.75%	33,000,000
July 1, 2003 Series B	Retired in 2010	5.0%	50,795,000
<b>Sales Tax Revenue Bonds</b>			
Ballpark: May 15, 2007 Series A	\$900,000 in 2011, \$1,050,000 in 2012, \$1,150,000 in 2013 and \$145,300,000 in various increments in years 2014 through 2037	4.75 to 5.0%	150,000,000
Ballpark: April 10, 2008 Series B	\$2,720,000 in 2011, \$3,450,000 in 2012, \$3,280,000 in 2013 and \$100,450,000 in various increments in years 2014 through 2029	4.0 to 5.0%	116,775,000
Ballpark: June 26, 2008 Series C	\$800,000 in 2011, \$400,000 in 2012, \$800,000 in 2013 through 2019 and \$61,300,000 in various increments in years 2020 through 2037	Variable - Est .249%	75,000,000
<b>Limited Tax Bonds</b>			
<b>Regional Railroad Authority (RRA):</b>			
December 5, 2001	Refunded in 2010	4.0 to 5.0%	50,000,000
March 17, 2010 Series A - Refunding	\$1,360,000 in 2011, \$1,395,000 in 2012, \$1,435,000 in 2013 and \$37,675,000 in various increments in years 2014 through 2031	2.0 to 4.0%	42,595,000
<b>Lease Revenue Certificates of Participation</b>			
December 15, 2008 Series F	\$2,615,000 in 2011, \$2,700,000 in 2012, \$2,785,000 in 2013 and \$5,865,000 in various increments in years 2014 through 2015	3.0 to 3.5%	18,935,000

(1) These bonds were issued as Build America Bonds - Direct Payment to Issuer, whereby the County receives a 35 percent annual interest rate subsidy from the U.S. Treasury for the life of the bonds.

(2) These bonds were issued as Recovery Zone Economic Development Bonds - Direct Payment to Issuer, whereby the County receives a 45 percent annual interest rate subsidy from the U.S. Treasury for the life of the bonds.

	Principal Payable			Interest Payable			
	Balance Dec. 31, 2009	Additions	Payments	Balance Dec. 31, 2010	Due Within One Year	Total	Due Within One Year
<b>Suburban Library - continued:</b>							
April 14, 2009 Series A	4,995,000	-	10,000	4,985,000	10,000	2,163,763	180,094
December 1, 2009 Series B	7,595,000	-	25,000	7,570,000	2,225,000	694,825	244,375
December 1, 2009 Series C	5,945,000	-	410,000	5,535,000	610,000	1,067,750	210,550
December 1, 2009 Series D, (1) Taxable	11,054,250	-	-	11,054,250	-	7,935,477	545,032
May 4, 2010 Series A	-	10,215,000	400,000	9,815,000	280,000	3,997,656	339,156
September 15, 2010 Series B	-	6,810,000	-	6,810,000	400,000	1,234,766	235,016
September 15, 2010 Series C, (1) Taxable	-	8,190,000	-	8,190,000	-	5,153,352	400,097
	<b>68,237,750</b>	<b>25,215,000</b>	<b>6,955,500</b>	<b>86,497,250</b>	<b>7,621,000</b>	<b>33,000,144</b>	<b>3,646,445</b>
<b>Total of G.O. Levy Supported</b>	<b>622,360,000</b>	<b>136,090,000</b>	<b>41,910,000</b>	<b>716,540,000</b>	<b>42,110,000</b>	<b>284,626,932</b>	<b>29,352,143</b>
<b>G.O. Revenue Bonds</b>							
December 1, 1998 Augsburg Financing	1,415,000	-	130,000	1,285,000	135,000	296,420	61,805
December 22, 2010 Series E	-	102,810,000	-	102,810,000	-	59,333,450	4,651,406
<b>Solid Waste Resource Recovery:</b>							
July 1, 2003 Series A	12,300,000	-	4,100,000	8,200,000	4,100,000	303,400	226,525
July 1, 2003 Series B	7,810,000	-	7,810,000	-	-	-	-
	<b>21,525,000</b>	<b>102,810,000</b>	<b>12,040,000</b>	<b>112,295,000</b>	<b>4,235,000</b>	<b>59,933,270</b>	<b>4,939,736</b>
<b>Total Non-RRA G.O. Debt</b>	<b>643,885,000</b>	<b>238,900,000</b>	<b>53,950,000</b>	<b>828,835,000</b>	<b>46,345,000</b>	<b>344,560,202</b>	<b>34,291,880</b>
<b>Sales Tax Revenue Bonds</b>							
Ballpark: May 15, 2007 Series A	149,150,000	-	750,000	148,400,000	900,000	138,022,250	7,154,875
Ballpark: April 10, 2008 Series B	112,200,000	-	2,300,000	109,900,000	2,720,000	62,398,525	5,212,175
Ballpark: June 26, 2008 Series C	68,900,000	-	800,000	68,100,000	800,000	3,454,102	169,336
<b>Total Sales Tax Revenue Bonds</b>	<b>330,250,000</b>	<b>-</b>	<b>3,850,000</b>	<b>326,400,000</b>	<b>4,420,000</b>	<b>203,874,877</b>	<b>12,536,386</b>
<b>Limited Tax Bonds</b>							
<b>Regional Railroad Authority (RRA):</b>							
December 5, 2001	42,850,000	-	42,850,000	-	-	-	-
March 17, 2010 Series A - Refunding	-	42,595,000	730,000	41,865,000	1,360,000	20,118,400	1,482,900
<b>Total Bonds and Notes</b>	<b>1,016,985,000</b>	<b>281,495,000</b>	<b>101,380,000</b>	<b>1,197,100,000</b>	<b>52,125,000</b>	<b>568,553,479</b>	<b>48,311,166</b>
<b>Lease Revenue Certificates of Participation</b>							
December 15, 2008 Series F	16,505,000	-	2,540,000	13,965,000	2,615,000	1,398,319	444,556
<b>Total Certificates of Participation</b>	<b>16,505,000</b>	<b>-</b>	<b>2,540,000</b>	<b>13,965,000</b>	<b>2,615,000</b>	<b>1,398,319</b>	<b>444,556</b>
<b>Total Long-Term Debt</b>	<b>\$ 1,033,490,000</b>	<b>\$ 281,495,000</b>	<b>\$ 103,920,000</b>	<b>\$ 1,211,065,000</b>	<b>\$ 54,740,000</b>	<b>\$ 569,951,798</b>	<b>\$ 48,755,722</b>





Hennepin County, Minnesota  
**Comparative Schedules of Net Assets**  
**Enterprise Funds**  
December 31, 2010  
With Comparative Totals for December 31, 2009

	Metropolitan Health Plan		Solid Waste	
	2010	2009	2010	2009
<b>ASSETS</b>				
Current Assets:				
Cash	\$ 24,010,058	\$ 16,012,478	\$ 31,047,689	\$ 35,798,573
Delinquent taxes receivable	-	-	4,911	11,308
Due from component unit	-	-	-	-
Tip fees receivable	-	-	388,784	2,528,257
Other receivables	12,445,821	10,295,845	7,251,182	5,424,687
Inventories	-	-	-	-
Prepaid items	582,376	793,476	21,904	56,362
Total Current Assets	37,038,255	27,101,799	38,714,470	43,819,187
Noncurrent Assets:				
Other Assets:				
Restricted cash and investments	500,000	500,000	13,220,697	15,723,836
Capital Assets:				
Land	-	-	8,179,432	8,179,432
Land improvements	-	-	-	-
Buildings	-	-	131,402,042	127,766,326
Equipment	2,840,262	5,942,077	6,208,628	6,172,412
Leasehold improvements	2,317,221	2,317,221	-	-
Construction in progress	-	-	150,095	150,095
	5,157,483	8,259,298	145,940,197	142,268,265
Less accumulated depreciation and amortization	4,635,014	6,950,410	45,237,501	40,058,551
Net Capital Assets	522,469	1,308,888	100,702,696	102,209,714
Total Noncurrent Assets	1,022,469	1,808,888	113,923,393	117,933,550
Total Assets	\$ 38,060,724	\$ 28,910,687	\$ 152,637,863	\$ 161,752,737
<b>LIABILITIES</b>				
Current liabilities:				
Accounts and contracts payable	\$ 6,823,922	\$ 2,384,102	\$ 2,989,445	\$ 3,905,415
Accrued interest payable	-	-	124,708	278,708
Accrued expenses	17,713,173	15,203,672	-	163,204
Current portion of:				
General obligation bonds and notes	-	-	4,097,262	12,428,855
Compensated absences	50,000	28,000	15,000	15,000
Total Current Liabilities	24,587,095	17,615,774	7,226,415	16,791,182
Noncurrent liabilities, net of current portion:				
General obligation bonds and notes	-	-	4,099,772	8,197,040
Postemployment healthcare benefits	866,000	637,000	440,000	285,000
Compensated absences	772,558	1,070,586	993,498	955,656
Total Noncurrent Liabilities	1,638,558	1,707,586	5,533,270	9,437,696
Total Liabilities	\$ 26,225,653	\$ 19,323,360	\$ 12,759,685	\$ 26,228,878
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	\$ 522,469	\$ 1,308,888	\$ 92,505,662	\$ 81,583,819
Restricted for:				
Statutory requirements relating to:				
Metropolitan Health Plan	500,000	500,000	-	-
Solid waste management	-	-	13,220,697	16,942,145
Dedicated fees and fines	-	-	-	-
Grants	-	-	1,454,059	-
Unrestricted	10,812,602	7,778,439	32,697,760	36,997,895
Total Net Assets	\$ 11,835,071	\$ 9,587,327	\$ 139,878,178	\$ 135,523,859

Glen Lake Golf Course		Radio Communications	
2010	2009	2010	2009
\$ 80,404	\$ 149,715	\$ 7,041,706	\$ 6,581,022
-	-	-	-
-	-	-	3,593
-	-	-	-
-	-	145,357	146,213
3,764	6,933	-	-
1,955	2,610	-	-
<u>86,123</u>	<u>159,258</u>	<u>7,187,063</u>	<u>6,730,828</u>
-	-	-	-
985,092	985,092	-	-
1,893,908	1,893,908	-	-
843,167	843,167	-	-
188,034	188,034	7,718,708	7,212,061
-	-	-	-
-	-	-	-
<u>3,910,201</u>	<u>3,910,201</u>	<u>7,718,708</u>	<u>7,212,061</u>
<u>1,650,804</u>	<u>1,532,890</u>	<u>5,933,554</u>	<u>5,355,471</u>
<u>2,259,397</u>	<u>2,377,311</u>	<u>1,785,154</u>	<u>1,856,590</u>
2,259,397	2,377,311	1,785,154	1,856,590
<u>\$ 2,345,520</u>	<u>\$ 2,536,569</u>	<u>\$ 8,972,217</u>	<u>\$ 8,587,418</u>
\$ 5,777	\$ 6,358	\$ 43,141	\$ 55,643
-	-	-	-
-	-	-	-
205,000	210,000	-	-
-	-	-	-
<u>210,777</u>	<u>216,358</u>	<u>43,141</u>	<u>55,643</u>
1,405,000	1,610,000	-	-
-	-	-	-
-	-	-	-
<u>1,405,000</u>	<u>1,610,000</u>	<u>-</u>	<u>-</u>
<u>\$ 1,615,777</u>	<u>\$ 1,826,358</u>	<u>\$ 43,141</u>	<u>\$ 55,643</u>
\$ 649,397	\$ 557,311	\$ 1,785,154	\$ 1,856,590
-	-	-	-
-	-	-	-
-	-	-	-
80,346	152,900	7,143,922	6,675,185
<u>\$ 729,743</u>	<u>\$ 710,211</u>	<u>\$ 8,929,076</u>	<u>\$ 8,531,775</u>

Hennepin County, Minnesota  
**Comparative Schedules of Revenues, Expenses, and Changes in Fund Net Assets - Budget and Actual**  
**Metropolitan Health Plan Fund**  
For the Year Ended December 31, 2010  
With Comparative Actual Amounts for Year Ended December 31, 2009

	2010			2009 Actual
	Final Budget	Actual	Variance with Final Budget	
<b>OPERATING REVENUES</b>				
Net charges for services	\$ 152,124,246	\$ 141,575,359	\$ (10,548,887)	\$ 139,916,491
<b>OPERATING EXPENSES</b>				
Personal services	13,086,230	12,105,642	980,588	13,442,574
Commodities	708,807	712,180	(3,373)	74,852
Contractual services	133,300,912	118,161,039	15,139,873	118,255,360
Depreciation and amortization	856,275	786,419	69,856	1,968,801
Other	2,672,444	7,727,064	(5,054,620)	3,998,077
Total Operating Expenses	<u>150,624,668</u>	<u>139,492,344</u>	<u>11,132,324</u>	<u>137,739,664</u>
Operating Income (Loss)	<u>1,499,578</u>	<u>2,083,015</u>	<u>583,437</u>	<u>2,176,827</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment earnings	612,506	207,192	(405,314)	353,584
Interest expense	<u>(34,650)</u>	<u>(42,463)</u>	<u>(7,813)</u>	<u>(62,208)</u>
Total Nonoperating Revenues (Expenses)	<u>577,856</u>	<u>164,729</u>	<u>(413,127)</u>	<u>291,376</u>
Change in Net Assets	2,077,434	2,247,744	<u>170,310</u>	2,468,203
Total Net Assets - Beginning	<u>9,587,327</u>	<u>9,587,327</u>		<u>7,119,124</u>
Total Net Assets - Ending	<u>\$ 11,664,761</u>	<u>\$ 11,835,071</u>	\$	<u>\$ 9,587,327</u>

Hennepin County, Minnesota  
**Comparative Schedules of Revenues, Expenses, and Changes in Fund Net Assets - Budget and Actual**  
**Solid Waste Fund**  
For the Year Ended December 31, 2010  
With Comparative Actual Amounts for Year Ended December 31, 2009

	2010			2009 Actual
	Final Budget	Actual	Variance with Final Budget	
<b>OPERATING REVENUES</b>				
Charges for services	\$ 46,330,645	\$ 47,130,731	\$ 800,086	\$ 63,960,606
<b>OPERATING EXPENSES</b>				
Personal services	5,956,549	5,827,266	129,283	5,482,951
Commodities	227,334	209,529	17,805	201,489
Contractual services	36,501,137	32,831,701	3,669,436	46,145,338
Depreciation and amortization	4,596,460	5,178,950	(582,490)	5,077,027
Other	629,515	687,390	(57,875)	610,871
Total Operating Expenses	<u>47,910,995</u>	<u>44,734,836</u>	<u>3,176,159</u>	<u>57,517,676</u>
Operating Income (Loss)	<u>(1,580,350)</u>	<u>2,395,895</u>	<u>3,976,245</u>	<u>6,442,930</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Property taxes	-	4,388	4,388	676,255
Other taxes	210,000	161,085	(48,915)	163,878
Intergovernmental	5,532,500	4,066,616	(1,465,884)	3,287,175
Investment earnings	1,323,100	391,079	(932,021)	1,189,493
Interest expense	(661,898)	(669,499)	(7,601)	(1,205,332)
Other revenue	3,081,689	2,469,455	(612,234)	4,272,060
Environmental grants awarded	<u>(2,000,000)</u>	<u>(4,464,700)</u>	<u>(2,464,700)</u>	<u>(2,294,149)</u>
Total Nonoperating Revenues (Expenses)	<u>7,485,391</u>	<u>1,958,424</u>	<u>(5,526,967)</u>	<u>6,089,380</u>
Change in Net Assets	5,905,041	4,354,319	<u>(1,550,722)</u>	12,532,310
Total Net Assets-Beginning	<u>135,523,859</u>	<u>135,523,859</u>		<u>122,991,549</u>
Total Net Assets - Ending	<u>\$ 141,428,900</u>	<u>\$ 139,878,178</u>		<u>\$ 135,523,859</u>

Hennepin County, Minnesota  
**Comparative Schedules of Revenues, Expenses, and Changes in Fund Net Assets - Budget and Actual**  
**Glen Lake Golf Course Fund**  
For the Year Ended December 31, 2010  
With Comparative Actual Amounts for Year Ended December 31, 2009

	2010			2009 Actual
	Final Budget	Actual	Variance with Final Budget	
<b>OPERATING REVENUES</b>				
Charges for services	\$ 1,145,435	\$ 940,444	\$ (204,991)	\$ 976,989
<b>OPERATING EXPENSES</b>				
Personal services	-	457,437	(457,437)	442,186
Commodities	-	89,197	(89,197)	91,835
Contractual services	-	125,709	(125,709)	124,978
Depreciation and amortization	-	117,914	(117,914)	117,914
Other	1,145,435	62,807	1,082,628	67,883
<b>Total Operating Expenses</b>	<u>1,145,435</u>	<u>853,064</u>	<u>292,371</u>	<u>844,796</u>
Operating Income	-	87,380	87,380	132,193
<b>NONOPERATING EXPENSES</b>				
Interest expense	-	(67,848)	(67,848)	(74,548)
Change in Net Assets	-	19,532	<u>19,532</u>	57,645
Total Net Assets - Beginning	<u>710,211</u>	<u>710,211</u>		<u>652,566</u>
Total Net Assets - Ending	\$ <u>710,211</u>	\$ <u>729,743</u>	\$	\$ <u>710,211</u>

Hennepin County, Minnesota  
**Comparative Schedules of Revenues, Expenses, and Changes in Fund Net Assets - Budget and Actual**  
**Radio Communications Fund**  
For the Year Ended December 31, 2010  
With Comparative Actual Amounts for Year Ended December 31, 2009

	2010			2009 Actual
	Final Budget	Actual	Variance with Final Budget	
<b>OPERATING REVENUES</b>				
Charges for services	\$ 2,351,258	\$ 2,367,796	\$ 16,538	\$ 2,657,807
<b>OPERATING EXPENSES</b>				
Commodities	325,638	183,098	142,540	349,903
Contractual services	1,125,758	1,274,750	(148,992)	1,278,012
Depreciation and amortization	899,862	607,767	292,095	802,664
Total Operating Expenses	<u>2,351,258</u>	<u>2,065,615</u>	<u>285,643</u>	<u>2,430,579</u>
Operating Income	-	302,181	302,181	227,228
Capital contributions	-	95,120	95,120	59,855
Change in Net Assets	-	397,301	<u>397,301</u>	287,083
Total Net Assets - Beginning	<u>8,531,775</u>	<u>8,531,775</u>		<u>8,244,692</u>
Total Net Assets - Ending	\$ <u>8,531,775</u>	\$ <u>8,929,076</u>	\$	\$ <u>8,531,775</u>

Hennepin County, Minnesota  
**Comparative Schedules of Cash Flows**  
**Enterprise Funds**  
For the Years Ended December 31, 2010 and 2009

	Metropolitan Health Plan	
	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers and users	\$ 141,934,884	\$ 135,481,232
Payments to suppliers for goods and services	(114,222,299)	(117,747,146)
Payments to employees for services	(12,152,670)	(13,273,532)
Other operating disbursements	(7,727,064)	(3,998,077)
Net Cash Provided by Operating Activities	7,832,851	462,477
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Property taxes	-	-
Other taxes	-	-
Grants and contributions	-	-
Net Cash Provided by Noncapital Financing Activities	-	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase of property, plant and equipment	-	(30,975)
Interest paid	(42,463)	(62,208)
Debt issuance cost and principal payments	-	-
Net Cash Used by Capital and Related Financing Activities	(42,463)	(93,183)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest income	207,192	353,584
Net Cash Provided by Investing Activities	207,192	353,584
Net Increase (Decrease) in Cash	7,997,580	722,878
Cash at Beginning of Year	16,512,478	15,789,600
Cash at End of Year	\$ 24,510,058	\$ 16,512,478
<b>CASH COMPONENTS:</b>		
Cash	\$ 24,010,058	\$ 16,012,478
Restricted cash	500,000	500,000
Cash at End of Year	\$ 24,510,058	\$ 16,512,478
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating income	\$ 2,083,015	\$ 2,176,827
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation and amortization	786,419	1,968,801
Loss on retirement of property, plant and equipment	-	-
(Increase) decrease in:		
Receivables and prepaid items	(1,938,876)	(890,796)
Due from component unit	-	-
Inventories	-	-
Increase (decrease) in:		
Accounts payable and accrued expenses	6,902,293	(2,792,355)
Net Cash Provided By Operating Activities	\$ 7,832,851	\$ 462,477
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>		
Contributions of capital assets	\$ -	\$ -
Decrease in fair value of investments	(194,207)	(124,668)

Solid Waste		Glen Lake Golf Course		Radio Communications	
2010	2009	2010	2009	2010	2009
\$ 47,280,505	\$ 64,438,805	\$ 940,444	\$ 976,989	\$ 2,372,245	\$ 2,687,255
(33,922,742)	(49,592,805)	(211,663)	(230,840)	(1,470,350)	(1,611,385)
(5,634,424)	(5,244,836)	(457,437)	(442,186)	-	-
(687,390)	(610,871)	(62,807)	(67,883)	-	-
<u>7,035,949</u>	<u>8,990,293</u>	<u>208,537</u>	<u>236,080</u>	<u>901,895</u>	<u>1,075,870</u>
10,785	673,791	-	-	-	-
161,085	163,878	-	-	-	-
<u>2,071,371</u>	<u>5,265,086</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>2,243,241</u>	<u>6,102,755</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(3,671,933)	(4,831,610)	-	-	(441,211)	(304,543)
(823,499)	(1,352,770)	(67,848)	(74,548)	-	-
<u>(12,428,860)</u>	<u>(12,627,730)</u>	<u>(210,000)</u>	<u>(200,000)</u>	<u>-</u>	<u>-</u>
<u>(16,924,292)</u>	<u>(18,812,110)</u>	<u>(277,848)</u>	<u>(274,548)</u>	<u>(441,211)</u>	<u>(304,543)</u>
391,079	1,189,493	-	-	-	-
<u>391,079</u>	<u>1,189,493</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(7,254,023)	(2,529,569)	(69,311)	(38,468)	460,684	771,327
<u>51,522,409</u>	<u>54,051,978</u>	<u>149,715</u>	<u>188,183</u>	<u>6,581,022</u>	<u>5,809,695</u>
<u>\$ 44,268,386</u>	<u>\$ 51,522,409</u>	<u>\$ 80,404</u>	<u>\$ 149,715</u>	<u>\$ 7,041,706</u>	<u>\$ 6,581,022</u>
\$ 31,047,689	\$ 35,798,573	\$ 80,404	\$ 149,715	\$ 7,041,706	\$ 6,581,022
<u>13,220,697</u>	<u>15,723,836</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 44,268,386</u>	<u>\$ 51,522,409</u>	<u>\$ 80,404</u>	<u>\$ 149,715</u>	<u>\$ 7,041,706</u>	<u>\$ 6,581,022</u>
\$ 2,395,895	\$ 6,442,930	\$ 87,380	\$ 132,193	\$ 302,181	\$ 227,228
5,178,950	5,077,027	117,914	117,914	607,767	802,664
-	-	-	-	-	3,387
347,436	474,799	655	(104)	856	13,747
-	-	-	-	3,593	12,314
-	-	3,169	(3,969)	-	-
<u>(886,332)</u>	<u>(3,004,463)</u>	<u>(581)</u>	<u>(9,954)</u>	<u>(12,502)</u>	<u>16,530</u>
<u>\$ 7,035,949</u>	<u>\$ 8,990,293</u>	<u>\$ 208,537</u>	<u>\$ 236,080</u>	<u>\$ 901,895</u>	<u>\$ 1,075,870</u>
\$ -	\$ -	\$ -	\$ -	\$ 95,120	\$ 59,855
(549,482)	(290,852)	-	-	-	-





