

## **Disclaimer**

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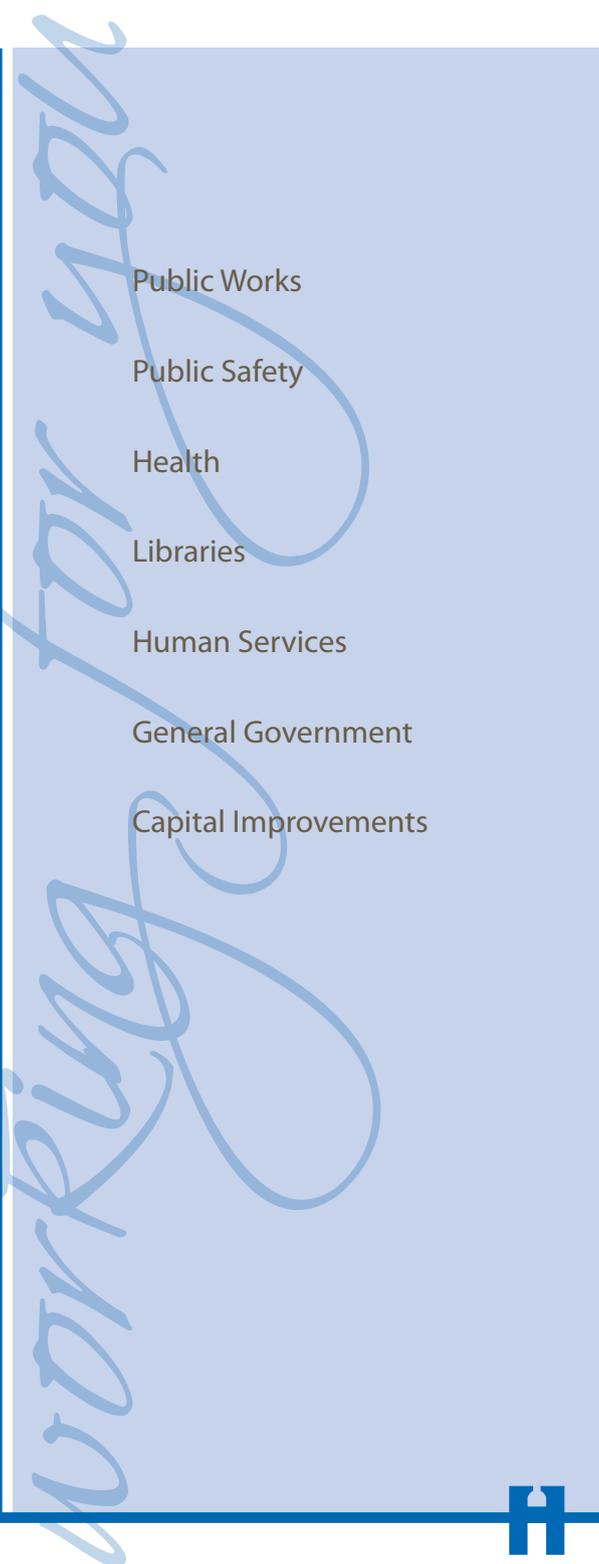
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# 2012 Comprehensive Annual Financial Report

Year Ended December 31, 2012



- Public Works
- Public Safety
- Health
- Libraries
- Human Services
- General Government
- Capital Improvements



**Hennepin County**  
Minnesota



**Hennepin County, Minnesota  
Financial Highlights**

	<b>2012</b>	<b>2011</b>	<b>Percent Change</b>
Government-wide: Assets	\$ 3,159,166,396	\$ 3,118,058,088	1.3%
Liabilities	\$ 1,492,552,813	\$ 1,563,260,122	-4.5%
Net Position	\$ 1,666,613,583	\$ 1,554,797,966	7.2%
Government-wide: Program Expenses	\$ 1,334,456,961	\$ 1,380,873,226	-3.4%
Program Revenues	687,728,298	732,379,820	-6.1%
Net Program Expense	(646,728,663)	(648,493,406)	
General Revenues	758,544,280	771,338,669	-1.7%
Change in Net Position	<u>\$ 111,815,617</u>	<u>\$ 122,845,263</u>	
Expense Per Capita	\$ 1,126.53	\$ 1,181.82	-4.7%
Funds Available for Investment at December 31:			
General Investible Funds	\$ 919,234,679	\$ 886,753,531	3.7%
Bond Proceeds/Non-General Investible Funds	44,081,134	91,620,182	-51.9%
Total Investible Funds	<u>\$ 963,315,813</u>	<u>\$ 978,373,713</u>	-1.5%
Annual Daily Average of General Investible Funds	\$ 1,060,986,341	\$ 1,021,331,722	3.9%
Average Investment Return for All Funds *	1.53%	1.89%	-19.0%
Average Investment Yield for All Funds	1.10%	1.43%	-22.6%