Hennepin County, Minnesota  
**Combining Statement of Net Assets**  
**Internal Service Funds**  
December 31, 2010  
With Comparative Totals for December 31, 2009

	Central Services	Central Mobile Equipment	Information Technology	Energy Center
<b>ASSETS</b>				
Current Assets:				
Cash	\$ 1,920,443	\$ 9,820,873	\$ 28,273,890	\$ 3,699,346
Interfund receivable	-	-	-	-
Due from component unit	-	113,490	-	762,454
Receivables from users	337,590	199,972	247,714	510,891
Inventories	139,720	216,579	-	225,816
Prepaid items	65,443	-	2,651,897	2,240
	<u>2,463,196</u>	<u>10,350,914</u>	<u>31,173,501</u>	<u>5,200,747</u>
Total Current Assets				
Capital Assets:				
Land	-	-	-	1,040,600
Buildings	-	-	-	32,876,335
Equipment	2,559,837	38,366,402	65,243,416	265,615
Software	-	-	821,168	-
Construction in progress	-	182,784	-	-
	<u>2,559,837</u>	<u>38,549,186</u>	<u>66,064,584</u>	<u>34,182,550</u>
Less accumulated depreciation	2,106,542	20,887,528	49,591,984	15,415,446
Net Capital Assets	<u>453,295</u>	<u>17,661,658</u>	<u>16,472,600</u>	<u>18,767,104</u>
Total Assets	<u>\$ 2,916,491</u>	<u>\$ 28,012,572</u>	<u>\$ 47,646,101</u>	<u>\$ 23,967,851</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts and contracts payable	\$ 54,076	\$ 1,006,881	\$ 1,365,431	\$ 671,320
Accrued interest payable	-	-	-	1,315
Accrued expenses	-	-	-	-
Current portion of:				
Workers' compensation claims	-	-	-	-
Lease revenue certificates of participation	-	-	-	62,118
General obligation bonds	-	-	-	1,109,635
Notes payable	-	-	-	-
Compensated absences	13,000	9,000	19,000	-
Total Current Liabilities	<u>67,076</u>	<u>1,015,881</u>	<u>1,384,431</u>	<u>1,844,388</u>
Noncurrent Liabilities, Net of Current Portion:				
Advance from other funds	-	-	-	209,416
Workers' compensation claims	-	-	-	-
Lease revenue certificates of participation	-	-	-	269,500
General obligation bonds	-	-	-	16,086,920
Notes payable	-	-	-	-
Postemployment healthcare benefits	125,000	173,000	431,000	-
Compensated absences	176,675	292,777	2,126,503	47,148
Total Noncurrent Liabilities	<u>301,675</u>	<u>465,777</u>	<u>2,557,503</u>	<u>16,612,984</u>
Total Liabilities	<u>\$ 368,751</u>	<u>\$ 1,481,658</u>	<u>\$ 3,941,934</u>	<u>\$ 18,457,372</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	\$ 453,295	\$ 17,661,658	\$ 16,472,600	\$ 1,238,931
Unrestricted	<u>2,094,445</u>	<u>8,869,256</u>	<u>27,231,567</u>	<u>4,271,548</u>
Total Net Assets	<u>\$ 2,547,740</u>	<u>\$ 26,530,914</u>	<u>\$ 43,704,167</u>	<u>\$ 5,510,479</u>

	Self Insurance	Other Employee Benefits	Totals	
			2010	2009
\$	17,203,771	\$ 86,264,113	\$ 147,182,436	\$ 114,201,247
	-	36,399,072	36,399,072	-
	-	-	875,944	1,322,437
	14,569	-	1,310,736	759,359
	-	-	582,115	643,906
	-	-	2,719,580	2,014,618
	<u>17,218,340</u>	<u>122,663,185</u>	<u>189,069,883</u>	<u>118,941,567</u>
	-	-	1,040,600	1,040,600
	-	-	32,876,335	29,146,242
	65,850	-	106,501,120	102,691,356
	-	-	821,168	-
	-	-	182,784	2,441,724
	<u>65,850</u>	<u>-</u>	<u>141,422,007</u>	<u>135,319,922</u>
	<u>39,717</u>	<u>-</u>	<u>88,041,217</u>	<u>85,902,126</u>
	<u>26,133</u>	<u>-</u>	<u>53,380,790</u>	<u>49,417,796</u>
\$	<u>17,244,473</u>	<u>122,663,185</u>	<u>242,450,673</u>	<u>168,359,363</u>
\$	82,055	\$ -	\$ 3,179,763	\$ 6,152,963
	10,505	-	11,820	14,384
	-	-	-	453,252
	1,500,000	-	1,500,000	1,500,000
	-	-	62,118	60,344
	-	-	1,109,635	984,755
	70,596	-	70,596	65,837
	-	5,000,000	5,041,000	6,045,000
	<u>1,663,156</u>	<u>5,000,000</u>	<u>10,974,932</u>	<u>15,276,535</u>
	-	-	209,416	309,416
	7,678,319	-	7,678,319	7,156,829
	-	-	269,500	331,618
	-	-	16,086,920	14,653,059
	243,911	-	243,911	314,507
	45,000	28,989,000	29,763,000	555,000
	158,361	87,755,903	90,557,367	87,650,716
	<u>8,125,591</u>	<u>116,744,903</u>	<u>144,808,433</u>	<u>110,971,145</u>
\$	<u>9,788,747</u>	<u>121,744,903</u>	<u>155,783,365</u>	<u>126,247,680</u>
\$	26,133	\$ -	\$ 35,852,617	\$ 33,388,020
	<u>7,429,593</u>	<u>918,282</u>	<u>50,814,691</u>	<u>8,723,663</u>
\$	<u>7,455,726</u>	<u>918,282</u>	<u>86,667,308</u>	<u>42,111,683</u>

Hennepin County, Minnesota  
**Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Internal Service Funds**

For the Year Ended December 31, 2010  
With Comparative Totals for December 31, 2009

	Central Services	Central Mobile Equipment	Information Technology	Energy Center
<b>OPERATING REVENUES</b>				
Charges for services	\$ 5,119,360	\$ 11,008,820	\$ 33,107,784	\$ 9,201,432
<b>OPERATING EXPENSES</b>				
Personal services	1,531,476	2,087,634	12,753,553	146,316
Commodities	271,034	2,956,201	623,121	3,963,032
Contractual services	3,201,234	1,345,775	11,770,023	2,887,111
Depreciation	101,650	4,929,153	7,433,440	1,059,927
Other charges	156,732	281,329	871,270	82,387
 Total Operating Expenses	 5,262,126	 11,600,092	 33,451,407	 8,138,773
Operating Income (Loss)	(142,766)	(591,272)	(343,623)	1,062,659
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest expense	-	-	-	(619,684)
Gain on sale of capital assets	-	614,649	-	-
 Total Nonoperating Revenues (Expenses)	 -	 614,649	 -	 (619,684)
 Income (Loss) Before Contributions and Transfers	 (142,766)	 23,377	 (343,623)	 442,975
Capital contributions	88,927	485,260	969,477	-
Transfers out	-	-	-	-
 Net Contributions and Transfers	 88,927	 485,260	 969,477	 -
 Change in Net Assets	 (53,839)	 508,637	 625,854	 442,975
Total Net Assets - Beginning	2,601,579	26,022,277	43,078,313	5,067,504
 Total Net Assets-Ending	 \$ 2,547,740	 \$ 26,530,914	 \$ 43,704,167	 \$ 5,510,479

Self Insurance	Other Employee Benefits	Totals	
		2010	2009
\$ 4,299,671	\$ 86,197,131	\$ 148,934,198	\$ 81,015,632
489,773	42,433,438	59,442,190	32,475,892
2,826	-	7,816,214	7,173,611
4,266,753	-	23,470,896	27,151,217
28,833	-	13,553,003	16,429,988
220,981	-	1,612,699	1,477,359
5,009,166	42,433,438	105,895,002	84,708,067
(709,495)	43,763,693	43,039,196	(3,692,435)
(22,200)	-	(641,884)	(603,485)
-	-	614,649	562,869
(22,200)	-	(27,235)	(40,616)
(731,695)	43,763,693	43,011,961	(3,733,051)
-	-	1,543,664	3,054,491
-	-	-	(444,561)
-	-	1,543,664	2,609,930
(731,695)	43,763,693	44,555,625	(1,123,121)
8,187,421	(42,845,411)	42,111,683	43,234,804
\$ 7,455,726	\$ 918,282	\$ 86,667,308	\$ 42,111,683

Hennepin County, Minnesota  
**Combining Schedule of Cash Flows**  
**Internal Service Funds**  
For the Year Ended December 31, 2010

	Central Services	Central Mobile Equipment
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers and users	\$ 5,023,876	\$ 11,127,391
Payments to suppliers for goods and services	(3,579,627)	(4,945,704)
Payments to employees for services	(1,532,420)	(2,003,278)
Other operating disbursements	(156,732)	(281,329)
Net Cash Provided (Used) by Operating Activities	(244,903)	3,897,080
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Noncapital debt payments	-	-
Net Cash Used by Noncapital Financing Activities	-	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase of property, plant and equipment	(10,636)	(3,745,671)
Interest paid	-	-
Proceeds from sale or disposal of property, plant and equipment	-	616,922
Proceeds from issuance of debt	-	-
Debt issuance cost and principal payments	-	-
Net Cash Used by Capital and Related Financing Activities	(10,636)	(3,128,749)
Net Increase (Decrease) in Cash	(255,539)	768,331
Cash at Beginning of Year	2,175,982	9,052,542
Cash at End of Year	\$ 1,920,443	\$ 9,820,873
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ (142,766)	\$ (591,272)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization	101,650	4,929,153
(Increase) decrease in:		
Receivables and prepaid items	(287,893)	(53,860)
Due from component unit	224,518	235,434
Inventories	95,220	(47,658)
Increase (decrease) in:		
Accounts payable and accrued expenses	(235,632)	(574,717)
Advance from other funds	-	-
Net Cash Provided (Used) By Operating Activities	\$ (244,903)	\$ 3,897,080
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>		
Capital asset additions through increase in debt	\$ -	\$ -
Contributions of capital assets	88,927	485,260

Information Technology	Energy Center	Self Insurance	Other Employee Benefits	Total
\$ 32,744,760	\$ 9,011,719	\$ 4,271,185	\$ 49,798,059	\$ 111,976,990
(15,163,658)	(6,794,427)	(3,755,075)	-	(34,238,491)
(12,597,498)	(112,794)	(470,882)	(11,758,167)	(28,475,039)
(871,270)	(182,387)	(220,981)	-	(1,712,699)
<u>4,112,334</u>	<u>1,922,111</u>	<u>(175,753)</u>	<u>38,039,892</u>	<u>47,550,761</u>
-	-	(65,837)	-	(65,837)
-	-	(65,837)	-	(65,837)
(9,674,804)	(2,543,496)	-	-	(15,974,607)
-	(619,909)	(24,538)	-	(644,447)
-	-	-	-	616,922
-	2,543,496	-	-	2,543,496
-	(1,045,099)	-	-	(1,045,099)
<u>(9,674,804)</u>	<u>(1,665,008)</u>	<u>(24,538)</u>	<u>-</u>	<u>(14,503,735)</u>
(5,562,470)	257,103	(266,128)	38,039,892	32,981,189
<u>33,836,360</u>	<u>3,442,243</u>	<u>17,469,899</u>	<u>48,224,221</u>	<u>114,201,247</u>
<u>\$ 28,273,890</u>	<u>\$ 3,699,346</u>	<u>\$ 17,203,771</u>	<u>\$ 86,264,113</u>	<u>\$ 147,182,436</u>
\$ (343,623)	\$ 1,062,659	\$ (709,495)	\$ 43,763,693	\$ 43,039,196
7,433,440	1,059,927	28,833	-	13,553,003
(734,297)	(165,720)	(14,569)	(36,399,072)	(37,655,411)
6,551	(20,010)	-	-	446,493
-	14,229	-	-	61,791
(2,249,737)	71,026	519,478	30,675,271	28,205,689
-	(100,000)	-	-	(100,000)
<u>\$ 4,112,334</u>	<u>\$ 1,922,111</u>	<u>\$ (175,753)</u>	<u>\$ 38,039,892</u>	<u>\$ 47,550,761</u>
\$ -	\$ 1,514,776	\$ -	\$ -	\$ 1,514,776
969,477	-	-	-	1,543,664

Hennepin County, Minnesota  
**Comparative Schedules of Net Assets**  
**Internal Service Funds**  
For the Year Ended December 31, 2010  
With Comparative Totals for December 31, 2009

	Central Services		Central Mobile Equipment		Information Technology	
	2010	2009	2010	2009	2010	2009
<b>ASSETS</b>						
Current Assets:						
Cash	\$ 1,920,443	\$ 2,175,982	\$ 9,820,873	\$ 9,052,542	\$ 28,273,890	\$ 33,836,360
Interfund receivable	-	-	-	-	-	-
Due from component unit	-	224,518	113,490	348,924	-	6,551
Receivables from users	337,590	53,424	199,972	146,112	247,714	215,110
Inventories	139,720	234,940	216,579	168,921	-	-
Prepaid items	65,443	61,716	-	-	2,651,897	1,950,204
<b>Total Current Assets</b>	<u>2,463,196</u>	<u>2,750,580</u>	<u>10,350,914</u>	<u>9,716,499</u>	<u>31,173,501</u>	<u>36,008,225</u>
Capital Assets:						
Land	-	-	-	-	-	-
Buildings	-	-	-	-	-	-
Equipment	2,559,837	2,460,274	38,366,402	36,007,081	65,243,416	63,898,914
Software	-	-	-	-	821,168	-
Construction in progress	-	-	182,784	1,248,749	-	-
	<u>2,559,837</u>	<u>2,460,274</u>	<u>38,549,186</u>	<u>37,255,830</u>	<u>66,064,584</u>	<u>63,898,914</u>
Less accumulated depreciation	<u>2,106,542</u>	<u>2,004,892</u>	<u>20,887,528</u>	<u>18,893,677</u>	<u>49,591,984</u>	<u>50,637,155</u>
<b>Net Capital Assets</b>	<u>453,295</u>	<u>455,382</u>	<u>17,661,658</u>	<u>18,362,153</u>	<u>16,472,600</u>	<u>13,261,759</u>
<b>Total Assets</b>	<u>\$ 2,916,491</u>	<u>\$ 3,205,962</u>	<u>\$ 28,012,572</u>	<u>\$ 28,078,652</u>	<u>\$ 47,646,101</u>	<u>\$ 49,269,984</u>
<b>LIABILITIES</b>						
Current Liabilities:						
Accounts and contracts payable	\$ 54,076	\$ 252,928	\$ 1,006,881	\$ 1,602,951	\$ 1,365,431	\$ 3,434,252
Accrued interest payable	-	-	-	-	-	-
Accrued expenses	-	35,836	-	63,003	-	336,971
Current portion of:						
Workers' compensation claims	-	-	-	-	-	-
Lease revenue certificates of participation	-	-	-	-	-	-
General obligation bonds	-	-	-	-	-	-
Notes payable	-	-	-	-	-	-
Compensated absences	<u>13,000</u>	<u>14,000</u>	<u>9,000</u>	<u>10,000</u>	<u>19,000</u>	<u>21,000</u>
<b>Total Current Liabilities</b>	<u>67,076</u>	<u>302,764</u>	<u>1,015,881</u>	<u>1,675,954</u>	<u>1,384,431</u>	<u>3,792,223</u>
Noncurrent Liabilities, net of current portion:						
Advance from other funds	-	-	-	-	-	-
Workers' compensation claims	-	-	-	-	-	-
Lease revenue certificates of participation	-	-	-	-	-	-
General obligation bonds	-	-	-	-	-	-
Notes payable	-	-	-	-	-	-
Postemployment healthcare benefits	125,000	114,000	173,000	119,000	431,000	290,000
Compensated absences	<u>176,675</u>	<u>187,619</u>	<u>292,777</u>	<u>261,421</u>	<u>2,126,503</u>	<u>2,109,448</u>
<b>Total Noncurrent Liabilities</b>	<u>301,675</u>	<u>301,619</u>	<u>465,777</u>	<u>380,421</u>	<u>2,557,503</u>	<u>2,399,448</u>
<b>Total Liabilities</b>	<u>\$ 368,751</u>	<u>\$ 604,383</u>	<u>\$ 1,481,658</u>	<u>\$ 2,056,375</u>	<u>\$ 3,941,934</u>	<u>\$ 6,191,671</u>
<b>Net Assets</b>						
Invested in capital assets, net of related debt	\$ 453,295	\$ 455,382	\$ 17,661,658	\$ 18,362,153	\$ 16,472,600	\$ 13,261,759
Unrestricted	<u>2,094,445</u>	<u>2,146,197</u>	<u>8,869,256</u>	<u>7,660,124</u>	<u>27,231,567</u>	<u>29,816,554</u>
<b>Total Net Assets</b>	<u>\$ 2,547,740</u>	<u>\$ 2,601,579</u>	<u>\$ 26,530,914</u>	<u>\$ 26,022,277</u>	<u>\$ 43,704,167</u>	<u>\$ 43,078,313</u>

Energy Center		Self Insurance		Other Employee Benefits	
2010	2009	2010	2009	2010	2009
\$ 3,699,346	\$ 3,442,243	\$ 17,203,771	\$ 17,469,899	\$ 86,264,113	\$ 48,224,221
-	-	-	-	36,399,072	-
762,454	742,444	-	-	-	-
510,891	344,713	14,569	-	-	-
225,816	240,045	-	-	-	-
2,240	2,698	-	-	-	-
<u>5,200,747</u>	<u>4,772,143</u>	<u>17,218,340</u>	<u>17,469,899</u>	<u>122,663,185</u>	<u>48,224,221</u>
1,040,600	1,040,600	-	-	-	-
32,876,335	29,146,242	-	-	-	-
265,615	259,237	65,850	65,850	-	-
-	-	-	-	-	-
-	1,192,975	-	-	-	-
<u>34,182,550</u>	<u>31,639,054</u>	<u>65,850</u>	<u>65,850</u>	<u>-</u>	<u>-</u>
<u>15,415,446</u>	<u>14,355,519</u>	<u>39,717</u>	<u>10,883</u>	<u>-</u>	<u>-</u>
<u>18,767,104</u>	<u>17,283,535</u>	<u>26,133</u>	<u>54,967</u>	<u>-</u>	<u>-</u>
<u>\$ 23,967,851</u>	<u>\$ 22,055,678</u>	<u>\$ 17,244,473</u>	<u>\$ 17,524,866</u>	<u>\$ 122,663,185</u>	<u>\$ 48,224,221</u>
\$ 671,320	\$ 630,291	\$ 82,055	\$ 89,041	\$ -	\$ 143,500
1,315	1,540	10,505	12,844	-	-
-	3,525	-	13,917	-	-
-	-	1,500,000	1,500,000	-	-
62,118	60,344	-	-	-	-
1,109,635	984,755	-	-	-	-
-	-	70,596	65,837	-	-
-	-	-	-	5,000,000	6,000,000
<u>1,844,388</u>	<u>1,680,455</u>	<u>1,663,156</u>	<u>1,681,639</u>	<u>5,000,000</u>	<u>6,143,500</u>
209,416	309,416	-	-	-	-
-	-	7,678,319	7,156,829	-	-
269,500	331,618	-	-	-	-
16,086,920	14,653,059	-	-	-	-
-	-	243,911	314,507	-	-
-	-	45,000	32,000	28,989,000	-
<u>47,148</u>	<u>13,626</u>	<u>158,361</u>	<u>152,470</u>	<u>87,755,903</u>	<u>84,926,132</u>
<u>16,612,984</u>	<u>15,307,719</u>	<u>8,125,591</u>	<u>7,655,806</u>	<u>116,744,903</u>	<u>84,926,132</u>
<u>\$ 18,457,372</u>	<u>\$ 16,988,174</u>	<u>\$ 9,788,747</u>	<u>\$ 9,337,445</u>	<u>\$ 121,744,903</u>	<u>\$ 91,069,632</u>
\$ 1,238,931	\$ 1,253,759	\$ 26,133	\$ 54,967	\$ -	\$ -
<u>4,271,548</u>	<u>3,813,745</u>	<u>7,429,593</u>	<u>8,132,454</u>	<u>918,282</u>	<u>(42,845,411)</u>
<u>\$ 5,510,479</u>	<u>\$ 5,067,504</u>	<u>\$ 7,455,726</u>	<u>\$ 8,187,421</u>	<u>\$ 918,282</u>	<u>\$ (42,845,411)</u>

Hennepin County, Minnesota  
**Comparative Schedules of Revenues, Expenses, and Changes in Fund Net Assets**  
**Internal Service Funds**  
For the Year Ended December 31, 2010  
With Comparative Totals for December 31, 2009

	Central Services		Central Mobile Equipment		Information Technology	
	2010	2009	2010	2009	2010	2009
<b>OPERATING REVENUES</b>						
Charges for services	\$ 5,119,360	\$ 5,520,261	\$ 11,008,820	\$ 11,296,534	\$ 33,107,784	\$ 39,833,071
<b>OPERATING EXPENSES</b>						
Personal services	1,531,476	1,582,795	2,087,634	2,105,884	12,753,553	12,820,952
Commodities	271,034	309,888	2,956,201	2,439,780	623,121	227,602
Contractual services	3,201,234	3,385,198	1,345,775	1,107,943	11,770,023	14,898,681
Depreciation	101,650	123,988	4,929,153	4,379,765	7,433,440	11,041,286
Other charges	156,732	155,962	281,329	344,299	871,270	745,597
Total Operating Expenses	<u>5,262,126</u>	<u>5,557,831</u>	<u>11,600,092</u>	<u>10,377,671</u>	<u>33,451,407</u>	<u>39,734,118</u>
Operating Income (Loss)	<u>(142,766)</u>	<u>(37,570)</u>	<u>(591,272)</u>	<u>918,863</u>	<u>(343,623)</u>	<u>98,953</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Interest expense	-	-	-	-	-	-
Gain on sale of capital assets	-	-	614,649	562,869	-	-
Total Nonoperating Revenues (Expenses)	<u>-</u>	<u>-</u>	<u>614,649</u>	<u>562,869</u>	<u>-</u>	<u>-</u>
Income (Loss) Before Contributions and Transfers	<u>(142,766)</u>	<u>(37,570)</u>	<u>23,377</u>	<u>1,481,732</u>	<u>(343,623)</u>	<u>98,953</u>
Capital contributions	88,927	-	485,260	971,290	969,477	2,083,201
Transfers out	-	(63,306)	-	-	-	(381,255)
Net Contributions and Transfers	<u>88,927</u>	<u>(63,306)</u>	<u>485,260</u>	<u>971,290</u>	<u>969,477</u>	<u>1,701,946</u>
Change in Net Assets	(53,839)	(100,876)	508,637	2,453,022	625,854	1,800,899
Total Net Assets - Beginning	<u>2,601,579</u>	<u>2,702,455</u>	<u>26,022,277</u>	<u>23,569,255</u>	<u>43,078,313</u>	<u>41,277,414</u>
Total Net Assets-Ending	<u>\$ 2,547,740</u>	<u>\$ 2,601,579</u>	<u>\$ 26,530,914</u>	<u>\$ 26,022,277</u>	<u>\$ 43,704,167</u>	<u>\$ 43,078,313</u>

Energy Center		Self Insurance		Other Employee Benefits	
2010	2009	2010	2009	2010	2009
\$ 9,201,432	\$ 9,641,827	\$ 4,299,671	\$ 4,751,080	\$ 86,197,131	\$ 9,972,859
146,316	113,664	489,773	481,500	42,433,438	15,371,097
3,963,032	4,193,812	2,826	2,529	-	-
2,887,111	3,093,099	4,266,753	4,666,296	-	-
1,059,927	874,066	28,833	10,883	-	-
82,387	61,294	220,981	170,207	-	-
8,138,773	8,335,935	5,009,166	5,331,415	42,433,438	15,371,097
1,062,659	1,305,892	(709,495)	(580,335)	43,763,693	(5,398,238)
(619,684)	(590,641)	(22,200)	(12,844)	-	-
-	-	-	-	-	-
(619,684)	(590,641)	(22,200)	(12,844)	-	-
442,975	715,251	(731,695)	(593,179)	43,763,693	(5,398,238)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
442,975	715,251	(731,695)	(593,179)	43,763,693	(5,398,238)
5,067,504	4,352,253	8,187,421	8,780,600	(42,845,411)	(37,447,173)
\$ 5,510,479	\$ 5,067,504	\$ 7,455,726	\$ 8,187,421	\$ 918,282	\$ (42,845,411)

<b>Individual Fund Information</b>
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Hennepin County, Minnesota  
**Statement of Changes in Assets and Liabilities**  
**Agency Fund**  
For the Year Ended December 31, 2010

	<u>Balance</u> <u>January 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>December 31, 2010</u>
<b>ASSETS</b>				
Cash and investments	\$ 126,509,970	\$ 2,735,617,992	\$ 2,776,875,203	\$ 85,252,759
Delinquent taxes receivable, net	48,197,362	3,428,352	1,567,910	50,057,804
Other receivable	<u>538,048</u>	<u>-</u>	<u>538,048</u>	<u>-</u>
Total Assets	<u>\$ 175,245,380</u>	<u>\$ 2,739,046,344</u>	<u>\$ 2,778,981,161</u>	<u>\$ 135,310,563</u>
<b>LIABILITIES</b>				
Amounts held or due as agent	<u>\$ 175,245,380</u>	<u>\$ 3,511,183,124</u>	<u>\$ 3,551,117,941</u>	<u>\$ 135,310,563</u>

**STATISTICAL SECTION**

<u>Table No.</u>	<u>Category</u>	<u>Page</u>
	<b>Financial Trends – This section provides information that shows how the County’s financial position has changed over time.</b>	
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Hennepin County, Minnesota  
**Government-wide Net Assets**  
 Last Nine Years <sup>1</sup>

Governmental Activities Net Assets					Business-type		
	Invested in Capital Assets, Net of Related Debt	Restricted	Unrestricted	Total	Invested in Capital Assets, Net of Related Debt	Restricted	
2002	\$ 773,598,546 % 70.9	61,875,303 5.7	262,279,722 24.0	\$ 1,097,753,571 % 100.0	\$ 101,954,878 % 56.2	55,711,499 30.8	
2003	\$ 743,382,624 % 68.2	62,911,890 5.8	284,291,050 26.1	\$ 1,090,585,564 % 100.0	\$ 114,084,535 % 57.4	63,908,646 32.1	
2004	\$ 777,670,165 % 68.2	53,197,959 4.7	308,359,970 27.1	\$ 1,139,228,094 % 100.0	\$ 114,729,850 % 53.6	60,014,704 28.0	
2005	\$ 855,109,063 % 72.1	56,816,582 4.8	273,177,122 23.1	\$ 1,185,102,767 % 100.0	\$ 151,886,123 % 59.9	56,409,402 22.3	
2006	\$ 882,477,158 % 73.7	101,369,838 8.5	213,260,176 17.8	\$ 1,197,107,172 % 100.0	\$ 196,596,404 % 68.3	49,157,579 17.1	
2007 <sup>2</sup>	\$ 896,400,829 % 86.1	107,213,737 10.3	37,536,549 3.6	\$ 1,041,151,115 % 100.0	\$ 67,287,699 % 52.6	55,254,227 43.2	
2008	\$ 859,578,454 % 104.3	78,221,097 9.5	(113,934,564) (13.8)	\$ 823,864,987 % 100.0	\$ 75,260,560 % 54.1	57,623,581 41.5	
2009	\$ 855,616,070 % 95.0	78,953,772 8.8	(34,056,897) (3.8)	\$ 900,512,946 % 100.0	\$ 85,306,608 % 55.3	62,218,479 40.3	
2010	\$ 855,561,785 % 90.2	82,638,966 8.7	10,181,132 1.1	\$ 948,381,883 % 100.0	\$ 95,462,682 % 59.1	58,685,118 36.4	

<sup>1</sup> Data not available prior to 2002.

<sup>2</sup> The inclusion of a discretely presented component unit in the County's financial statements was new in 2007. On January 1, 2007, the governance structure of Hennepin County Medical Center was changed through the formation of Hennepin Healthcare System, Inc., a legally separate public corporation, to manage the operations of the Medical Center. Prior to 2007, the Medical Center was a County enterprise fund (business-type activity).

Unaudited

Table 1

Activities Net Assets			Total Primary Government Net Assets			
Unrestricted	Total	Invested in Capital Assets, Net of Related Debt	Restricted	Unrestricted	Total	
23,459,323 13.0 %	\$ 181,125,700 100.0 %	\$ 875,553,424 68.5 %	117,586,802 9.2	285,739,045 22.3 %	\$ 1,278,879,271 100.0 %	
20,855,651 10.5 %	\$ 198,848,832 100.0 %	\$ 857,467,159 66.5 %	126,820,536 9.8	305,146,701 23.7 %	\$ 1,289,434,396 100.0 %	
39,284,819 18.4 %	\$ 214,029,373 100.0 %	\$ 892,400,015 65.9 %	113,212,663 8.4	347,644,789 25.7 %	\$ 1,353,257,467 100.0 %	
44,954,696 17.8 %	\$ 253,250,221 100.0 %	\$ 1,006,995,186 70.0 %	113,225,984 7.9	318,131,818 22.1 %	\$ 1,438,352,988 100.0 %	
41,962,707 14.6 %	\$ 287,716,690 100.0 %	\$ 1,079,073,562 72.7 %	150,527,417 10.1	255,222,883 17.2 %	\$ 1,484,823,862 100.0 %	
5,356,962 4.2 %	\$ 127,898,888 100.0 %	\$ 963,688,528 82.4 %	162,467,964 13.9	42,893,511 3.7 %	\$ 1,169,050,003 100.0 %	
6,123,790 4.4 %	\$ 139,007,931 100.0 %	\$ 934,839,014 97.1 %	135,844,678 14.1	(107,810,774) (11.2) %	\$ 962,872,918 100.0 %	
6,828,085 4.4 %	\$ 154,353,172 100.0 %	\$ 940,922,678 89.2 %	141,172,251 13.4	(27,228,812) (2.6) %	\$ 1,054,866,118 100.0 %	
7,224,268 4.5 %	\$ 161,372,068 100.0 %	\$ 951,024,467 85.7 %	141,324,084 12.7	17,405,400 1.6 %	\$ 1,109,753,951 100.0 %	

Hennepin County, Minnesota  
**Government-wide Change in Net Assets**  
 Last Nine Years <sup>1</sup>

Governmental Activities Change in Net Assets					
	Net Program Expense	General Revenue	Transfers In (Out)	Change Due to Creation of H.H.S.	Total
2002	\$ (546,274,904)	541,953,704	(13,184,681)	-	(17,505,881)
2003	\$ (478,148,445)	479,311,683	(3,783,398)	-	(2,620,160)
2004	\$ (464,755,851)	509,158,129	4,240,252	-	48,642,530
2005	\$ (490,685,770)	559,892,436	(23,331,993)	-	45,874,673
2006	\$ (547,181,378)	599,212,313	(29,926,530)	-	22,104,405
2007 <sup>2</sup>	\$ (836,085,919)	687,412,376	(8,681,291)	3,593,016	(153,761,818)
2008	\$ (917,787,928)	701,193,882	(692,082)	-	(217,286,128)
2009	\$ (653,158,848)	729,866,662	(59,855)	-	76,647,959
2010	\$ (689,695,831)	737,659,888	(95,120)	-	47,868,937

<sup>1</sup> Data not available prior to 2002.

<sup>2</sup> The inclusion of a discretely presented component unit in the County's financial statements was new in 2007. On January 1, 2007, the governance structure of Hennepin County Medical Center was changed through the formation of Hennepin Healthcare System, Inc. (H.H.S.), a legally separate public corporation, to manage the operations of the Medical Center. Prior to 2007, the Medical Center was a County enterprise fund (business-type activity).

Unaudited

Table 2

Business-type Activities Change in Net Assets					
Net Program Revenue (Expense)	General Revenue	Transfers In (Out)	Change Due to Creation of H.H.S.	Total	Total Change in Net Assets
(4,309,418)	11,014,584	13,184,681	-	19,889,847	\$ 2,383,966
(10,506,680)	19,898,569	3,783,398	-	13,175,287	\$ 10,555,127
(3,558,037)	22,978,830	(4,240,252)	-	15,180,541	\$ 63,823,071
(8,907,803)	24,796,658	23,331,993	-	39,220,848	\$ 85,095,521
(21,031,033)	25,570,972	29,926,530	-	34,466,469	\$ 56,570,874
3,988,312	4,634,579	8,681,291	(177,121,984)	(159,817,802)	\$ (313,579,620)
6,729,151	3,687,810	692,082	-	11,109,043	\$ (206,177,085)
10,173,193	5,112,193	59,855	-	15,345,241	\$ 91,993,200
4,288,848	2,634,928	95,120	-	7,018,896	\$ 54,887,833

Hennepin County, Minnesota  
**Government-wide Expenses by Function<sup>1</sup>**  
 Last Nine Years

Year	Governmental Activities							Housing and Redevelopment Authority
	General Government <sup>2</sup>	Human Services	Health	Public Safety	Public Works	Libraries		
2002	\$ 76,663,683	541,300,304	12,046,390	250,849,710	39,081,172	62,738,642	2,813,707	
	% 4.9	34.2	0.8	15.9	2.5	2.3	0.2	
2003	\$ 80,372,865	537,913,796	18,427,210	241,947,639	53,609,536	63,674,157	4,931,119	
	% 5.1	33.9	1.2	15.3	3.4	4.0	0.3	
2004	\$ 75,131,370	494,072,989	18,013,707	221,141,750	51,963,406	63,754,031	7,297,001	
	% 4.9	32.3	1.2	14.5	3.4	4.2	0.5	
2005	\$ 81,412,732	512,129,212	24,412,677	237,621,848	63,921,761	60,472,230	4,401,851	
	% 5.0	31.8	1.5	14.7	4.0	3.7	0.3	
2006	\$ 99,566,561	502,953,393	35,549,645	250,651,337	71,203,613	71,210,259	9,467,195	
	% 5.7	28.7	2.0	14.4	4.1	4.1	0.5	
2007 <sup>3</sup>	\$ 280,992,186	524,976,731	71,846,714	262,031,271	71,525,626	76,518,477	6,613,528	
	% 18.3	34.2	4.7	17.1	4.7	5.0	0.4	
2008	\$ 328,277,518	534,345,333	86,420,439	277,362,008	75,248,428	77,414,346	5,605,255	
	% 19.7	32.0	5.2	16.6	4.5	4.6	0.3	
2009	\$ 121,836,010	461,256,233	80,622,430	276,375,503	71,020,290	76,241,294	6,889,284	
	% 9.1	34.3	6.0	20.6	5.3	5.7	0.5	
2010	\$ 128,309,692	435,888,867	131,696,244	273,935,001	91,300,335	74,157,373	9,756,809	
	% 9.2	31.5	9.5	19.7	6.6	5.3	0.7	

<sup>1</sup> Total Statement of Activities direct and indirect expenses. Data not available prior to 2002.

<sup>2</sup> Note that the Government-wide presentation of General Government expenses is very different from the Table 3 governmental fund presentation. For example, Table 1 differs from Table 3 in that Table 1 does not include certain expenses such as those for capital assets and debt principal payments due to the different measurement focus.

<sup>3</sup> The inclusion of a discretely presented component unit in the County's financial statements was new in 2007. On January 1, 2007, the governance structure of Hennepin County Medical Center was changed through the formation of Hennepin Healthcare System, Inc. (HHS), a legally separate public corporation, to manage the operations of the Medical Center. Prior to 2007, the Medical Center was a County enterprise fund (business-type activity).

Unaudited

Table 3

Regional Railroad Authority	Interest on Long-term Debt	Business-type Activities					Radio Communications	Total
		Medical Center	Metropolitan Health Plan	Environmental Services	Golf Course			
48,868,119 3.1	15,076,823 1.0	397,227,462 6.1	95,531,244 6.1	58,559,500 3.7	923,691 0.1	- -	\$ 1,601,680,447 %	
2,229,071 0.1	15,884,696 1.0	405,753,751 25.7	96,750,912 6.1	57,366,271 3.6	968,178 0.1	1,146,880 0.1	\$ 1,580,976,081 %	
4,854,103 0.3	16,840,018 1.1	408,825,587 26.7	101,917,543 6.7	61,226,277 4.0	947,890 0.1	1,088,259 0.1	\$ 1,527,073,931 %	
6,990,691 0.4	18,021,457 1.1	429,746,433 26.6	110,516,072 6.8	62,815,512 3.9	932,325 0.1	1,634,253 0.1	\$ 1,615,029,054 %	
8,201,101 0.5	21,169,067 1.2	485,422,331 27.8	118,028,796 6.8	70,672,543 4.0	902,148 0.1	1,384,811 0.1	\$ 1,746,382,800 %	
11,339,667 0.7	26,680,591 1.7	- -	132,625,392 8.6	67,159,290 4.4	903,841 0.1	2,184,355 0.1	\$ 1,535,397,669 %	
12,571,949 0.8	36,829,329 2.2	- -	163,236,590 9.8	67,747,708 4.1	930,070 0.1	2,212,072 0.1	\$ 1,668,201,045 %	
8,508,837 0.6	37,594,607 2.8	- -	137,801,872 10.3	61,017,157 4.5	919,344 0.1	2,430,579 0.2	\$ 1,342,513,440 %	
12,742,915 0.9	38,486,038 2.8	- -	139,534,807 10.0	49,869,035 3.6	920,912 0.1	2,065,615 0.1	\$ 1,388,663,643 %	

Hennepin County, Minnesota  
**Government-wide Revenues**  
 Last Nine Years <sup>1</sup>

Year	Program Revenues						Operating Grants and Contributions
	General Government	Human Services	Charges for Services			Other	
			Medical Center	Metropolitan Health Plan	Environmental Services		
2002	\$ 23,499,877	79,799,258	365,179,181	100,087,808	60,609,891	31,578,888	362,005,978
	% 1.5	5.0	22.8	6.2	3.8	2.0	22.6
2003	\$ 32,805,367	79,342,577	364,503,987	99,204,577	64,952,876	38,731,411	359,218,164
	% 2.1	5.0	22.9	6.2	4.1	2.4	22.6
2004	\$ 27,467,627	70,163,149	384,346,477	97,589,364	66,379,678	36,903,225	312,802,001
	% 1.7	4.4	24.2	6.1	4.2	2.3	19.7
2005	\$ 32,062,914	65,931,495	415,153,465	107,224,133	67,261,096	35,865,530	312,243,370
	% 1.9	3.9	24.4	6.3	4.0	2.1	18.4
2006	\$ 34,940,775	57,814,147	464,497,986	115,142,431	66,662,624	45,825,137	310,439,148
	% 1.9	3.2	25.8	6.4	3.7	2.5	17.2
2007 <sup>3</sup>	\$ 34,199,765	52,556,422	-	125,215,654	71,744,444	42,128,650	330,308,471
	% 2.4	3.7	-	8.9	5.1	3.0	23.6
2008	\$ 34,987,173	48,198,564	-	153,838,000	73,703,294	50,042,966	373,702,824
	% 2.4	3.3	-	10.5	5.0	3.4	25.6
2009	\$ 35,657,783	58,659,362	-	139,916,491	63,960,606	56,113,126	295,452,704
	% 2.5	4.1	-	9.8	4.5	3.9	20.4
2010	\$ 31,722,088	49,709,455	-	141,575,359	47,130,731	48,759,933	332,050,286
	% 2.2	3.4	-	9.8	3.3	3.4	23.0

<sup>1</sup> Data not available prior to 2002.

<sup>2</sup> \$24,890,416 of the 2003 loss on disposal of capital assets was the result of planned disposals of property, including jurisdictional transfers of highways and excess right-of-way land parcels to municipalities and other governmental entities.

<sup>3</sup> The inclusion of a discretely presented component unit in the County's financial statements was new in 2007. On January 1, 2007, the governance structure of Hennepin County Medical Center was changed through the formation of Hennepin Healthcare System, Inc. (HHS), a legally separate public corporation, to manage the operations of the Medical Center. Prior to 2007, the Medical Center was a County enterprise fund (business-type activity).

Unaudited

Table 4

Capital Grants and Contributions	General Revenues						Total Revenues
	Property Taxes	Sales Tax	Other Taxes	Grants and Contributions	Unrestricted Investment Earnings	Gain (Loss) on Disposal of Capital Assets	
28,335,244 1.8	438,433,641 27.2	- -	3,542,258 0.2	72,142,403 4.5	37,378,788 2.3	1,471,198 0.1	\$ 1,604,064,413 % 100.0
53,561,995 3.4	463,446,932 29.1	- -	8,690,169 0.5	41,220,517 2.6	12,477,873 0.8	(26,625,239) <sup>2</sup> (1.7)	\$ 1,591,531,208 % 100.0
63,108,522 4.0	476,302,114 29.9	- -	7,431,010 0.5	35,607,404 2.2	12,796,431 0.8	- -	\$ 1,590,897,002 % 100.0
79,693,478 4.7	506,840,135 29.7	- -	7,974,292 0.5	57,835,405 3.4	12,039,262 0.7	- -	\$ 1,700,124,575 % 100.0
82,848,141 4.6	529,589,730 29.4	- -	7,882,419 0.4	55,366,834 3.1	31,944,302 1.8	- -	\$ 1,802,953,674 % 100.0
47,146,656 3.4	565,151,178 40.4	33,863,824 2.4	6,788,849 0.5	54,697,960 3.9	38,345,144 2.7	- -	\$ 1,402,147,017 % 100.0
22,669,447 1.6	607,342,173 41.5	28,053,049 1.9	5,356,509 0.4	34,838,403 2.4	29,291,558 2.0	- -	\$ 1,462,023,960 % 100.0
49,767,713 3.5	647,845,390 45.1	27,129,142 1.9	6,608,526 0.5	41,160,085 2.9	12,235,712 0.9	- -	\$ 1,434,506,640 % 100.0
52,308,808 3.6	677,621,762 46.9	28,244,445 2.0	4,710,284 0.3	22,438,585 1.6	7,279,740 0.5	- -	\$ 1,443,551,476 % 100.0

Hennepin County, Minnesota  
**Fund Balances - Governmental Funds**  
 Last Ten Years

Year	General Fund			All Other Governmental Funds				
	Reserved	Unreserved	Total	Reserved	Unreserved, Reported in Fund Type			Total
					Special Revenue	Debt Service	Capital Projects	
2001	\$ 23,988,300 19.3%	100,146,204 80.7%	124,134,504 100.0%	131,096,982	150,570,235	-	(28,311,871)	\$ 253,355,346
2002	\$ 13,500,869 10.2%	119,214,359 89.8%	132,715,228 100.0%	88,399,686	148,029,562	-	(15,114,402)	\$ 221,314,846
2003	\$ 11,474,266 7.9%	133,383,400 92.1%	144,857,666 100.0%	66,082,268	149,962,204	-	(16,863,161)	\$ 199,181,311
2004	\$ 15,846,335 10.0%	142,414,494 90.0%	158,260,829 100.0%	78,593,578	145,865,306	-	(50,331,401)	\$ 174,127,483
2005	\$ 17,027,170 10.0%	153,185,977 90.0%	170,213,147 100.0%	113,865,337	143,949,436	-	(95,027,145)	\$ 162,787,628
2006	\$ 22,847,946 13.3%	148,315,944 86.7%	171,163,890 100.0%	166,547,322	142,237,827	2,898,097	(118,012,691)	\$ 193,670,555
2007	\$ 29,347,142 18.6%	128,617,879 81.4%	157,965,021 100.0%	136,943,926	152,620,765	1,711,746	(102,265,885)	\$ 189,010,552
2008	\$ 28,408,587 19.3%	118,901,366 80.7%	147,309,953 100.0%	127,356,067	158,640,843	3,730,427	(94,324,776)	\$ 195,402,561
2009	\$ 24,897,832 15.8%	132,674,829 84.2%	157,572,661 100.0%	131,373,498	229,830,077	5,958,620	(79,684,999)	\$ 287,477,196
2010	\$ 32,117,315 23.2%	106,408,400 76.8%	138,525,715 100.0%	121,203,898	225,589,394	5,548,911	(31,206,506)	\$ 321,135,697

Unaudited



Hennepin County, Minnesota  
**Change in Fund Balances - Governmental Funds**  
 Last Ten Years

	Deficiency of Revenues Over Expenditures	Other Financing Sources (Uses)			
		Bond Proceeds Net of Payments to Refund Bonds	Transfers In	Transfers Out	Sale of Capital Assets
2001 <sup>1</sup>	\$ (22,095,121)	\$ 130,000,000	\$ 53,678,929	\$ (53,151,742)	\$ -
2002	(90,289,519)	75,000,000	9,093,248	(77,331,561)	4,619,674
2003	(54,861,584)	45,000,000	8,598,236	(11,581,758)	2,475,569
2004	(51,104,954)	35,000,000	11,520,681	(12,920,871)	4,779,569
2005	(34,501,828)	50,000,000	13,629,638	(28,629,638)	114,291
2006 <sup>2</sup>	(46,775,138)	101,415,000	8,868,441	(39,295,573)	2,840,727
2007 <sup>3</sup>	(221,142,196)	207,410,000	27,619,655	(38,854,470)	222,899
2008 <sup>3</sup>	(322,733,729)	316,910,623	32,464,610	(34,298,499)	-
2009	(41,986,530)	129,403,455	37,666,116	(37,221,555)	-
2010	(225,908,371)	227,517,381	43,510,554	(43,510,554)	37,030

<sup>1</sup> Bond Proceeds in 2001 include \$50 million issued by the Hennepin County RRA.

<sup>2</sup> Bond Proceeds in 2006 include a \$47.8 million crossover refunding. The payments to refund the old debt occurred in 2007 and 2008.

<sup>3</sup> In 2007 and 2008, sales tax revenue bonds totalling \$150 million and \$191.8 million, respectively, were issued and proceeds were granted to the Minnesota Ballpark Authority for ballpark construction.

Unaudited

Table 6

<u>Bond and Note Premiums</u>	<u>Total</u>	<u>Net Change in Fund Balances</u>	<u>Debt Service as a Percentage of Noncapital Expenditures</u>
\$ -	\$ 130,527,187	\$ 108,432,066	3.7 %
-	11,381,361	(78,908,158)	4.3
378,440	44,870,487	(9,991,097)	4.4
1,074,910	39,454,289	(11,650,665)	4.8
-	35,114,291	612,463	4.9
3,903,418	77,732,013	30,956,875	5.2
7,449,943	203,848,027	(17,294,169)	5.4
3,393,935	318,470,669	(4,263,060)	7.9
14,475,857	144,323,873	102,337,343	7.2
12,965,515	240,519,926	14,611,555	6.4

Hennepin County, Minnesota  
**Governmental Fund Expenditures by Function<sup>1</sup>**  
 Last Ten Years

<u>Year</u>	<u>General Government<sup>2</sup></u>	<u>Human Services</u>	<u>Health</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Libraries</u>
2001	\$ 68,366,926 6.1 %	452,519,871 40.3	64,258,866 5.7	227,062,692 20.3	72,627,109 6.5	53,294,984 4.8
2002 <sup>3</sup>	\$ 88,070,301 7.7 %	469,746,810 41.5	72,205,367 6.3	229,918,262 20.2	29,984,285 2.6	56,608,649 5.0
2003 <sup>4</sup>	\$ 90,901,981 8.3 %	521,004,027 47.2	16,328,777 1.5	212,471,229 19.3	35,611,842 3.2	55,830,881 5.1
2004	\$ 85,484,962 8.1 %	477,076,234 45.3	18,193,404 1.7	195,318,719 18.5	40,173,819 3.8	51,870,447 4.9
2005	\$ 91,818,642 8.2 %	487,350,895 43.6	20,649,614 1.9	201,645,138 18.1	48,571,699 4.4	54,705,002 4.9
2006	\$ 105,117,648 8.9 %	493,933,223 41.7	23,784,930 2.0	219,242,099 18.5	48,158,796 4.1	62,434,161 5.3
2007 <sup>5</sup>	\$ 312,387,545 22.0 %	511,193,622 36.2	27,363,437 1.9	237,181,654 16.7	49,143,153 3.5	65,195,167 4.6
2008 <sup>5</sup>	\$ 330,009,832 21.2 %	524,224,244 33.8	60,972,106 3.9	250,802,864 16.1	51,662,027 3.3	66,452,281 4.3
2009	\$ 142,088,557 11.2 %	455,791,662 35.7	61,808,219 4.9	248,058,746 19.5	51,286,705 4.0	61,785,210 4.9
2010	\$ 189,555,125 12.7 %	454,975,440 30.2	107,577,723 7.2	249,504,292 16.7	70,171,537 4.7	70,618,795 4.7

<sup>1</sup> Expenditures shown for 2002 and later reflect GASB 34 eliminations. Previous years are shown as governmental fund expenditures without eliminations.

<sup>2</sup> Note that the General Fund presentation of General Government expenses is very different from the Table 1 government-wide presentation. For example, Table 3 differs from Table 1 in that Table 3 includes certain expenses, such as those for capital assets and debt principal payments, due to the different measurement focus. Also note that Table 3 differs from the General Fund Schedule of Expenditures by Program (pages 81-84) because eliminations are included for the Table 3 presentation.

<sup>3</sup> The Property Services Department was moved from the Public Works function to the General Government function in 2002. The Regional Railroad Authority made a large contribution to the Hiawatha Rail Corridor in 2002.

<sup>4</sup> The Community Health Department was moved from the Health function to the Human Services function in 2003.

<sup>5</sup> In 2007 and 2008, \$150 million and \$336.9 million of sales tax revenue bonds were issued respectively for which proceeds were granted to the Minnesota Ballpark Authority for the ballpark capital project, which is reported in the General Government function.

Unaudited

Table 7

<u>Housing and Redevelopment Authority</u>	<u>Regional Railroad Authority</u>	<u>Capital Projects</u>	<u>Debt Service, Principal</u>	<u>Debt Service, Interest</u>	<u>Intergovernmental</u>	<u>Total</u>
1,973,779 0.2	17,914,140 1.6	126,291,402 11.3	23,100,000 2.1	12,137,521 1.1	- -	\$ 1,119,547,290 100 %
2,813,707 0.2	49,523,557 4.4	94,732,742 8.3	28,385,000 2.5	15,136,527 1.3	- -	\$ 1,137,125,207 100 %
4,931,119 0.4	3,219,778 0.3	119,703,867 10.9	25,987,543 2.4	15,844,894 1.4	- -	\$ 1,101,835,938 100 %
7,297,001 0.7	6,899,508 0.7	127,863,480 12.1	28,427,396 2.7	16,836,849 1.6	- -	\$ 1,055,441,819 100 %
6,178,016 0.6	6,903,480 0.6	148,546,709 13.3	30,731,777 2.8	17,988,137 1.6	- -	\$ 1,115,089,109 100 %
17,134,285 1.4	10,757,189 0.9	149,075,456 12.6	33,102,937 2.8	20,992,450 1.8	- -	\$ 1,183,733,174 100 %
8,443,442 0.6	11,566,823 0.8	123,526,899 8.7	44,543,430 3.1	27,150,227 1.9	- -	\$ 1,417,695,399 100 %
4,940,368 0.3	12,323,007 0.8	136,750,072 8.8	78,591,294 5.1	37,106,626 2.4	- -	\$ 1,553,834,721 100 %
6,206,858 0.5	8,254,918 0.6	155,790,148 12.2	44,200,987 3.5	38,074,982 3.0	- -	\$ 1,273,346,992 100 %
9,072,189 0.6	12,468,700 0.8	131,177,963 8.8	49,000,152 3.3	39,890,104 2.7	113,277,589 7.6	\$ 1,497,289,609 100 %

Hennepin County, Minnesota  
**Governmental Fund Revenues by Source<sup>1</sup>**  
 Last Ten Years

Year	Property Taxes	Sales Tax	Other Taxes	Inter- governmental	Charges for Services
2001	\$ 441,123,585 40.9 %	-	2,356,911 0.2	415,822,876 38.6	115,761,724 10.8
2002	\$ 439,315,592 42.0 %	-	3,467,095 0.3	428,460,200 40.9	112,944,004 10.8
2003	\$ 459,185,825 43.9 %	-	4,131,553 0.4	421,340,057 40.2	122,813,083 11.7
2004	\$ 469,596,694 46.8 %	-	3,329,164 0.3	379,114,977 37.7	106,334,672 10.7
2005	\$ 496,742,397 46.0 %	-	3,503,453 0.3	434,665,983 40.2	103,975,505 9.6
2006	\$ 519,152,249 45.7 %	-	3,228,137 0.3	432,563,798 38.0	105,434,166 9.3
2007	\$ 576,154,864 48.2 %	27,063,825 <sup>2</sup> 2.3	2,645,147 0.2	404,225,279 33.8	96,015,530 7.9
2008	\$ 603,496,614 49.0 %	28,053,049 2.3	2,199,892 0.2	419,067,595 34.0	94,994,446 7.7
2009	\$ 644,310,101 52.3 %	27,129,142 2.2	2,172,588 0.2	378,370,681 30.7	104,624,190 8.5
2010	\$ 681,934,811 53.6 %	28,244,445 2.2	2,079,744 0.2	397,419,467 31.3	117,907,093 9.2

<sup>1</sup> Revenues shown for 2002 and later reflect GASB 34 eliminations. Previous years do not reflect eliminations and were restated as governmental fund revenues only.

<sup>2</sup> In 2007, the State began collecting a 0.15 percent Hennepin County sales tax that will flow through the County for the repayment of bonds relating to the construction of a ballpark in Minneapolis, for Minnesota Ballpark Authority operating costs, and for other expenditures allowed under legislation.

Unaudited

Table 8

<u>Fines and Forfeits</u>	<u>Licenses and Permits</u>	<u>Investment Earnings</u>	<u>Other</u>	<u>Total</u>
2,390,457 0.2	2,821,802 0.3	35,746,168 3.3	61,540,727 5.7	\$ 1,077,564,250 100 %
2,285,447 0.2	2,884,066 0.3	38,343,633 3.7	19,135,651 1.8	\$ 1,046,835,688 100 %
1,774,912 0.2	2,355,449 0.2	13,123,130 1.3	22,250,345 2.1	\$ 1,046,974,354 100 %
1,409,801 0.1	3,023,157 0.3	13,290,162 1.3	28,238,238 2.8	\$ 1,004,336,865 100 %
1,498,865 0.1	3,892,156 0.4	12,458,804 1.2	23,850,118 2.2	\$ 1,080,587,281 100 %
1,538,397 0.1	4,296,492 0.4	32,889,534 2.9	37,855,263 3.3	\$ 1,136,958,036 100 %
1,821,355 0.2	4,565,987 0.4	39,679,080 3.3	44,382,136 3.7	\$ 1,196,553,203 100 %
1,859,326 0.2	4,874,046 0.4	30,919,669 2.5	45,636,355 3.7	\$ 1,231,100,992 100 %
2,295,170 0.2	5,781,279 0.5	12,854,534 1.0	53,822,777 4.4	\$ 1,231,360,462 100 %
1,967,673 0.2	5,900,134 0.5	7,470,397 0.6	28,457,474 2.2	\$ 1,271,381,238 100 %

Hennepin County, Minnesota  
**Property Estimated Market Value (000s omitted)<sup>1</sup>**  
 Last Ten Years

		Real Estate				
	Residential Property	Multiple Dwelling	Commercial & Industrial	Agricultural	Public Utilities & Miscellaneous	Exempt
2001	\$ 60,571,223 62.3 %	5,704,822 5.9	19,509,317 20.1	422,176 0.4	25,741 0.0	10,035,711 10.3
2002	\$ 69,909,403 64.7 %	6,499,918 6.0	20,264,754 18.7	454,497 0.4	34,007 0.0	10,035,711 9.3
2003	\$ 78,678,876 66.8 %	7,321,272 6.2	20,165,572 17.1	490,926 0.4	37,898 0.1	10,035,711 8.5
2004	\$ 87,082,509 64.0 %	7,805,970 5.7	20,541,660 15.1	554,861 0.4	26,443 0.1	18,965,624 13.9
2005	\$ 96,564,547 65.3 %	8,130,642 5.5	22,365,427 15.1	729,315 0.5	28,745 0.0	18,965,624 12.8
2006	\$ 104,903,604 65.9 %	8,236,029 5.2	25,052,910 15.7	839,554 0.5	33,214 0.0	18,965,624 11.9
2007	\$ 109,251,869 65.4 %	8,562,454 5.1	28,186,928 16.9	888,835 0.5	84,688 0.1	18,965,624 11.3
2008	\$ 107,145,474 64.3 %	8,628,267 5.2	29,764,516 17.9	864,041 0.5	68,962 0.0	18,965,624 11.4
2009	\$ 102,430,703 63.7 %	8,628,975 5.4	28,723,247 17.9	773,764 0.5	58,310 0.0	18,965,624 11.8
2010	\$ 95,810,842 62.3 %	8,126,550 5.3	26,455,131 17.2	686,687 0.4	50,655 0.0	21,249,594 13.8

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

Source: Hennepin County Property Information System.

Unaudited

Table 9

<u>Total Real Estate</u>	<u>Personal Property</u>	<u>Total Taxable and Exempt Estimated Property Value</u>	<u>Total Taxable Estimated Property Value</u>	<u>Total Direct Tax Rate</u>
96,268,990 99.0	997,814 1.0	\$ 97,266,804 100 %	\$ 87,231,093	38 %
107,198,290 99.1	1,024,891 0.9	\$ 108,223,181 100 %	\$ 98,187,470	50 %
116,730,255 99.1	1,064,528 0.9	\$ 117,794,783 100 %	\$ 107,759,072	51 %
134,977,067 99.2	1,102,615 0.8	\$ 136,079,682 100 %	\$ 117,114,058	47 %
146,784,300 99.2	1,165,961 0.8	\$ 147,950,261 100 %	\$ 128,984,637	44 %
158,030,935 99.2	1,232,185 0.8	\$ 159,263,120 100 %	\$ 140,297,496	41 %
165,940,398 99.3	1,217,773 0.7	\$ 167,158,171 100 %	\$ 148,192,547	39 %
165,436,884 99.3	1,234,923 0.7	\$ 166,671,807 100 %	\$ 147,706,183	39 %
159,580,623 99.2	1,238,596 0.8	\$ 160,819,219 100 %	\$ 141,853,595	40 %
152,379,459 99.2	1,295,495 0.8	\$ 153,674,954 100 %	\$ 132,425,360	43 %

Hennepin County, Minnesota  
**Property Tax Rates and Levies - Direct and Overlapping Governments<sup>1</sup>**  
 Last Ten Years

Payable Year	Hennepin County Direct Taxes				Total Direct Rates	Tax Levies
	General Fund Rate	G.O. Debt Service Rate	Other			
2001	16.12 %	2.69 %	18.81 %		37.62 %	1,898,050,649
2002	22.06	3.93	24.42		50.41	1,699,583,952
2003	21.47	3.95	25.19		50.61	1,802,771,750
2004	19.78	3.80	23.74		47.32	1,845,526,960
2005	18.04	3.77	22.36		44.17	1,937,512,677
2006	16.73	3.42	20.87		41.02	2,081,397,863
2007	17.45	3.31	18.35		39.11	2,231,202,862
2008	17.61	3.13	17.83		38.57	2,368,624,500
2009	18.30	3.52	18.59		40.41	2,542,570,232
2010	21.23	3.50	17.91		42.64	2,559,559,665

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

Unaudited

Table 10

<u>Metropolitan Transit Commission Tax</u>		<u>Metropolitan Council Tax</u>		<u>Metropolitan Mosquito Control District Tax</u>	
<u>Tax Rates</u>	<u>Tax Levies</u>	<u>Tax Rates</u>	<u>Tax Levies</u>	<u>Tax Rates</u>	<u>Tax Levies</u>
4.691 %	\$ 50,137,517	0.814 %	\$ 9,861,548	0.324 %	\$ 3,931,441
1.541	13,510,666	1.490	13,618,250	0.506	4,692,153
1.787	16,702,900	1.471	14,536,943	0.567	5,542,233
1.724	17,701,477	1.212	13,224,582	0.057	6,058,295
1.608	18,412,350	1.132	13,576,139	0.056	6,726,197
1.542	19,691,307	0.873	11,929,206	0.509	6,852,845
1.295	18,509,833	0.877	12,973,186	0.499	7,395,646
1.264	19,283,519	0.812	13,092,025	0.486	7,801,856
1.273	19,455,492	0.817	13,156,461	0.489	7,874,542
1.366	20,612,822	0.793	12,720,347	0.461	7,417,379

Hennepin County, Minnesota  
**Principal Taxpayers<sup>1</sup>**  
 Current Year and Nine Years Ago

Taxpayer	2010			2001		
	Tax Capacity	Rank	Percentage of Total Tax Capacity	Tax Capacity	Rank	Percentage of Total Tax Capacity
MOA Mall Holdings LLC	\$ 10,856,810	1	0.74 %	\$ 16,916,900	1	1.56 %
MB Minneapolis 8th St LLC	3,563,250	2	0.24			
Minneapolis 225 Holdings LLC	3,433,250	3	0.23			
NWC Limited Partnership	3,313,250	4	0.22	5,907,700	2	0.55
Wells REIT	2,749,250	5	0.19			
Xcel Energy (NSP)	2,751,816	6	0.19			
US Bank N.A.	2,747,250	7	0.19			
Best Buy Co Inc	2,369,250	8	0.16			
Ridgedale Joint Venture	2,299,250	9	0.16	3,355,592	9	0.31
Eden Prairie Mall LLC	2,239,250	10	0.15			
601 Second Ave Ltd Partnership				5,506,500	3	0.51
First Minneapolis-Hines Co				5,176,700	4	0.48
RREEF Funds/IDS				4,775,500	5	0.44
City Center Associates				4,544,300	6	0.42
Byte Investment Partnership 1				3,624,855	7	0.33
CPP 800 Nillolet Mall LLC				3,460,474	8	0.32
Concordia Properties				3,306,856	10	0.31
Total	\$ <u>36,322,626</u>		<u>2.47</u>	\$ <u>56,575,377</u>		<u>5.23</u>

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

Source: Hennepin County Property Information System.

Unaudited



Hennepin County, Minnesota  
**Tax Levies and Collections on Property Located Within the County**  
 Last Ten Years

<u>Year</u>	<u>Current Tax Levy</u>				<u>Current Tax Collections Net of Refunds</u>
	<u>County</u>	<u>All Other Taxing Districts/Special Assessments</u>	<u>Current Year Adjustments<sup>1</sup></u>	<u>Total<sup>2</sup></u>	
2001	\$ 487,733,481	\$ 1,423,599,216	\$ (13,282,048)	\$ 1,898,050,649	\$ 1,882,089,323
2002	503,931,780	1,209,430,604	(13,778,432)	1,699,583,952	1,686,127,940
2003	516,117,755	1,299,675,982	(13,021,987)	1,802,771,750	1,771,099,661
2004	509,579,176	1,346,282,265	(10,334,481)	1,845,526,960	1,826,321,505
2005	554,556,185	1,389,798,970	(6,842,478)	1,937,512,677	1,915,836,595
2006	574,358,310	1,511,876,384	(4,836,831)	2,081,397,863	2,053,284,818
2007	608,323,524	1,629,101,934	(6,222,596)	2,231,202,862	2,195,690,251
2008	634,304,268	1,743,593,908	(9,273,676)	2,368,624,500	2,326,158,966
2009	684,646,270	1,868,975,826	(11,051,864)	2,542,570,232	2,487,064,241
2010	725,906,127	1,847,810,295	(14,156,757)	2,559,559,665	2,503,659,872

<sup>1</sup> Adjustments include abatements, cancellations, and increases to the current year levy.

<sup>2</sup> The levy includes state-paid aids and credits such as Homestead and Agricultural Credit Aid, Agricultural Preserve Credit, Disparity Aid, and Market Value Based Homestead Credit Aid.

Unaudited

Table 12

<u>Percent of Levy Collected</u>	<u>Prior Year Collections Net of Refunds</u>	<u>Total Tax Collections</u>	<u>Uncollected Current Tax Levy<sup>2</sup></u>	<u>Percent of Current Tax Levy Uncollected</u>
99.16	\$ 2,141,730	\$ 1,884,231,053	\$ 15,961,326	0.84 %
99.21	4,715,491	1,690,843,431	13,456,012	0.79
98.24	6,963,873	1,778,063,534	31,672,089	1.76
98.96	(2,333,139)	1,823,988,366	19,205,455	1.04
98.88	6,138,386	1,921,974,981	21,676,082	1.12
98.65	11,046,119	2,064,330,937	28,113,045	1.35
98.41	17,911,682	2,213,601,933	35,512,611	1.59
98.21	25,923,452	2,352,082,418	42,465,534	1.79
97.82	28,971,428	2,516,035,669	55,505,991	2.18
97.82	27,483,337	2,531,143,209	55,899,793	2.18

Hennepin County, Minnesota  
**Net Tax Capacity and Estimated Market Value of Taxable Property**  
 Last Ten Years

Assessment Year	Property Outside the City of Minneapolis		Minneapolis	
	Net Tax Capacity	Estimated Market Value	Net Tax Capacity	Estimated Market Value
2001	\$ 679,644,971	\$ 64,096,397,460	\$ 240,566,900	\$ 23,134,698,100
2002	736,733,176	72,315,485,410	250,694,160	25,871,984,600
2003	803,641,255	79,234,702,100	267,042,122	28,524,370,200
2004	898,456,710	86,023,891,500	295,462,012	31,090,167,800
2005	998,443,572	94,192,785,839	336,041,511	34,791,850,532
2006	1,105,871,333	103,200,930,000	374,841,727	37,096,565,800
2007	1,192,261,639	109,551,270,000	410,535,647	38,641,276,800
2008	1,198,620,162	109,594,398,067	413,935,332	38,111,782,650
2009	1,161,337,991	104,796,090,400	439,141,541	37,057,503,700
2010	1,082,056,515	97,469,684,200	394,912,341	34,955,675,900

Unaudited

Table 13

	Total		Net Tax Capacity to Estimated Market Value	Percentage of Total County Net Tax Capacity	
	Net Tax Capacity	Estimated Market Value		Outside Minneapolis	Minneapolis
\$	920,211,871	\$ 87,231,095,560	1.1 %	73.9 %	26.1 %
	987,427,336	98,187,470,010	1.0	74.6	25.4
	1,070,683,377	107,759,072,300	1.0	75.1	24.9
	1,193,918,722	117,114,059,300	1.0	75.3	24.7
	1,334,485,083	128,984,636,371	1.0	74.8	25.2
	1,480,713,060	140,297,495,800	1.1	74.7	25.3
	1,602,797,286	148,192,546,800	1.1	74.4	25.6
	1,612,555,494	147,706,180,717	1.1	74.3	25.7
	1,600,479,532	141,853,594,100	1.1	72.6	27.4
	1,476,968,856	132,425,360,100	1.1	73.3	26.7

Hennepin County, Minnesota  
**Tax Capacity of Taxable Property by Municipality<sup>1</sup>**  
 Current Year Assessments

	Tax Capacity			Adjustment		Net Tax Capacity	Average Tax Rate <sup>2</sup>
	Real Estate	Personal Property	Total	Fiscal Disparities	Tax Increment Financing		
Bloomington	\$ 137,507,587	\$ 1,025,620	\$ 138,533,207	\$ (21,615,548)	\$ (8,193,567)	\$ 108,724,092	112 %
Brooklyn Center	20,759,133	304,150	21,063,283	4,348,415	(2,093,764)	23,317,934	135
Brooklyn Park	65,995,538	780,888	66,776,426	4,544,262	(8,084,112)	63,236,576	120
Champlin	20,689,371	199,769	20,889,140	2,381,882	(3,042,337)	20,228,685	107
Chanhassen (part)	1,358,320	3,264	1,361,584	(578,987)		782,597	100
Corcoran	7,286,456	202,013	7,488,469	200,249	(242,855)	7,445,863	110
Crystal	16,565,459	209,391	16,774,850	2,917,615	(312,865)	19,379,600	124
Dayton (part)	5,779,119	139,895	5,919,014	34,157	(79,165)	5,874,006	128
Deephaven	11,138,869	39,347	11,178,216	(3,477)		11,174,739	86
Eden Prairie	110,242,268	1,329,101	111,571,369	(10,456,922)	(2,863,585)	98,250,862	104
Edina	113,570,281	410,736	113,981,017	(7,618,607)	(4,043,859)	102,318,551	97
Excelsior	4,185,056	40,320	4,225,376	(355,592)	(90,628)	3,779,156	102
Fort Snelling		14,110	14,110			14,110	75
Golden Valley	38,371,218	311,502	38,682,720	(4,356,597)	(3,227,508)	31,098,615	124
Greenfield	4,461,969	101,972	4,563,941	(42,712)	(79,456)	4,441,773	104
Greenwood	3,416,327	10,006	3,426,333	(46,597)		3,379,736	89
Hanover (part)	742,437	7,236	749,673	70,598		820,271	119
Hassan	4,900,575	68,102	4,968,677	(684,645)		4,284,032	102
Hopkins	20,628,166	183,588	20,811,754	(679,053)	(1,622,170)	18,510,531	123
Independence	6,581,785	110,338	6,692,123	91,209		6,783,332	103
International Airport		7,446,234	7,446,234			7,446,234	51
Long Lake	3,196,629	31,180	3,227,809	(412,078)	(101,970)	2,713,761	107
Loretto	654,447	8,548	662,995	(11,839)	(11,809)	639,347	123
Maple Grove	90,783,775	1,225,171	92,008,946	(5,434,238)	(1,033,844)	85,540,864	111
Maple Plain	2,222,788	23,356	2,246,144	(151,658)		2,094,486	117
Medicine Lake	905,082	3,154	908,236	10,740		918,976	110
Medina	15,986,802	166,544	16,153,346	(946,034)	(467,601)	14,739,711	90
Minneapolis	432,667,192	7,202,675	439,869,867	(879,310)	(44,078,216)	394,912,341	126
Minnnetonka	97,397,503	644,196	98,041,699	(9,113,094)	(1,649,966)	87,278,639	105
Minnnetonka Beach	3,314,913	8,230	3,323,143	(27,618)		3,295,525	91
Minnetrissa	14,746,292	151,993	14,898,285	248,224		15,146,509	103
Mound	12,601,606	83,714	12,685,320	703,802	(444,093)	12,945,029	101
New Hope	18,462,796	159,492	18,622,288	1,430,192	(1,044,830)	19,007,650	126
Orono	31,561,399	131,450	31,692,849	(243,194)	(54,813)	31,394,842	83
Osseo	2,787,912	43,670	2,831,582	(133,178)	(572,297)	2,126,107	123
Plymouth	108,747,876	1,020,892	109,768,768	(7,206,675)	(993,041)	101,569,052	102
Richfield	32,696,587	221,786	32,918,373	1,350,153	(3,845,192)	30,423,334	125
Robbinsdale	10,321,111	132,867	10,453,978	2,000,561	(413,671)	12,040,868	122
Rockford	270,322	6,562	276,884	36,440		313,324	129
Rogers	14,826,057	207,070	15,033,127	(2,926,502)	(3,429,518)	8,677,107	120
St. Anthony (part)	5,488,478	52,025	5,540,503	413,199		5,953,702	141
St. Bonifacius	2,230,197	26,560	2,256,757	156,063		2,412,820	106
St. Louis Park	65,611,006	478,864	66,089,870	(2,775,483)	(6,379,980)	56,934,407	112
Shorewood	16,620,629	95,216	16,715,845	59,933		16,775,778	95
Spring Park	2,756,228	18,305	2,774,533	(73,674)	(74,237)	2,626,622	94
Tonka Bay	6,368,656	20,693	6,389,349	(35,904)		6,353,445	86
Wayzata	19,488,491	96,460	19,584,951	(2,551,558)	(1,625,112)	15,408,281	93
Woodland	3,429,724	5,310	3,435,034			3,435,034	79
<b>Total</b>	<b>\$ 1,610,324,432</b>	<b>\$ 25,203,565</b>	<b>\$ 1,635,527,997</b>	<b>\$ (58,363,080)</b>	<b>\$ (100,196,061)</b>	<b>\$ 1,476,968,856</b>	

<sup>1</sup> Tax capacity is for the 2008 assessment year, for taxes payable in 2009. In Minnesota, tax capacity is the basis of property taxation. Tax capacity is based on State determined class rates applied to estimated market value (e.g. a residential homestead valued at \$75,000 x 1% = \$750 tax capacity). Different property classifications are assigned different class rates.

<sup>2</sup> Tax rates are expressed as percentages of total tax capacity.



Hennepin County, Minnesota  
**Ratios of Outstanding Debt by Type**  
 Last Six Years <sup>1</sup>

<u>Fiscal Year</u>	<u>Governmental Activities</u>			
	<u>General Obligation Bonds and Notes</u> <sup>2, 5</sup>	<u>Revenue Bonds</u>	<u>Lease Revenue Certificates of Participation</u>	<u>Notes Payable</u>
2005	\$ 417,406,176	\$ -	\$ 905,000	\$ 18,250,628
2006	489,773,252	-	455,000	23,261,518
2007 <sup>4</sup>	517,929,133	156,804,517	19,964,418	19,628,936
2008	570,356,996	346,423,286	18,290,586	19,007,564
2009	677,867,865	339,451,067	15,852,849	18,729,815
2010	875,891,652	335,228,848	13,423,829	8,285,886

<sup>1</sup> Data not available prior to 2005.

<sup>2</sup> 2006 and 2007 governmental activities outstanding debt amounts include crossover refunding totals of \$47.8 million and \$41.2 million, respectively. Both the refunding debt and refunded debt (old debt) remained on the books until the crossover date when the old debt was defeased.

<sup>3</sup> See Table 21 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

<sup>4</sup> The inclusion of a discretely presented component unit in the County's financial statements was new in 2007. On January 1, 2007, the governance structure of Hennepin County Medical Center was changed through the formation of Hennepin Healthcare System, Inc. (HHS), a legally separate public corporation, to manage the operations of the Medical Center. Prior to 2007, the Medical Center was a County enterprise fund (business-type activity).

<sup>5</sup> In 2010, the County assisted the Counties Transit Improvement Board (CTIB) in obtaining more favorable financing terms by issuing \$102.8 million of general obligation sales tax revenue bonds and loaning the proceeds to CTIB. CTIB will repay the County from sales tax revenues equal to the bond debt service paid by the County.

Note: Details regarding the County's outstanding debt can be found in the Notes to the Basic Financial Statements.

Unaudited

Business-type Activities					Total Primary Government		
General Obligation Bonds and Notes	Revenue Bonds	Capital Lease	Lease Revenue Certificates of Participation	Notes Payable	Total Outstanding Debt	Total Debt as a Percentage of Personal Income <sup>1</sup>	Total Debt Per Capita <sup>3</sup>
\$ 21,764,656	\$ 67,515,000	\$ 937,707	\$ 23,415,579	\$ 19,491	\$ 550,214,237	1.02%	\$ 490.87
20,265,910	55,525,000	723,944	21,744,493	12,808	611,761,925	1.08%	546.53
2,205,000	45,611,350	-	-	-	762,143,354	1.28%	679.22
2,020,000	33,253,625	-	-	-	989,352,057	1.55%	870.45
1,820,000	20,625,895	-	-	-	1,074,347,491	1.66%	941.59
1,610,000	8,197,034	-	-	-	1,242,637,249	1.99%	1,074.75

Hennepin County, Minnesota  
**Ratio of Net General Obligation Debt to Property Estimated Market Value, and Net Debt Per Capita**  
 Last Ten Years

Year	Net General Obligation Debt <sup>1</sup>			Net	Property Estimated Market Value <sup>2</sup>	Population <sup>3</sup>	Net General Obligation Debt to Property Estimated Market Value	Net General Obligation Debt Per Capita
	Total	Less Debt Not Supported by Tax Levy	Less Amount Available for Debt Service					
2001	\$ 428,720,000	\$ 101,400,000	\$ 5,536,351	\$ 321,783,649	\$ 87,231,095,560	1,114,977	0.37 %	\$ 288.60
2002	465,785,000	90,545,000	6,461,085	368,778,915	98,187,470,010	1,122,259	0.38	328.60
2003	501,405,000	106,495,000	6,810,263	388,099,737	107,759,072,300	1,121,035	0.36	346.20
2004	495,140,000	92,565,000	5,645,313	396,929,687	117,114,059,300	1,120,897	0.34	354.12
2005	502,185,000	79,160,000	5,901,196	417,123,804	128,984,636,371	1,119,364	0.32	372.64
2006 <sup>4</sup>	558,035,000	65,620,000	52,690,825	439,724,175	140,297,495,800	1,122,093	0.31	391.88
2007 <sup>4</sup>	558,675,000	45,370,000	42,960,914	470,344,086	148,192,546,800	1,136,599	0.32	413.82
2008	599,320,000	33,585,000	5,391,807	560,343,193	147,706,180,717	1,140,988	0.38	491.10
2009	686,735,000	21,525,000	7,688,195	657,521,805	141,853,594,100	1,156,212	0.46	568.69
2010	870,700,000	112,295,000	7,256,597	751,148,403	132,425,360,100	1,152,425	0.57	651.80

<sup>1</sup> Debt that is secured in whole or part by the authority to levy taxes on real estate. Per M.S. 475.51, net general obligation debt is determined by deducting from the total general obligation debt the cash available for servicing the debt and debt intended to be financed primarily by means other than a real estate tax levy. Debt premiums and discounts are not included in the amounts shown. Beginning in 2001, the debt of the Regional Railroad Authority is included, which is a limited tax obligation of the Regional Railroad Authority.

<sup>2</sup> Estimated market value is for the assessment year indicated per the Hennepin County Taxpayer Services Department. Applicable taxes are collectible in the subsequent year.

<sup>3</sup> Sources: Office of the State Demographer and U.S. Census Bureau

<sup>4</sup> 2006 and 2007 net general obligation debt amounts included crossover refunding totals of \$47.8 million and \$41.2 million, respectively. The amounts available for debt service included funds held by a trustee for that purpose. Both the refunding debt and refunded debt (old debt) remained on the books until the crossover date when the old debt was defeased.

Unaudited

Hennepin County, Minnesota  
**Direct, Overlapping, and Underlying General Obligation Debt**  
 December 31, 2010

Governmental Unit	Debt <sup>1</sup>		Percent Applicable To County <sup>2</sup>	Amount Applicable to County
	Total	Net		
Direct:				
Hennepin County	\$ 828,835,000	\$ 709,752,625	100.00 %	\$ 709,752,625
Hennepin County Regional Railroad	41,865,000	41,395,778	100.00	41,395,778
Total Direct Debt	870,700,000	751,148,403		751,148,403
Overlapping:				
Metropolitan Council <sup>3</sup>	1,283,405,536	181,078,903	42.21	76,433,405
Metropolitan Airport Commission	1,777,120,000	-	-	-
Total Overlapping Debt	3,060,525,536	181,078,903		76,433,405
Underlying:				
School Districts	1,703,555,548	1,285,782,290	100.00	1,285,782,290
Municipalities	1,923,267,672	625,642,725	100.00	625,642,725
Three Rivers Park District	83,155,000	67,630,065	100.00	67,630,065
Miscellaneous (Watersheds, HRAs, EDAs, etc.) - Excludes RRA	122,822,225	44,005,397	100.00	44,005,397
Total Underlying Debt	3,832,800,445	2,023,060,477		2,023,060,477
Total	\$ 7,764,025,981	\$ 2,955,287,783		\$ 2,850,642,285

<sup>1</sup> Debt that is secured in whole or part by the authority to levy taxes on real estate. Per M.S. 475.51, net general obligation debt is determined by deducting from the total general obligation debt the cash available for servicing the debt, and debt that is intended to be financed primarily by means other than a real estate tax levy.

<sup>2</sup> The percentages reflect the portion of the general obligation debt secured by taxable real estate located within the County.

<sup>3</sup> Includes Metropolitan Council Transit Operations debt.

Unaudited

Hennepin County, Minnesota  
**Legal Debt Margin Information**  
 Last Ten Years

	<u>Debt Limit <sup>1</sup></u>	<u>Total Net Debt Applicable to Limit</u>	<u>Legal Debt Margin</u>	<u>Net Debt Applicable to Limit as a Percentage of Debt Limit</u>
2001	\$ 1,744,621,900	\$ 321,783,649	\$ 1,422,838,251	18.44%
2002	1,963,749,400	368,778,915	1,594,970,485	18.78%
2003	2,155,181,446	388,099,737	1,767,081,709	18.01%
2004	2,342,281,186	396,929,687	1,945,351,499	16.95%
2005	2,579,692,727	417,123,804	2,162,568,923	16.17%
2006	2,805,949,916	439,724,175	2,366,225,741	15.67%
2007	2,963,850,936	470,344,086	2,493,506,850	15.87%
2008	2,954,123,614	560,343,193	2,393,780,421	18.97%
2009	2,837,071,882	657,521,805	2,179,550,077	23.18%
2010	3,972,760,803	751,148,403	3,221,612,400	18.91%

**Computation of 2010 Legal Debt Margin**

2010 property estimated market value		<u>\$ 132,425,360,100</u>
Debt limit, 3% of market value		\$ 3,972,760,803
Amount of levy supported debt	\$ 758,405,000	
Less amount available for debt service	<u>7,256,597</u>	<u>751,148,403</u>
Legal Debt Margin		<u>\$ 3,221,612,400</u>

<sup>1</sup> The debt limit was 2% of market value until 2010, when it became 3% of market value.

Unaudited



Hennepin County, Minnesota  
**Solid Waste Fund Revenue Bond Coverage**  
 Last Ten Years

<u>Year</u>	<u>Gross Revenues</u> <sup>1</sup>	<u>Operating Expenses</u> <sup>2</sup>	<u>Less Debt Service Amount in Operating Expenses</u> <sup>4</sup>	<u>Net Operating Expenses</u>	<u>Net Revenue Available for Debt Service</u>
2001	\$ 57,216,114	\$ 51,997,017	\$ 10,010,011	\$ 41,987,006	\$ 15,229,108
2002	64,072,775	57,271,444	10,011,816	47,259,628	16,813,147
2003	69,374,476	50,919,629	-	50,919,629	18,454,847
2004	69,984,794	53,121,376	-	53,121,376	16,863,418
2005	71,810,387	55,255,668	-	55,255,668	16,554,719
2006	72,390,243	56,035,390	-	56,035,390	16,354,853
2007	78,188,948	58,910,375	-	58,910,375	19,278,573
2008	83,501,561	59,227,366	-	59,227,366	24,274,195
2009	69,277,407	52,440,649	-	52,440,649	16,836,758
2010	51,753,899	39,555,886	-	39,555,886	12,198,013

<sup>1</sup> Gross revenues include taxes, intergovernmental revenue, investment earnings, and net charges for services.

<sup>2</sup> Total operating expenses exclusive of depreciation and amortization.

<sup>3</sup> Includes principal and interest payments of revenue bonds only.

<sup>4</sup> For 2001-2002, this reduces operating expenses by the portion of the service fee payment to HERC that covers the debt service.

Unaudited

Table 19

<u>Debt Service Requirements<sup>3</sup></u>			
<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Coverage</u>
\$ 8,515,000	\$ 4,960,011	\$ 13,475,011	1.13
8,925,000	4,516,816	13,441,816	1.25
9,355,000	3,537,985	12,892,985	1.43
11,885,000	3,310,082	15,195,082	1.11
11,295,000	3,070,643	14,365,643	1.15
11,990,000	2,638,233	14,628,233	1.12
11,815,000	2,183,548	13,998,548	1.38
11,665,000	1,700,619	13,365,619	1.82
11,935,000	1,205,332	13,140,332	1.28
11,910,000	669,499	12,579,499	0.97

Hennepin County, Minnesota  
**Sales Tax Revenue Bond Coverage**  
 Last Four Years <sup>1</sup>

	2007	2008	2009	2010
<b>First Lien Revenue Bond Coverage:</b>				
Net revenues <sup>2</sup>	\$ 27,363,924	\$ 28,365,922	\$ 27,172,886	\$ 28,248,454
First lien principal	-	350,000	500,000	750,000
First lien interest	3,918,891	7,234,875	7,217,375	7,192,375
Total first lien debt service	\$ 3,918,891	\$ 7,584,875	\$ 7,717,375	\$ 7,942,375
First lien coverage .....	6.98	3.74	3.52	3.56
<b>Second Lien Revenue Bond Coverage:</b>				
Net revenues <sup>2</sup>		\$ 28,365,922	\$ 27,172,886	\$ 28,248,454
First lien debt service		(7,584,875)	(7,717,375)	(7,942,375)
Net revenues available for second lien debt service		20,781,047	19,455,511	20,306,079
Second lien principal		2,575,000	2,000,000	2,300,000
Second lien interest		3,737,815	5,402,175	5,327,175
Total second lien debt service		\$ 6,312,815	\$ 7,402,175	\$ 7,627,175
Second lien coverage .....		3.29	2.63	2.66
<b>Third Lien Revenue Bond Coverage:</b>				
Net revenues <sup>2</sup>		\$ 28,365,922	\$ 27,172,886	\$ 28,248,454
First lien debt service		(7,584,875)	(7,717,375)	(7,942,375)
Second lien debt service		(6,312,815)	(7,402,175)	(7,627,175)
Net revenues available for third lien debt service		14,468,232	12,053,336	12,678,904
Third lien principal <sup>3</sup>		2,000,000	4,100,000	800,000
Third lien interest		771,888	322,692	171,325
Third lien remarketing and liquidity provider fees		127,409	149,566	227,178
Total third lien debt service		\$ 2,899,297	\$ 4,572,258	\$ 1,198,503
Third lien coverage .....		4.99	2.64	10.58
<b>Total Sales Tax Revenue Bond Coverage:</b>				
Net revenues <sup>2</sup>	\$ 27,363,924	\$ 28,365,922	\$ 27,172,886	\$ 28,248,454
Sales tax revenue bond principal	-	4,925,000	6,600,000	3,850,000
Sales tax revenue bond interest	3,918,891	11,744,578	12,942,242	12,690,875
Remarketing and liquidity provider fees	-	127,409	149,566	227,178
Total sales tax revenue bond debt service	\$ 3,918,891	\$ 16,796,987	\$ 19,691,808	\$ 16,768,053
Total coverage .....	6.98	1.69	1.38	1.68

<sup>1</sup> First lien sales tax revenue bonds were issued in 2007. Second and third lien sales tax revenue bonds were issued in 2008.

<sup>2</sup> Revenues net of State service fee for collecting sales tax.

<sup>3</sup> The County optionally redeemed additional principal of the third lien bonds as follows: \$2 million in 2008 and \$3.7 million in 2009.

Unaudited

Hennepin County, Minnesota  
**Ratio of Debt Service Expenditures for Property Tax Supported Bonds to Total Expenditures/Expenses**  
 Last Ten Years

Year	Debt Service Expenditures <sup>1</sup>			Total Expenditures Governmental Funds	Debt Service Expenditures to Total Expenditures
	Principal	Interest and Fiscal Charges	Total		
2001	\$ 23,100,000	\$ 12,137,521	\$ 35,237,521	\$ 1,119,547,290	3.15
2002	28,385,000	15,136,527	43,521,527	1,137,125,207	3.83
2003	25,987,543	15,844,894	41,832,437	1,101,835,938	3.80
2004	28,427,396	16,836,849	45,264,245	1,055,441,819	4.29
2005	30,731,777	17,988,137	48,719,914	1,115,089,109	4.37
2006	36,102,937	20,992,450	57,095,387	1,183,733,174	4.82
2007	63,273,430	22,773,927	86,047,357	1,404,083,394	6.13
2008	73,566,294	24,878,737	98,445,031	1,553,834,721	6.34
2009	37,460,987	24,622,112	62,083,099	1,273,346,992	4.88
2010	45,150,152	27,169,336	72,319,488	1,497,289,609	4.83

<sup>1</sup> Includes principal and interest payments for governmental fund bonds and notes. The debt of the Regional Railroad Authority is included, which is a limited tax obligation of the Regional Railroad Authority. The debt service expenditures for sales tax revenue bonds are excluded.

Unaudited

Hennepin County, Minnesota  
**Demographic and Economic Statistics**  
 Last Ten Years

<u>Year</u>	<u>Population</u> <sup>1</sup>	<u>Per Capita Income</u> <sup>2</sup>	<u>Total Income</u>	<u>Median Age</u> <sup>3</sup>	<u>Persons 25 years and older who are high school graduates</u> <sup>3</sup>	<u>PK - 12 School Enrollment</u> <sup>4</sup>	<u>Unemployment Rate</u> <sup>2</sup>
2001	1,114,977	\$ 43,452	\$ 48,447,980,604	34.9	91.5 %	158,566	3.2 %
2002	1,122,259	43,732	49,078,630,588	34.9	91.5	157,823	4.0
2003	1,121,035	45,141	50,604,640,935	36.2	93.1	155,018	4.7
2004	1,120,897	48,041	53,849,012,777	36.7	93.3	152,809	4.5
2005	1,119,364	50,412	56,429,377,968	36.9	92.0	153,558	3.7
2006	1,122,093	52,905	59,364,330,165	37.2	92.0	153,449	3.5
2007	1,136,599	56,280	63,967,791,720	37.2	91.8	154,624	4.0
2008	1,140,988	56,564	64,538,845,232	37.6	92.2	155,754	4.9
2009	1,156,212	54,008	62,444,697,696	35.9	92.1	156,320	7.5
2010	1,152,425	N/A <sup>5</sup>	N/A <sup>5</sup>	N/A <sup>5</sup>	N/A <sup>5</sup>	157,170	6.6

## Sources:

<sup>1</sup> Office of the State Demographer and U.S. Census Bureau<sup>2</sup> U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Accounts Annual Average<sup>3</sup> U.S. Census Bureau ,U.S. Community Survey 3-Year Estimates<sup>4</sup> Fall registration for public schools - Minnesota State Department of Education<sup>5</sup> Information not available at time of publication

Unaudited

Hennepin County, Minnesota  
**Labor Force Size and Unemployment Rate<sup>2</sup>**  
 Last Ten Years

	Hennepin County		Metropolitan Area <sup>1</sup>		State		National	
	Labor Force	Unemployment Rate	Labor Force	Unemployment Rate	Labor Force	Unemployment Rate	Labor Force	Unemployment Rate
2001	676,037	3.2	1,771,220	3.3	2,814,357	3.7	141,774,000	4.8
2002	687,258	4.0	1,880,469	4.0	2,851,012	4.1	142,508,500	5.8
2003	693,591	4.7	1,833,763	4.8	2,923,083	5.0	146,510,000	6.0
2004	675,296	4.5	1,832,449	4.5	2,951,682	4.7	147,401,000	5.6
2005	674,764	3.7	1,850,864	3.8	2,947,198	4.0	149,320,000	5.1
2006	664,469	3.5	1,844,971	3.7	2,939,304	4.0	151,428,000	4.6
2007	669,389	4.0	1,848,796	4.3	2,930,553	4.6	153,124,000	4.6
2008	660,319	4.9	1,837,000	5.2	2,933,000	5.4	154,287,000	5.8
2009	661,816	7.5	1,855,914	7.8	2,967,967	8.0	154,015,250	9.3
2010	663,880	6.6	1,860,461	6.9	2,963,402	7.3	153,889,000	9.7

Source: Minnesota Department of Jobs and Training

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

<sup>2</sup> Annual averages

Unaudited

Hennepin County, Minnesota  
**Employment Information by Industry**  
 Last Nine Years

<u>Industry</u>	<u>Hennepin County Industry Ranking</u>								
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Health care and social assistance	5	1	1	1	1	1	1	1	1
Professional and technical services	4	5	4	4	3	3	2	2	2
Government and government enterprises	2	2	2	2	2	2	3	3	3
Finance and insurance	6	6	6	6	6	6	6	5	4
Retail trade	3	3	3	3	4	4	4	4	5
Manufacturing	1	4	5	5	5	5	5	6	6
Accommodation and food services	9	8	8	8	8	8	8	8	7
Administrative and waste services	7	7	7	7	7	7	7	7	8
Wholesale trade	8	9	9	9	9	9	10	9	9
Other services, except public administration	10	10	10	10	10	10	9	11	10
Real estate	14	14	14	12	12	11	11	10	11
Management of companies and enterprises	13	13	13	13	14	13	13	12	12
Transportation and warehousing	11	12	12	14	13	14	14	14	13
Construction	12	11	11	11	11	12	12	13	14
Arts, entertainment, and recreation	16	16	16	16	16	15	15	15	15
Educational services	17	17	17	17	17	17	17	17	16
Information	15	15	15	15	15	16	16	16	17
Utilities	18	18	18	18	18	18	18	18	18
Forestry, fishing, mining, other	20	20	20	20	19	19	19	19	19
Farm	19	19	19	19	20	20	20	20	20

Note: 2010 information is not yet available.

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

Unaudited

Hennepin County, Minnesota  
**Principal Employers**  
 Current Year and Five Years Ago

Employer	2010			2005 <sup>1</sup>		
	Employees (rounded to nearest 100)	Rank	Percentage of Total County Employment	Employees (rounded to nearest 100)	Rank	Percentage of Total County Employment
University of Minnesota	17,053	1	2.57%	25,000	1	3.70%
Tyco Electronics	9,300	2	1.40%			
Fairview University Medical Center	8,000	3	1.21%	8,000	3	1.19%
Methodist Hospital	8,000	4	1.21%	7,000	4	1.04%
Hennepin County Offices	7,800	5	1.17%	12,000	2	1.78%
Ameriprise Financial	7,000	6	1.05%			
Best Buy Co Inc.	6,000	7	0.90%			
Park Nicollet Health Services	6,000	8	0.90%	6,000	5	0.89%
Abbott Northwestern Hospital	5,300	9	0.80%	5,000	7	0.74%
Fairview Southdale Hospital	5,000	10	0.75%	5,000	9	0.74%
United Parcel Service of America, Inc.				5,400	6	0.80%
Cardiac Rhythm Management				5,000	8	0.74%
Medtronic Tachyarrhythmia Management				4,500	10	0.67%
	79,453		11.97%	82,900		12.29%

Sources: ACINET.ORG and Hennepin County Office of Budget and Finance

<sup>1</sup> Data not available prior to 2005.

Unaudited

Hennepin County, Minnesota  
**Employees by Function/Program**  
 Last Ten Years

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
<b><u>Employees by Function/Program</u></b>				
General Government	969	1,070	1,031	1,028
Human Services and Public Health	2,715	2,885	2,963	2,938
Health <sup>1</sup>	5,011	5,134	4,387	4,371
Public Safety <sup>2</sup>	2,929	2,887	2,297	2,308
Public Works <sup>3</sup>	515	395	433	453
Libraries	986	982	944	848
	<u>13,125</u>	<u>13,353</u>	<u>12,055</u>	<u>11,946</u>
Unionized Employees	7,197	7,361	6,610	6,509
Full-Time Equivalents <sup>3</sup>	11,574	11,777	10,960	11,072

<sup>1</sup> The Health function included Hennepin County Medical Center prior to 2007. In 2007, the Medical Center became a discretely

<sup>2</sup> Public Safety was titled Public Safety and Judiciary until July 1, 2003, when the District Court function transitioned from the

<sup>3</sup> Public Safety was restated for 2006-2008 to remove District Court employees counts and FTE's

Unaudited

Table 26

<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
1,042	1,066	1,090	1,070	1,036	1,045
2,957	2,993	3,029	2,910	2,861	2,909
4,542	4,720	426	368	357	330
2,337	2,450	2,502	2,441	2,351	2,321
462	415	435	435	421	432
860	864	844	832	773	759
<u>12,200</u>	<u>12,508</u>	<u>8,326</u>	<u>8,056</u>	<u>7,799</u>	<u>7,796</u>
6,525	8,184	5,713	5,538	5,631	5,311
11,090	11,189	7,667	7,474	7,431	7,314

Hennepin County, Minnesota  
**Operating Indicators**  
 Last Ten Years

	2001	2002	2003
<b><u>Governmental Activities Operating Indicators by Function/Program</u></b>			
<b><u>General Government</u></b>			
Property Services - operating cost per square foot .....	N/A	\$4.88	\$4.38
<b><u>Human Services</u></b>			
Children in out of home placement .....	N/A	N/A	N/A
People served by WIC program .....	N/A	N/A	N/A
Cash assistance programs use .....	N/A	N/A	N/A
Medical Assistance (MA) enrollees .....	N/A	N/A	N/A
Mental health crisis calls for adults .....	N/A	N/A	N/A
<b><u>Health</u></b>			
NorthPoint Health & Wellness Center patient statistics:			
Medical & Dental Visits .....	N/A	N/A	N/A
Prescriptions filled .....	N/A	N/A	N/A
<b><u>Public Safety</u></b>			
Sheriff's Office:			
Number of mortgage foreclosure sales .....	N/A	N/A	N/A
Number of jail bookings .....	N/A	N/A	N/A
Community Corrections:			
Percent of adult client recidivism .....	N/A	N/A	N/A
<b><u>Public Works</u></b>			
Present serviceability rating (portion rated good or better) .....	N/A	N/A	N/A
Percent of bridges with sufficiency rating less than 50 .....	N/A	N/A	12%
<b><u>Libraries</u></b>			
Items circulated (millions) .....	13.9	14.2	14.3
eLibrary visits (millions) .....	2.7	3.7	4.0
Number of volunteer hours supplementing service .....	N/A	N/A	N/A
<b><u>Business-type Activities Operating Indicators by Function/Program</u></b>			
<b><u>Metropolitan Health Plan</u></b>			
Administrative Cost Ratio .....	N/A	N/A	N/A
Enrollment .....	N/A	N/A	N/A
<b><u>Environmental Services</u></b>			
Tons of waste received at Hennepin facilities .....	N/A	N/A	N/A

Sources: Various County departments

Unaudited

Table 27

<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010 Estimate</u>
\$4.76	\$4.27	\$4.53	\$5.15	\$5.24	\$6.38	\$6.11
N/A	N/A	N/A	1,817	1,524	1,236	1,161
N/A	N/A	N/A	23,602	24,441	24,380	23,775
N/A	N/A	N/A	50,802	50,312	53,372	55,406
N/A	N/A	N/A	123,677	126,962	137,982	145,470
N/A	N/A	N/A	281	436	433	550
50,197	52,257	56,710	64,749	64,198	77,873	80,386
N/A	N/A	N/A	N/A	102,649	123,499	130,000
N/A	N/A	N/A	N/A	N/A	5,657	5,985
N/A	N/A	N/A	N/A	N/A	36,500	35,413
N/A	N/A	N/A	N/A	N/A	20.4%	21.4%
N/A	47%	49%	52%	48%	47%	50%
10%	11%	10%	8%	9%	8%	8%
14.0	15.7	15.8	16.2	16.5	16.7	17.0
5.3	7.4	10.0	12.0	16.0	15.0	20.0
N/A	50,000	50,868	50,000	53,813	86,766	91,779
N/A	N/A	20.4%	23.0%	20.0%	17.8%	15.4%
N/A	N/A	N/A	N/A	N/A	18,662	18,144
N/A	549,043	579,128	605,023	561,990	573,000	595,000

Hennepin County, Minnesota  
**Capital Asset Statistics by Function/Program**  
 Last Ten Years

	<u>2001</u>	<u>2002</u>	<u>2003</u>
<u>General Government<sup>2</sup></u>			
Building square footage occupied by General Government	328,381	322,310	317,189
<u>Human Services<sup>2</sup></u>			
Building square footage occupied by Human Services	733,925	731,804	731,707
<u>Health<sup>2</sup></u>			
Building square footage - NorthPoint Health & Wellness	N/A	N/A	N/A
Building square footage - Medical Examiner	32,831	34,488	34,655
<u>Public Safety<sup>2</sup></u>			
Building square footage - Public Safety Facility Cells/Sheriff's Jail	376,644	430,559	476,433
Building square footage occupied by the Corrections Department	521,188	534,011	581,231
Building square footage occupied by the Sheriff's Office (w/o Jail)	291,788	287,979	284,339
<u>Public Works</u>			
County roads and highways (miles)	567	569	568
Number of bridges	168	187	137
<u>Libraries<sup>1</sup></u>			
Building square footage occupied by the Libraries <sup>2</sup>	433,890	463,349	457,840
Size of Library collection (copies)	N/A	2,015,602	2,061,102
Size of Library collection (Titles)	N/A	318,322	332,432
<u>Regional Railroad Authority</u>			
Rail miles	-	-	-
Light rail stations	-	-	-
<u>Metropolitan Health Plan (MHP)</u>			
Building square footage occupied by MHP	21,768	36,860	36,860

<sup>1</sup> Reflects combined Hennepin County and former Minneapolis Public Library (MPL) collections starting in 2008. Data relating to MPL not available prior to 2008.

<sup>2</sup> For 2008 and before, square footage is represented by rentable space, which includes common building areas. For 2009 and after, usable square footage is measured, which excludes common areas.

Sources: Various County departments

Unaudited

Table 28

2004	2005	2006	2007	2008	2009	2010
298,850	286,227	301,547	297,825	295,982	228,114	233,053
749,767	664,656	666,386	687,616	638,781	452,095	452,108
54,401	63,057	63,057	63,057	59,724	39,964	39,964
37,170	37,170	37,170	37,178	37,175	29,430	29,430
431,506	457,564	460,213	429,559	429,559	360,510	360,510
573,597	570,777	679,488	657,170	669,849	606,382	605,225
294,298	293,062	293,435	170,412	170,452	152,366	152,621
562	562	561	561	561	567	572
137	137	137	132	130	130	130
522,964	547,256	546,176	546,127	1,329,621	993,939	997,735
1,974,629	1,985,790	1,930,773	1,941,712	4,997,402	4,770,977	5,030,570
334,637	306,830	307,041	307,255	1,552,628	1,358,502	2,143,174
12	12	12	12	12	12	12
17	17	17	17	17	17	17
35,583	59,749	58,939	59,106	59,106	59,106	59,106

Hennepin County, Minnesota  
**Selected Per Capita Measures of Financial Condition**  
 Last Ten Years

	2001	2002	2003	2004
<b>PROPERTY TAX LEVY</b>				
County <sup>1</sup> .....	\$ 437	449	460	455
% Change	4.9	2.7	2.5	(1.2)
County and other <sup>2</sup> .....	\$ 1,702	1,514	1,608	1,646
% Change	5.2	(11.0)	6.2	2.4
<b>REVENUES</b>				
Total governmental funds <sup>3</sup> .....	\$ 966	933	934	896
% Change	8.9	(3.5)	0.1	(4.1)
Intergovernmental .....	\$ 373	382	376	338
% Change	16.3	2.4	(1.6)	(10.0)
<b>EXPENSES<sup>3</sup></b>				
Total governmental funds .....	\$ 1,004	1,013	983	942
% Change	7.5	0.9	(3.0)	(4.2)
Capital projects .....	\$ 113	84	107	114
% Change	(4.6)	(25.5)	26.5	6.8
<b>GENERAL OBLIGATION DEBT</b>				
Net direct <sup>4</sup> .....	\$ 289	329	346	354
% Change	49.5	13.9	5.4	2.3
Net direct, overlapping, and underlying .....	\$ 1,982	2,192	2,152	2,340
% Change	15.9	10.6	(1.8)	8.7
PROPERTY ESTIMATED MARKET VALUE .....	\$ 78,236	87,491	96,125	104,482
% Change	15.8	11.8	9.9	8.7
EMPLOYEES PER 10,000 CAPITA <sup>5</sup> .....	117.7	119.0	107.5	106.6
% Change	4.1	1.1	(9.6)	(0.9)

<sup>1</sup> The levy includes state-paid aids and credits such as Homestead and Agricultural Credit Aid, Agricultural Preserve Credit, Disparity Aid, Equalization Aid, and Market Value Based Homestead Credit Aid. The levy does not include Local Government Aid or Education Aid.

<sup>2</sup> Includes the County, municipalities, school districts, watershed districts, and other taxing jurisdictions.

<sup>3</sup> Includes sales tax revenue and Ballpark construction costs and debt service beginning in 2007.

<sup>4</sup> Includes only debt secured in whole or part by the authority to levy taxes on real estate. Therefore, revenue bonds are excluded.

<sup>5</sup> Includes full-time and part-time employees converted to full-time equivalents. Medical Center employees became employees of the County's discretely presented component unit in 2007. In 2007, part-time employees were about 19.6% of the total full-time equivalent work force.

Unaudited

Table 29

2005	2006	2007	2008	2009	2010
495	512	535	556	592	630
8.8	3.4	4.5	3.9	6.5	6.4
1,731	1,707	1,932	2,039	2,151	2,173
5.2	(1.4)	13.2	5.5	5.5	1.0
965	1,013	1,053	1,079	1,065	1,103
7.7	5.0	3.9	2.5	(1.3)	3.6
388	385	356	367	327	345
14.8	(0.7)	2.2	3.3	(10.8)	(10.9)
996	1,055	1,247	1,362	1,101	1,299
5.8	5.9	18.2	9.2	(19.1)	18.0
133	133	109	120	135	114
16.3	0.1	(18.2)	10.3	12.3	(15.7)
373	392	414	491	569	652
5.2	5.1	5.6	18.7	15.8	14.6
2,612	2,596	2,497	2,469	2,412	2,474
11.6	(0.6)	(3.8)	(1.1)	(2.3)	2.6
115,230	125,032	130,382	129,455	122,688	114,910
10.3	8.5	4.3	(0.7)	(5.2)	(6.3)
109.0	111.5	73.3	66.9	64.3	63.5
2.3	2.3	(34.3)	(8.7)	(3.9)	(1.3)

Hennepin County, Minnesota  
**Selected Ratio Measures of Financial Condition**  
 Last Ten Years

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Debt service expenditures for property tax supported bonds to: <sup>1</sup>				
County property tax levy .....	7.2 %	8.6 %	8.1 %	8.9 %
Governmental fund expenditures .....	3.1	3.8	3.8	4.3
Net general obligation debt to:				
Property estimated market value .....	0.37	0.38	0.36	0.34
Legal debt margin .....	22.6	20.9	22.0	20.4
Direct, overlapping, and underlying net debt .....	14.6	14.9	15.6	14.7
Governmental fund revenues .....	29.9	35.2	37.1	39.5
General obligation debt due within ten years				
To total general obligation debt .....	66.0	66.1	63.8	63.6
Undesignated general fund balance				
To general fund expenditures .....	16.6	18.0	29.5	33.2
Undesignated governmental fund type fund balances				
To governmental fund expenditures .....	16.7	16.1	20.4	18.5

<sup>1</sup> Debt service in 2007 and 2008 included \$10.5 million and \$43.0 million relating to the crossover refunding. A crossover refunding requires both the refunding debt and refunded debt (old debt) remained on the books until the crossover date when the old debt is defeased.

Unaudited

Table 30

<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
8.8 %	9.4 %	14.1 %	15.5 %	9.1 %	10.0
4.4	4.8	6.1	6.3	4.9	4.8
0.32	0.35	0.32	0.38	0.46	0.57
19.3	21.1	18.9	23.4	18.3	23.3
13.7	16.5	16.6	19.9	23.6	23.1
38.6	38.7	39.3	45.5	53.4	51.7
64.2	68.3	68.4	55.4	54.5	63.0
32.6	27.6	16.5	15.6	22.9	14.0
14.9	10.7	8.4	8.7	19.2	17.2



# Hennepin County, Minnesota

Single Audit Report  
December 31, 2010



McGladrey & Pullen, LLP  
Certified Public Accountants

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**Independent Auditor's Report on Internal Control Over  
Financial Reporting and on Compliance and Other  
Matters Based on an Audit of Financial Statements  
Performed in Accordance With *Government Auditing Standards***

To the Board of County Commissioners  
Hennepin County, Minnesota

We have audited the financial statements of Hennepin County, Minnesota (the County), as of and for the year ended December 31, 2010, and have issued our report thereon dated July 15, 2011. 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.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as item IC 10-1, that we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

**COMPLIANCE AND OTHER MATTERS**

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The County's responses to the findings identified in our audit are described in the accompanying Auditee Corrective Action Plan. We did not audit the County's responses, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of County Commissioners, the Audit Committee, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

*McGladrey & Pullen, LLP*

Minneapolis, Minnesota  
July 15, 2011



**Independent Auditor's Report on Compliance With Requirements  
That Could Have a Direct and Material Effect on Each Major Program  
and Internal Control Over Compliance in Accordance With OMB  
Circular A-133 and the Schedule of Expenditures of Federal Awards**

To the Board of County Commissioners  
Hennepin County, Minnesota

**COMPLIANCE**

We have audited the compliance of Hennepin County, Minnesota (the County), with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items CF 10-1 through CF 10-5.

**INTERNAL CONTROL OVER COMPLIANCE**

Management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A *significant deficiency in internal control over compliance* is a deficiency or combination of deficiencies in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items IC 10-2 through IC 10-5 to be significant deficiencies.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

#### **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information for the County as of and for the year ended December 31, 2010, and have issued our report thereon dated July 15, 2011. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The County's responses to the findings identified in our audit are described in the accompanying Auditee Corrective Action Plan. We did not audit the County's responses, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of County Commissioners, the Audit Committee, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

*McGladrey & Pullen, LLP*

Minneapolis, Minnesota  
July 15, 2011

**Hennepin County, Minnesota**

**Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2010**

Administering Agency and Federal Funding Source	Federal Domestic Assistance Number	Grant Name	Total Expenditures	Passed Through to Subrecipients
U.S. Department of Agriculture:				
Minnesota Department of Agriculture	10.572	WIC Farmers' Market Nutrition Program (FMNP)	\$ 7,397	\$ -
Minnesota Department of Education				
	10.553	Child Nutrition Cluster: School Breakfast Program	62,324	-
	10.555	National School Lunch Program	105,873	-
Minnesota Department of Health				
	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	3,991,765	124,394
Minnesota Department of Human Services				
	10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	15,897,850	-
	10.561	ARRA — State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	333,337	-
<b>Total U.S. Department of Agriculture</b>			<b>20,398,546</b>	<b>124,394</b>
U.S. Department of Commerce:				
Direct Grant	11.307	Economic Adjustment Assistance	6,789	-
Minnesota Department of Public Safety				
	11.555	Public Safety Interoperable Communications Grant Program	50,804	-
<b>Total U.S. Department of Commerce</b>			<b>57,593</b>	<b>-</b>
U.S. Department of Education:				
Minnesota Department of Education	84.186	Safe and Drug-Free Schools and Communities — State Grants	49,411	12,250
<b>Total U.S. Department of Education</b>			<b>49,411</b>	<b>12,250</b>
U.S. Department of Energy:				
Direct Grant	81.128	ARRA — Energy Efficiency and Conservation Block Grant Program (EECBG)	372,888	-
<b>Total U.S. Department of Energy</b>			<b>372,888</b>	<b>-</b>
U.S. Department of Health and Human Services:				
Direct Grant	93.069	Public Health Emergency Preparedness	32,000	-
	93.224	Health Centers Cluster: Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, Public Housing Primary Care and School Based Health Centers)	1,988,332	-
	93.703	ARRA — Grants to Health Center Programs	524,052	-
	93.253	Poison Center Support and Enhancement Grant Program	554,976	-
	93.297	Teenage Pregnancy Prevention Program	22,487	-
	93.914	HIV Emergency Relief Project Grants	5,605,564	3,908,107
	93.924	Ryan White HIV/AIDS Dental Reimbursements Community Based Dental Partnership	77,426	-
	93.928	Special Projects of National Significance	24,812	-
Minnesota Department of Employment and Economic Development				
	93.558	TANF Cluster: Temporary Assistance for Needy Families	69,575	69,575
	93.714	ARRA — Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Program	102,211	102,211

(Continued)

Hennepin County, Minnesota

Schedule of Expenditures of Federal Awards (Continued)  
For the Year Ended December 31, 2010

Administering Agency and Federal Funding Source	Federal Domestic Assistance Number	Grant Name	Total Expenditures	Passed Through to Subrecipients
U.S. Department of Health and Human Services (Continued):				
Minnesota Department of Health				
	93.069	Public Health Emergency Preparedness	689,282	-
	93.251	Universal Newborn Hearing Screening	6,350	-
		Immunization Cluster:		
	93.268	Immunization Grants	202,970	-
	93.712	ARRA — Immunization	12,817	-
		TANF Cluster:		
	93.558	Temporary Assistance for Needy Families	810,234	408,695
	93.283	Centers for Disease Control and Prevention — Investigations and Technical Assistance	871,693	-
	93.576	Refugee and Entrant Assistance — Discretionary Grants	35,809	-
	93.889	National Bioterrorism Hospital Preparedness Program	2,096,330	1,189,936
	93.940	HIV Prevention Activities — Health Department Based	347,049	-
	93.977	Preventive Health Services — Sexually Transmitted Diseases Control Grants	57,647	-
	93.994	Maternal and Child Health Services Block Grant to the States	593,947	461,801
Minnesota Department of Human Services				
	93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	37,417	-
	93.150	Projects for Assistance in Transition from Homelessness (PATH)	299,044	-
	93.556	Promoting Safe and Stable Families	784,932	-
		TANF Cluster:		
	93.558	Temporary Assistance for Needy Families	19,936,782	-
	93.563	Child Support Enforcement	21,312,084	-
	93.563	ARRA — Child Support Enforcement	1,168,740	-
	93.566	Refugee and Entrant Assistance — State Administered Programs	57,859	-
		CCDF Cluster:		
	93.575	Child Care and Development Block Grant	172,232	57,942
	93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	2,143,991	640,407
	93.584	Refugee and Entrant Assistance — Targeted Assistance Grants	23,784	-
	93.599	Chafee Education and Training Vouchers Program (ETV)	114,625	-
	93.645	Child Welfare Services — State Grants	87,458	-
	93.658	Foster Care — Title IV-E	9,219,436	-
	93.658	ARRA — Foster Care — Title IV-E	132,694	-
	93.659	Adoption Assistance	401,198	-
	93.659	ARRA — Adoption Assistance	49,749	-
	93.667	Social Services Block Grant	7,688,809	-
	93.669	Child Abuse and Neglect State Grants	2,182	-
	93.674	Chafee Foster Care Independence Program	145,976	-
	93.778	Medical Assistance Program	31,772,505	10,593
	93.917	HIV Care Formula Grants	1,409,008	1,027,930
	93.958	Block Grants for Community Mental Health Services	905,201	-
City of Minneapolis				
	93.111	Adolescent Family Life Research Grants	41,388	-
		TANF Cluster:		
	93.558	Temporary Assistance for Needy Families	64,000	-
	93.926	Healthy Start Initiative	88,432	-
National Association of City and County Health Organizations				
	93.008	Medical Reserve Corps Small Grant Program	5,000	-
<b>Total U.S. Department of Health and Human Services</b>			<b>112,790,089</b>	<b>7,877,197</b>

(Continued)

Hennepin County, Minnesota

Schedule of Expenditures of Federal Awards (Continued)  
For the Year Ended December 31, 2010

Administering Agency and Federal Funding Source	Federal Domestic Assistance Number	Grant Name	Total Expenditures	Passed Through to Subrecipients
U.S. Department of Homeland Security:				
Minnesota Department of Natural Resources				
	97.011	Boating Safety	21,829	-
	97.012	Boating Safety Financial Assistance	4,155	-
Minnesota Department of Public Safety				
	97.039	Hazard Mitigation Grant	19,151	-
	97.042	Emergency Management Performance Grants	336,339	-
	97.047	Pre-Disaster Mitigation	9,982	-
	97.067	Homeland Security Grant Program	1,638,612	110,474
<b>Total U.S. Department of Homeland Security</b>			<b>2,030,068</b>	<b>110,474</b>
U.S. Department of Housing and Urban Development:				
Direct Grant				
		CDBG — Entitlement Grant Cluster:		
	14.218	Community Development Block Grants/Entitlement Grants	6,276,268	2,440,168
	14.253	ARRA — Community Development Block Grant ARRA Entitlement Grants (CDBG-R)(Recovery Act Funded)	375,246	305,821
	14.231	Emergency Shelter Grants Program	89,636	89,636
	14.235	Supportive Housing Program	810,541	462,715
	14.238	Shelter Plus Care	476,383	476,383
	14.239	Home Investment Partnerships Program	1,411,646	-
	14.257	ARRA — Homelessness Prevention and Rapid Re-Housing Program (Recovery Act Funded)	478,421	414,788
	14.900	Lead-Based Paint Hazard Control in Privately-Owned Housing	1,298,309	1,035,182
	14.905	Lead Hazard Reduction Demonstration Grant Program	1,717,296	1,240,351
Minnesota Housing Finance Agency				
	14.228	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	2,470,399	238,297
City of Minneapolis				
		CDBG — Entitlement Grant Cluster:		
	14.218	Community Development Block Grants/Entitlement Grants	34,500	-
	14.257	ARRA — Homelessness Prevention and Rapid Re-Housing Program (Recovery Act Funded)	1,624,584	1,612,423
<b>Total U.S. Department of Housing and Urban Development</b>			<b>17,063,229</b>	<b>8,315,764</b>
U.S. Department of Justice:				
Direct Grant				
	16.541	Part E — Developing, Testing and Demonstrating Promising New Programs	165,716	-
	16.560	National Institute of Justice Research, Evaluation, and Development Project Grants	441,800	-
	16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	39,815	-
	16.606	State Criminal Alien Assistance Program	225,784	-
	16.710	Public Safety Partnership and Community Policing Grants	384,121	-
	16.738	Edward Byrne Memorial Justice Assistance Grant Program	1,166,929	601,799
	16.741	Forensic DNA Backlog Reduction Program	234,977	-
	16.804	ARRA — Recovery Act — Edward Byrne Memorial Justice Assistance Grant (JAG) Program / Grants to Units of Local Government	2,089,948	1,296,104
	16.808	ARRA — Recovery Act — Edward Byrne Memorial Competitive Grant Program	409,003	-
Minnesota Department of Public Safety				
	16.523	Juvenile Accountability Block Grants	226,109	-
	16.540	Juvenile Justice and Delinquency Prevention — Allocation to States	23,854	-
	16.588	ARRA — Violence Against Women Formula Grants	16,592	-

(Continued)

**Hennepin County, Minnesota**

**Schedule of Expenditures of Federal Awards (Continued)  
For the Year Ended December 31, 2010**

Administering Agency and Federal Funding Source	Federal Domestic Assistance Number	Grant Name	Total Expenditures	Passed Through to Subrecipients
U.S. Department of Justice (Continued):				
City of Minneapolis	16.808	ARRA — Recovery Act — Edward Byrne Memorial Competitive Grant Program	2,000	-
Housing Preservation Project	16.808	ARRA — Recovery Act — Edward Byrne Memorial Competitive Grant Program	294,924	-
<b>Total U.S. Department of Justice</b>			<b>5,721,572</b>	<b>1,897,903</b>
U.S. Department of Labor:				
Minnesota Department of Employment and Economic Development				
WIA Cluster:				
	17.258	WIA Adult Program	406,915	367,467
	17.258	ARRA — WIA Adult Program	133,655	125,196
	17.259	WIA Youth Activities	551,512	525,815
	17.259	ARRA — WIA Youth Activities	138,875	133,499
	17.260	WIA Dislocated Workers	2,015,166	1,586,629
	17.260	ARRA — WIA Dislocated Workers	912,734	912,734
<b>Total U.S. Department of Labor</b>			<b>4,158,857</b>	<b>3,651,340</b>
U.S. Department of Transportation:				
Direct Grant				
	20.514	Public Transportation Research Highway Safety Cluster:	325,606	-
	20.601	Alcohol Impaired Driving Countermeasures Incentive Grants I	250,213	-
	20.608	Minimum Penalties for Repeat Offenders for Driving While Intoxicated	11,249	-
Minnesota Department of Public Safety				
	20.609	Highway Safety Cluster: Safety Belt Performance Grants	23,099	-
Minnesota Department of Transportation				
	20.205	Highway Planning and Construction	4,664,207	-
Metropolitan Council				
	20.522	Alternatives Analysis	244,798	-
Washington County				
	20.500	Federal Transit — Capital Investment Grants	98,107	-
<b>Total U.S. Department of Transportation</b>			<b>5,617,279</b>	<b>-</b>
U.S. Election Assistance Commission:				
Direct Grant				
	90.401	Help America Vote Act Requirements Payments	539	-
<b>Total U.S. Election Assistance Commission</b>			<b>539</b>	<b>-</b>
U.S. Environmental Protection Agency:				
Direct Grant				
	66.818	Brownfields Assessment and Cleanup Cooperative Agreements	52,236	-
	66.818	ARRA — Brownfields Assessment and Cleanup Cooperative Agreements	67,851	-
<b>Total U.S. Environmental Protection Agency</b>			<b>120,087</b>	<b>-</b>
<b>Total federal awards</b>			<b>\$168,380,158</b>	<b>\$21,989,322</b>

See Notes to Schedule of Expenditures of Federal Awards.

## **Hennepin County, Minnesota**

### **Notes to Schedule of Expenditures of Federal Awards**

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#### **Note 1. Basis of Presentation**

The schedule of expenditures of federal awards presents the activity of federal programs of Hennepin County, Minnesota (the County). The County financial reporting entity, as defined in Note 1 to the basic financial statements, consists of the activities of the County and its blended component units (the primary government), as well as its discretely presented component unit. The Hennepin County Housing and Redevelopment Authority and Hennepin County Regional Railroad Authority are blended component units, and Hennepin Healthcare System, Inc. d/b/a Hennepin County Medical Center (HCMC) is a discretely presented component unit in the County. All federal awards received directly from federal agencies, as well as federal awards passed through from other governmental agencies, are included on the schedule.

#### **Note 2. Basis of Accounting**

The schedule of expenditures of federal awards is presented using the modified accrual basis of accounting for governmental funds and the accrual basis of accounting for proprietary funds and the discretely presented component unit, which are described in Note 1 to the basic financial statements.

#### **Note 3. Single Audit Reclassifications**

The Hennepin County Community Corrections Department receives federal grant revenues from the Minnesota Department of Education for the School Breakfast Program (\$62,324) and the National School Lunch Program (\$105,873). The revenues were recorded as offsets to commodity expenditures in the basic financial statements. The schedule of expenditures of federal awards has been adjusted to reflect the increase to federal grant revenues and expenditures.

**Hennepin County, Minnesota**

**Schedule of Findings and Questioned Costs  
Year Ended December 31, 2010**

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I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

A. Financial Statements

1. Type of auditor's report issued on the financial statements: Unqualified
2. Internal control over financial reporting:
  - Material weakness(es) identified?  Yes  No
  - Significant deficiency(ies) identified that are not considered to be material weaknesses?  Yes  None reported
  - Noncompliance material to financial statements identified?  Yes  No

B. Federal Awards

1. Internal control over major programs:
  - Material weakness(es) identified?  Yes  No
  - Significant deficiency(ies) identified that are not considered to be material weaknesses?  Yes  No
2. Type of auditor's report issued on compliance for major programs: Unqualified
  - Any audit findings that are required to be reported in accordance with Section 510(a) of Circular A-133?  Yes  No

3. Identification of major programs:

CFDA Number	Name of Federal Program
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
14.257	ARRA — Homelessness Prevention and Rapid Re-Housing Program
16.808	ARRA — Recovery Act — Edward Byrne Memorial Competitive Grant Program
WIA Cluster	
17.258	WIA Adult Program and ARRA
17.259	WIA Youth Activities and ARRA
17.260	WIA Dislocated Workers and ARRA
81.128	ARRA — Energy Efficiency and Conservation Block Grant Program (EECBG)
TANF Cluster	
93.558	Temporary Assistance for Needy Families (TANF)
93.714	ARRA — Emergency Contingency Fund for TANF State Program
93.659	Adoption Assistance and ARRA
93.778	Medical Assistance Program

(Continued)

**Hennepin County, Minnesota**

**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended December 31, 2010**

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4. Dollar threshold used to distinguish between Type A and Type B programs: \$3,000,000

5. Auditee qualified as a low-risk auditee under Section 530 of OMB Circular A-133?  Yes  No

II. FINDINGS RELATING TO THE FINANCIAL STATEMENT AUDIT AS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS

A. Internal Control

**Finding IC 10-1 — Inadequate Access and Change Management Controls Over the APEX Application**

**Condition**

Inadequate access controls at the privileged user level exist over the APEX architecture. In addition, adequate change management procedures were not in place throughout 2010. The existing change management controls were not operating effectively. Monitoring controls are not in place to detect inappropriate access or data manipulation, and not all APEX changes were properly approved.

**Cause**

The project management team is still in the process of documenting the system and ensuring controls are in place and functioning as designed.

**Effect**

Although compensating supervisory reviews of data output exist that mitigate the likelihood that a significant error would not be detected, inappropriate changes to data could occur and go undetected.

**Recommendation**

We recommend that password security be set at the APEX, Oracle, and LINUX levels and that access by high-risk network resources be periodically reviewed. We further recommend that management monitor and regularly review all system changes to ensure the change management process is functioning as designed.

B. Compliance Findings

None.

(Continued)

**Hennepin County, Minnesota**

**Schedule of Findings and Questioned Costs (Continued)  
Year Ended December 31, 2010**

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III. FINDINGS AND QUESTIONED COSTS RELATING TO FEDERAL AWARDS

A. Internal Control

**Finding IC 10-2 — Inadequate Controls Over Reporting, Cash Management and Earmarking Requirements**

**Program**

Department of Labor — CFDA No. 17.258, WIA Adult Program; CFDA No. 17.258, WIA Adult Program — ARRA; CFDA No. 17.259, WIA Youth Activities; CFDA No. 17.259, WIA Youth Activities — ARRA; CFDA No. 17.260, WIA Dislocated Workers; and CFDA No. 17.260, WIA Dislocated Workers — ARRA

**Criteria**

Circular A-133 §\_\_\_,300 (b) states that the auditee shall maintain internal control over federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its federal programs. This would include ensuring that reviews are performed prior to requesting reimbursement.

According to the master grant agreement with the State of Minnesota, the grantee agrees to provide progress reports including monthly financial status reports by the 20th of each month.

The 2010 Circular A-133 Compliance Supplement, Part 4, Department of Labor, for the WIA cluster of programs, states that 30 percent of the Youth Activity funds allocated to the local areas, except for local area expenditures for administration, must be used to provide services to out-of-school youth.

**Condition**

- The reporting package that includes the administrative expense calculation and monthly financial status report was not reviewed by proper supervisory personnel between May and September. This information is also used to complete the request for reimbursement and is submitted to the State, with no additional review or control over cash management. The State, as the recipient of these reports, identified that the signer was not appropriate and requested that an individual familiar with the program sign the reporting package.
- For the month of March, there was no evidence of review of the reporting package.
- Of 44 report submissions reviewed, 21 were submitted after the due date. Most were two to three business days late.
- The control to ensure the earmarking requirement was met did not occur timely. As a result, the expenditures for the earmark were reported incorrectly. Several months after the grant's year-end, the report has been corrected to comply with this requirement.

(Continued)

**Hennepin County, Minnesota**

**Schedule of Findings and Questioned Costs (Continued)  
Year Ended December 31, 2010**

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**Cause**

During the year, the administrator of the program transferred between departments within Hennepin County. Responsibilities for the program requirements were not clearly defined and/or assigned to individuals currently administering the program.

**Effect**

An inappropriate expenditure of federal awards or noncompliance with program requirements could result.

**Questioned Costs**

None.

**Recommendation**

We recommend the department currently administering the program develop clear lines of authority and responsibility as well as develop and implement appropriate controls to ensure compliance with requirements, including reporting, cash management and earmarking.

**Finding IC 10-3 — Inadequate Controls Over Eligibility Requirements**

**Program**

Department of Health and Human Services — CFDA No. 93.558, Temporary Assistance for Needy Families

**Criteria**

Circular A-133 §\_\_\_.300 (b) states that the auditee shall maintain internal control over federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its federal programs.

Specific criteria are established with respect to eligibility for assistance. During our testing, we noted noncompliance with the following requirements:

- Per 42 U.S.C. 608(a) 8, "A State to which a grant is made under section 603 of this title shall not use any part of the grant to provide cash assistance to an individual during the 10-year period that begins on the date the individual is convicted in Federal or State court of having made a fraudulent statement or representation with respect to the place of residence of the individual in order to receive assistance simultaneously from two or more States under programs that are funded under this subchapter, subchapter XIX of this chapter, or the Food Stamp Act of 1977 [7 U.S.C. 2011 et seq.], or benefits in two or more States under the supplemental security income program under subchapter XVI of this chapter."

(Continued)

## Hennepin County, Minnesota

### Schedule of Findings and Questioned Costs (Continued) Year Ended December 31, 2010

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- Per 42 U.S.C. 608(a)(3), "A State to which a grant is made under section 603 of this title shall require, as a condition of providing assistance to a family under the State program funded under this part, that a member of the family assign to the State any rights the family member may have (on behalf of the family member or of any other person for whom the family member has applied for or is receiving such assistance) to support from any other person."
- Per 8 U.S.C. 1611(a), "Notwithstanding any other provision of law and except as provided in subsection (b) of this section, an alien who is not a qualified alien (as defined in section 1641 of this title) is not eligible for any Federal public benefit (as defined in subsection (c) of this section)."
- Per Minnesota Statute 256J.12, "To be eligible for MFIP, an assistance unit must have established residency in this state which means the assistance unit is present in the state and intends to remain here. A person who lives in this state and who entered this state with a job commitment or to seek employment in this state, whether or not that person is currently employed, meets the criteria in this subdivision. An assistance unit is considered to have established residency in this state only when a child or caregiver has resided in this state for at least 30 consecutive days with the intention of making the person's home here and not for any temporary purpose."
- Per Minnesota Statute 256J.24, "The MFIP transitional standard is based on the number of persons in the assistance unit eligible for both food and cash assistance unless the restrictions in subdivision 6 on the birth of a child apply." Additionally, per Minnesota Statute 256J.35, "Except as provided in paragraphs (a) to (c), the amount of an assistance payment is equal to the difference between the MFIP standard of need or the Minnesota family wage level in section 256J.24 and countable income."

#### Condition

While periodic supervisory reviews are performed to provide reasonable assurance of compliance with grant requirements, not all documentation was received to support benefits granted and to ensure that rights were assigned whenever proper. Some specific instances noted in our sample of 60 cases tested are as follows:

- Program personnel were unable to locate the application for benefits for one applicant. Questions included in the application indicate compliance with the requirements of 42 U.S.C. 608(a).
- Eight cases had no documentation of whether or not there were rights to be assigned to the State/County as necessary for cases including child support obligations.
- Four individuals who were receiving benefits did not have a birth certificate copy on record to document their U.S. citizenship.
- Program personnel were unable to locate documentation for one applicant showing proof of residency in Minnesota in accordance with MN Statute 256J.12.
- Four cases did not have documentation available supporting the calculation of benefits as specified in Minnesota Statute 256J.24.

(Continued)

**Hennepin County, Minnesota**

**Schedule of Findings and Questioned Costs (Continued)  
Year Ended December 31, 2010**

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**Cause**

Program personnel entering case documentation did not ensure all required documents were obtained and/or retained.

**Effect**

Inappropriate benefits could be approved causing an inappropriate expenditure of federal awards.

**Questioned Costs**

Not applicable. The County administers the program, but benefits to participants in this program are paid by the State of Minnesota.

**Recommendation**

We recommend that the County implement additional review procedures to provide reasonable assurance that all necessary documentation to support an eligibility determination is obtained prior to an individual being approved for benefits. In addition, consideration should be given to providing additional training to program personnel.

**Finding IC 10-4 — Inadequate Controls Over Special Tests**

**Program**

Department of Health and Human Services — CFDA No. 93.558, Temporary Assistance for Needy Families

**Criteria**

Circular A-133 §\_\_\_.300 (b) states that the auditee shall maintain internal control over federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its federal programs.

Specific criteria are established with respect to eligibility for assistance. During our testing, we noted noncompliance with the following requirements:

- Per Minnesota Statute 256J.26, "For a second, third, fourth, fifth, or sixth occurrence of noncompliance by a participant in an assistance unit, the assistance unit's shelter costs shall be vendor paid up to the amount of the cash portion of the MFIP grant for which the assistance unit is eligible."
- Per Minnesota Statute 256J.57, "The county agency shall not impose the sanction under section 256J.46 if it determines that the participant has good cause for failing to comply with the requirements of sections 256J.515 to 256J.57."

(Continued)

## Hennepin County, Minnesota

### Schedule of Findings and Questioned Costs (Continued) Year Ended December 31, 2010

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- Per Minnesota Statute 256J.46, "For a seventh occurrence of noncompliance by a participant in an assistance unit, or when the participants in a two-parent assistance unit have a total of seven occurrences of noncompliance, the county agency shall close the MFIP assistance unit's financial assistance case, both the cash and food portions, and redetermine the family's continued eligibility for food support payments."
- Per Minnesota Statute 256j.46 section (c)(2), "The residual amount of the grant after vendor payment, if any, must be reduced by an amount equal to 30 percent of the MFIP standard of need for an assistance unit of the same size before the residual grant is paid to the assistance unit."

#### Condition

Of the 60 cases tested:

- Shelter costs were not paid via vendor pay, as required for sanctions two through six, for 10 cases. In addition, for cases with sanctions two through six, shelter payments are made directly to the vendor. In these cases, the benefits are being reduced by 30 percent prior to vendor payment. Because the statute directs that payments should be reduced by 30 percent after vendor payment, an underpayment of benefits to these individuals by the State occurred.
- We were unable to locate documentation that the Client Statement of Good Cause form (DHS-2338) was completed or sent prior to or at the time of sanction with respect to 18 cases tested. As a result, it is unknown if the applicant was given the opportunity to claim good cause for failure to comply as required.
- For one case, the sanction occurring in February 2010 was the seventh sanction. Because it was not properly identified as the seventh sanction and was treated as the sixth sanction, the case was not closed as it should have been.
- In one instance, County personnel incorrectly calculated the date of the first sanction, resulting in imposition of the sanction one month later than appropriate. In a separate instance, a sanction that was initiated in October 2009 and ongoing through February 2010 was unwarranted and should have been cured as of November 2009.

#### Cause

The state system, MAXIS, does not have the functionality to close cases or impose sanctions, calculate sanction dates, trigger automatic notices to clients, etc. As a result, due diligence is a manual process. While review controls are in place, they are not adequate to provide reasonable assurance that appropriate due diligence procedures are performed on each case.

#### Effect

Inappropriate sanctions or assistance payments could result.

(Continued)

**Hennepin County, Minnesota**

**Schedule of Findings and Questioned Costs (Continued)  
Year Ended December 31, 2010**

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**Questioned Costs**

Not applicable. The County administers the program, but benefits to participants in this program are paid by the State of Minnesota.

**Recommendation**

We recommend that the County review its procedures surrounding special tests for the TANF program to determine what changes or additional procedures need to be implemented in order to provide reasonable assurance of compliance in the future. We further suggest additional training of program personnel and that the level of supervisory reviews be increased.

**Finding IC 10-5 — Inadequate Controls Over Reporting Requirements**

**Program**

Department of Housing and Urban Development — CFDA No.14.257, Homelessness Prevention and Rapid Re-Housing Program (HPRP) — ARRA

**Criteria**

- OMB Circular A-133 §\_\_\_.300 (b) state the auditee shall maintain internal control over federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its federal programs.
- 24 CFR 85.42(b) Length of retention period. Except as otherwise provided, records must be retained for three years from the starting date specified in paragraph (c) of this section.

**Condition**

Four of the nine reports were subject to testing. During our testing we noted the following:

- No evidence of review was retained by program personnel for the reports.
- One report tested did not reconcile to supporting expenditures from the audited general ledger.
- One report tested was submitted with incorrect information. This was not detected or corrected by program personnel.

**Cause**

There were changes in personnel during the year as well as new reporting requirements for the grant. Responsibilities of reviewing reports and maintaining proper documentation were not defined.

(Continued)

**Hennepin County, Minnesota**

**Schedule of Findings and Questioned Costs (Continued)  
Year Ended December 31, 2010**

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**Effect**

Noncompliance with program requirements or questioned costs could result.

**Questioned Costs**

None.

**Recommendation**

We recommend that the Health Services/Public Health Department (HSPHD) put a review process in place over reporting and maintain the documentation of the reviews and supporting documents.

B. Compliance Findings

**Finding CF 10-1 — Noncompliance With Monitoring Subrecipients**

**Program**

Department of Health and Human Services — CFDA No. 93.558, Temporary Assistance for Needy Families (TANF) and CFDA 93.714, Emergency Contingency Fund for TANF State Program — ARRA

**Criteria**

Specific criteria are established with respect to subrecipient monitoring. Per 45 CFR 92.37 (b), grantees shall "Ensure that subgrantees are aware of requirements imposed upon them by Federal statutes and regulations."

**Condition**

TANF subrecipient agreements with one of two subrecipients tested did not include the CFDA number of the program as required. Therefore, the subrecipient may not have been aware of all of the requirements of the program.

**Cause**

HSPHD had implemented a subrecipient template in the fall of 2010. The template was implemented for all new or renewed subrecipient agreements. Since the subrecipient's agreement was not up for renewal and the contract language was an older contract, it did not get updated with the CFDA number. HSPHD has indicated they are in the process of making sure all contracts are in compliance.

**Effect**

Inappropriate monitoring of subrecipients could result in noncompliance by the subrecipient as well as the potential expenditure of unallowable costs.

(Continued)

**Hennepin County, Minnesota**

**Schedule of Findings and Questioned Costs (Continued)  
Year Ended December 31, 2010**

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**Questioned Costs**

None.

**Recommendation**

We recommend that HSPHD review all subrecipient agreements currently in effect and, where necessary, amend the contracts to include reference to the CFDA number and the applicable A-133 compliance requirements. The amendments should contain the subrecipient template that was implemented by HSPHD in the fall of 2010.

**Finding CF 10-2 — Noncompliance With Reporting, Cash Management and Earmarking Requirements**

See Finding IC 10-2.

**Finding CF 10-3 — Noncompliance With Eligibility Requirements**

See Finding IC 10-3.

**Finding CF 10-4 — Noncompliance With Special Tests**

See Finding IC 10-4.

**Finding CF 10-5 — Noncompliance With Reporting Requirements**

See Finding IC 10-5.

**Hennepin County, Minnesota**

**Auditee Corrective Action Plan (CAP)  
Year Ended December 31, 2010**

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**Finding IC 10-1 — Inadequate Access and Change Management Controls Over the APEX Application**

**Auditee Corrective Action Plan (CAP)**

Action Planned in Response to Finding:

The APEX change management process and documentation has significantly matured since the beginning of 2010 and will continue to improve as APEX works with Internal Audit to identify areas of deficiencies. As of January 20, 2011, the APEX change management administrator released a new migration template, which potentially can address issues identified with the move to production process once implemented and monitored.

Additional operational changes will be made to align monitoring, password management and ID management with the Hennepin County IT policies.

*Individual Responsible for Ensuring CAP:*

APEX Change Management Administrator

*Planned Completion Date for CAP:*

December 31, 2011

**Finding IC 10-2 — Inadequate Controls Over Reporting, Cash Management and Earmarking Requirements**

**Auditee Corrective Action Plan (CAP)**

Action Planned in Response to Finding:

In July 2010, when the WIA programs were transferred from HSPHD to Public Works (PW), these programs became subject to the Grant Management Policy already established in PW. This policy includes establishing roles and responsibilities at the onset of the grant.

Response to specific conditions:

- At the time of the transfer, the State Department of Employment and Economic Development (DEED) approved the Sr. Administrative Assistant as Hennepin County's authorized signer of the monthly Financial Status Reports (FSR). Subsequent review replaced the Sr. Administrative Assistant and established the Principal Accountant and the Sr. Administrative Manager as authorized signers.
- We do not believe additional cash management review is warranted. WIA grant revenue is received on a reimbursement basis. The source documentation (subrecipient expenditures) used to compile the monthly FSRs and the cash reimbursement request is the same.
- In Public Works, the Principal Accountant and his backup are both on site and available to review and approve FSRs in a timely manner. Since the WIA programs have been transferred to Public Works, there has been a monthly review of the reporting package and no late submissions.

(Continued)

**Hennepin County, Minnesota**

**Auditee Corrective Action Plan (CAP) (Continued)**  
**Year Ended December 31, 2010**

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- In the future, earmarking requirements will be clearly defined and understood by both program and accounting staff at the onset of the grant, to ensure the timeliness and accuracy of reporting. The Public Works Grant Management Policy will be updated to address this responsibility.

*Individual Responsible for Ensuring CAP:*

PW Mgmt Support Sr. Administrative Manager

*Planned Completion Date for CAP:*

January 31, 2011

**Finding IC 10-3 — Inadequate Controls Over Eligibility Requirements**

**Auditee Corrective Action Plan (CAP)**

Action Planned in Response to Finding:

- Human Service Representatives and Supervisors involved with processing the cases found in error will update cases, including requesting verification, closing the case or completing necessary referrals. The HSPHD Quality Improvement Team will send a communication to Human Service Representatives which will include information around the error made, policy requirements and procedures needed to correct the case. This information will also be updated in the operations manual.
- The HSPHD Quality Improvement Team will review cases upon completion of updates by Human Service Representatives to ensure the finding has been completely addressed.

*Individual Responsible for Ensuring CAP:*

HSPHD Quality Improvement Team Supervisor

*Planned Completion Date for CAP:*

March 31, 2011

(Continued)

**Hennepin County, Minnesota**

**Auditee Corrective Action Plan (CAP) (Continued)  
Year Ended December 31, 2010**

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**Finding IC 10-4 — Inadequate Controls Over Special Tests**

**Auditee Corrective Action Plan (CAP)**

Action Planned in Response to Finding:

Vendor payment of shelter costs as required by sanction policy and applying the 30 percent sanction after the vendor payment of shelter costs is completed. (10 cases)

- The Human Service Representatives and Supervisors involved with the 10 cases where shelter costs were not vendor paid and the individual was in a second through sixth sanction will take appropriate action on those cases. The Quality Improvement Team will send a Q-Tip (communication update) to all staff responsible for processing sanctions for MFIP and DWP informing them of the policy and procedures for this specific process. The Quality Improvement Team will schedule internal audit/case reviews on five to ten cases per team in the second through sixth sanction to ensure shelter costs were vendor paid and a 30 percent sanction was applied after the vendor when appropriate. The PISA (Program Integrity Service Audit) committee will schedule a targeted case audit on sanctions. PISA audits are completed by Human Service Supervisors on cases completed by their direct reports. Program Managers, Human Service Supervisors and the Quality Improvement Team will discuss Corrective Action Plans with staff at a team meeting.

Client Statement of Good Cause Form (DHS-2338) not given. (18 cases)

- The Human Service Representatives and Supervisors involved with processing the 18 cases will take appropriate action and follow up on individuals claiming good cause. Also, documentation within our MAXIS case notes has been updated to remind workers and to document that the individual was informed of their right to file good cause. In addition, the Quality Improvement Team will send out a Q-Tip to all staff responsible for processing cases involving child support referrals and the good cause choice. Program Managers, Human Service Supervisors and the Quality Improvement Team will discuss Corrective Action Plans with staff at a team meeting.

Seventh sanction not properly identified (one case) and incorrect calculation of the first sanction (one case).

- The Human Service Representatives and Supervisors involved in processing the two cases will take appropriate action and follow up on the first and seventh sanction that was not properly identified or was incorrectly calculated.

*Individual Responsible for Ensuring CAP:*

- Program Managers and HSPHD Quality Improvement Team Supervisor
- Program Managers and HSPHD Quality Improvement Team Supervisor
- Human Service Supervisors

*Planned Completion Date for CAP:*

- December 2011
- July 1, 2011
- March 31, 2011

(Continued)

**Hennepin County, Minnesota**

**Auditee Corrective Action Plan (CAP) (Continued)  
Year Ended December 31, 2010**

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**Finding IC 10-5 — Inadequate Controls Over Reporting Requirements**

**Auditee Corrective Action Plan (CAP)**

Action Planned in Response to Finding:

The subrecipient agreement identified with a missing CFDA number was corrected and the contract action fully executed. An internal review of HSPHD contracts was conducted to identify any remaining contracts with missing CFDA numbers and/or reference to applicable A-133 requirements. Any contracts identified as deficient will be corrected by use of the subrecipient template.

*Individual Responsible for Ensuring CAP:*

Professional Services Supervisor

*Planned Completion Date for CAP:*

May 1, 2011

**Finding CF 10-1 — Noncompliance With Monitoring Subrecipients**

**Auditee Corrective Action Plan (CAP)**

Action Planned in Response to Finding:

- Use a current supervisory review process of financial data that is a part of HUD reporting system before data entry to HUD online reports.
- After data is entered into HUD online reports, copies of those reports are to be sent to a Contract Management Supervisor via e-mail for a review to ensure that the reports are accurate and reconciled to supporting documentation.
- Contract Management Supervisor is to review reports and to send report back via e-mail with approval or change request to a Contract Manager.
- If changes are necessary, Contract Manager is to make corrections on online report and resubmit it via e-mail to Contract Manager Supervisor for review and approval.

*Individual Responsible for Ensuring CAP:*

Professional Services Supervisor

*Planned Completion Date for CAP:*

January 19, 2011

(Continued)

**Hennepin County, Minnesota**

**Auditee Corrective Action Plan (CAP) (Continued)  
Year Ended December 31, 2010**

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**Finding CF 10-2 — Noncompliance With Reporting, Cash Management and Earmarking Requirements**

**Auditee Corrective Action Plan (CAP)**

See Finding IC 10-2.

**Finding CF 10-3 — Noncompliance With Eligibility Requirements**

**Auditee Corrective Action Plan (CAP)**

See Finding IC 10-3.

**Finding CF 10-4 — Noncompliance With Special Tests**

**Auditee Corrective Action Plan (CAP)**

See Finding IC 10-4.

**Finding CF 10-5 — Noncompliance With Reporting Requirements**

**Auditee Corrective Action Plan (CAP)**

See Finding IC 10-5.

**Hennepin County, Minnesota**

**Summary Schedule of Prior Audit Findings  
Year Ended December 31, 2010**

Finding Number	Name of Program	Description of Condition	Status of Corrective Action
IC 09-1	Inadequate Access and Change Management Controls Over the APEX Application	Inadequate access controls at the privileged user level exist over the APEX application, as well as the server and database levels supporting the application. In addition, adequate change management procedures are not in place to detect inappropriate access or data manipulation, and testing/results of the conversion process were not documented completely.	See Finding IC 10-1.
IC 09-2	Inadequate Access Controls With Respect to the MEC2 System	The MEC2 state system for processing child care provider payments allows both the staff and supervisors to make edits to the rates paid to providers. For providers that appropriately bill at a rate below the state maximum, the rate could be adjusted upward to the maximum without any further review or approval.	Corrective action taken.
IC 09-3 & CF 09-3	Hennepin County Medical Center (HCMC) — Inadequate Controls Over Procurement Requirements	Purchasing policies for requests for proposal (RFPs) did not require solicitations to incorporate a clear and accurate description of the technical requirements for the material, product or service to be procured; did not identify all requirements that offerors must fulfill; and did not include other required factors to be used in evaluating bids or proposals.	Corrective action taken.
IC 09-4	Hennepin County Medical Center (HCMC) — Inadequate Controls Over Expenditure Requirements	One of the grants included both state and federal funding. Although included in one grant, not all of the costs were allowable under the federal portion of the grant. Personnel responsible for administering the grant were unaware of the specific allowable cost requirements of the federal program.	Corrective action taken.
IC 09-5	Hennepin County Medical Center (HCMC) — Inadequate Controls Over Cash Draws	Cash draw requests are reviewed prior to the submission of the draw; however, no approval or review is done after the draw to ensure it was completed properly. In addition, no reconciliation of amounts received to amounts requested is performed.	Corrective action taken.

(Continued)

Hennepin County, Minnesota

Summary Schedule of Prior Audit Findings (Continued)  
Year Ended December 31, 2010

IC 09-6	Hennepin County Medical Center (HCMC) — Inadequate Controls to Monitor Subrecipients	As required in subrecipient monitoring, HCMC is to ensure required audits are performed and also to review these reports to address any findings as necessary. HCMC requested A-133 audit reports from subrecipients during 2009; however, there was no control in place to provide reasonable assurance all audit reports were received in a timely manner.	Correction action taken.
IC 09-7 & CF 09-7	Inadequate Controls Over Eligibility	While periodic supervisory reviews are performed to provide reasonable assurance of compliance with grant requirements, not all documentation was received to support benefits granted and to ensure that rights were assigned whenever proper.	See Finding IC 10-3 and CF 10-3.
IC 09-8 & CF 09-8	Inadequate Controls Over Special Tests	<p>Of the 40 cases tested:</p> <ul style="list-style-type: none"> <li>• Shelter costs were not paid via vendor pay, as required for sanctions two through six, for 13 cases. Because payments were reduced by 30 percent before rather than after vendor payment, an underpayment of benefits to these individuals by the State occurred.</li> <li>• We were unable to locate documentation that the Client Statement of Good Cause form (DHS-2338) was completed or sent prior to or at the time of sanction with respect to 12 cases tested. As a result, it is unknown if the applicant was given the opportunity to claim good cause for failure to comply as required.</li> <li>• For one case, the sanction occurring in November 2009 was the seventh sanction. Because it was not properly identified as the seventh sanction and was treated as the sixth sanction, the case was not closed as it should have been.</li> </ul>	See Finding IC 10-4 and CF 10-4

(Continued)

Hennepin County, Minnesota

Summary Schedule of Prior Audit Findings (Continued)  
Year Ended December 31, 2010

IC 09-8 & CF 09-8	Inadequate Controls Over Special Tests (Continued)	<ul style="list-style-type: none"> <li>In one instance, County personnel incorrectly calculated the date of the first sanction, resulting in imposition of the sanction one month later than appropriate.</li> </ul>	
CF 09-1	Hennepin County Medical Center (HCMC) — Noncompliance With Equipment Requirements	HCMC maintained records for equipment it currently held but did not properly document the transfer of federal assets as required.	Corrective action taken.
CF 09-2	Noncompliance With Program Requirements	<p>During our testing, we noted the following:</p> <ul style="list-style-type: none"> <li>24 of 90 child support cases tested were not opened within 20 calendar days.</li> <li>For one out of 30 responding child support cases tested, the case was not processed and/or additional information was not requested within 75 calendar days.</li> <li>For one out of 60 child support cases tested, enforcement action for child support delinquent payments was not taken by the County within the required time frame.</li> </ul>	Corrective action taken.
CF 09-4	Noncompliance With Monitoring Subrecipients	<p>During our testing, we noted the following:</p> <ul style="list-style-type: none"> <li>The Child Care program did not issue a management determination within the proper time frame of six months for the subrecipient tested.</li> <li>The WIA program did not issue a management determination within the proper time frame of six months for three of five subrecipients tested.</li> <li>TANF program agreements with subrecipients did not include the CFDA number of the program as required. Therefore, subrecipients may not have been aware of all of the requirements of the program.</li> </ul>	<ul style="list-style-type: none"> <li>Corrective action taken.</li> <li>Corrective action taken.</li> <li>See Finding CF 10-1.</li> </ul>

(Continued)

Hennepin County, Minnesota

Summary Schedule of Prior Audit Findings (Continued)  
Year Ended December 31, 2010

CF 09-5	Noncompliance With Procurement Requirements	The grant agreement required the County to report in all bid solicitations the percentage of federal funds being used to purchase the project. While the Invitation to Bid indicated that some or all of the contract would be funded with federal funds for one of the items purchased, a percentage was not included in the Invitation to Bid. The contract executed with the selected vendor, however, did indicate the percentage to be paid with federal funds.	Corrective action taken.
CF 09-6	Noncompliance With Terms of Grant Award	<p>Specifically, we noted the following:</p> <ul style="list-style-type: none"> <li>• The health care center's hours changed during 2009; however, the change in hours was not made by the governing board as required, and the governing board was not made aware of the change until after the hours were changed.</li> <li>• The health care center has not updated its rates since 2003.</li> </ul>	Corrective action taken.
CF 09-9	Hennepin County Medical Center (HCMC) — Noncompliance With Reporting Requirements	Although HCMC was able to provide support for all reimbursements received, HCMC does not currently require that a reconciliation of reimbursement request reports to the general ledger be prepared at the time of the reimbursement request. In addition, we noted the report submission to document the grant-specific requirement that behavioral health comprise 5 percent to 15 percent of the total budget as required was not retained. In the original budget submitted, behavioral health line items were less than the required 5 percent. HCMC indicated that they had submitted a corrected report; however, a copy of this report was not available, and we were unable to determine if, in the resubmitted report, behavioral health was between 5 percent and 15 percent of the total budget as required.	Corrective action taken.