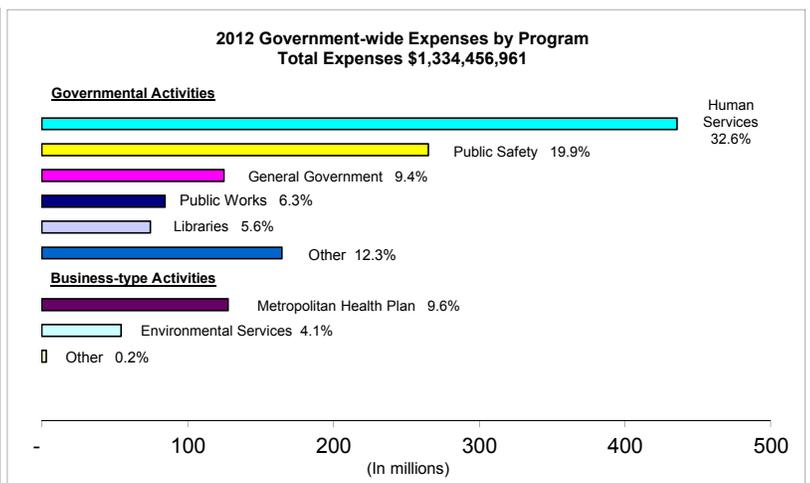
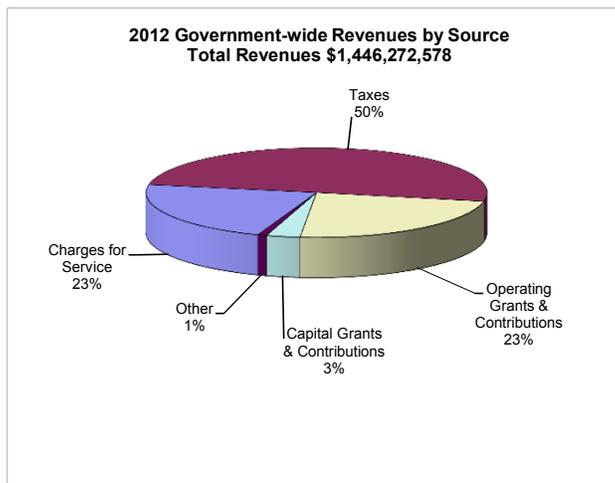
\* Includes unrealized gain and loss on investments. In accordance with the GASB 31, the County has recorded investments at fair value. Investment income for 2012 before recording the net change in fair value of investments was \$7,880,330 as compared to \$11,741,876 in 2011.

Total County Issued Bonds and Notes*	\$ 816,270,000	\$ 877,995,000	-7.0%
Average Interest Rate on General Obligation Debt	4.14%	4.25%	-2.7%
Net General Obligation Debt Per Capita	\$ 599.52	\$ 653.28	-8.2%
Ratio of Net General Obligation Debt to Property Market Value	0.575%	0.596%	-3.6%
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*	\$ 1,397,609,366	\$ 1,476,968,856	-5.4%
Tax Capacity Rates:			
City of Minneapolis	47.684%	45.286%	5.3%
Suburban	48.244%	45.941%	5.0%
Taxable Market Value*	\$ 128,108,465,000	\$ 132,425,360,000	-3.3%

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



# Hennepin County, Minnesota

## Comprehensive Annual Financial Report Year Ended December 31, 2012

### Hennepin County Board of Commissioners

Mike Opat, Chair, 1st District  
Linda Higgins, 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

David J. Hough



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

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

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**STATISTICAL SECTION**

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# **Introductory Section**





## Hennepin County County Administration

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May 31, 2013

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 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 (the County) for the fiscal year ended December 31, 2012.

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 LLP, Certified Public Accountants, has issued an unqualified ("clean") opinion on the County's financial statements for the year ended December 31, 2012. 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 the 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



The 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. The 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

## Profile of the Government - continued

the northeastern boundary of the County. Minneapolis, the most populous city in Minnesota, is one of 45 municipalities within the County. 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.

2012 Hennepin County Facts	
<b>Population</b>	<b>1,184,576</b>
<b>Estimated Per Capita Income (2011)</b>	<b>\$57,476</b>
<b>Number of Cities</b>	<b>45</b>
<b>2012 Approved Budget</b>	<b>\$1.6 billion</b>
<b>Assessed Valuation</b>	<b>\$123.6 billion</b>

## County Services

At the end of 2012, the County had 7,672 employees providing a full range of services. The following is a brief summary of the services each department provides, including 2012 department operating indicators.

### Libraries

*Number of Employees – 727*

- Circulation – 16,600,000 items (books, CDs and DVDs)
- Annual visits to library locations – 5,400,000
- Annual visits to library website – 21,100,000
- Downloaded books, movies and music – 750,000



Hennepin County Library provides responsive and innovative library services to its patrons. Services are provided in 41 library buildings, online and in the community. Hennepin County Library facilities are open for business nearly 1,900 hours each week and the website ([www.hclib.org](http://www.hclib.org)) is available to patrons 24/7. The Library's collection includes over five million items in more than 40 languages, including print and downloadable books, movies and music, digital resources and other materials.

Patrons continue to use Hennepin County Library services at significantly higher rates as compared to peer libraries that serve populations over one million in the United States. Seven out of ten Hennepin County residents are active library card holders. Hennepin County Library was the fifth most-searched library in the United States in 2012, according to Google's annual Zeitgeist report. In 2012, over 210,000 adults, teens and children attended events and classes at libraries, over 21.1 million visits were made to the Library's website and an estimated 750,000 books, music and movies were downloaded — a 67 percent increase over the previous year. The Library broke its previous record for single-day eBook lending in December 2012 with 3,488 downloads in one day.

The Library has a key role in achieving the County's overarching goal of lifelong learning. A wide range of free programming is offered through the library to meet the interests of children and adults. Programs are presented in collaboration with an array of public and private partners. There are 1,910 computers 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.



### Health

*Number of Employees – 320*

- NorthPoint Health and Wellness Center patient visits – 84,412
- Metropolitan Health Plan (MHP) members at December 31 – 10,106
- Medical Examiner's reported cases – 4,200

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, MHP, the office of the Medical Examiner, and supports provided to Hennepin County Medical Center, a discretely presented component unit of the County.

## County Services - continued

### Human Services and Public Health

*Number of Employees - 2,896*

- 115,510 average monthly active cases of cash assistance, food stamps, or healthcare
- 58.7% of the County's 17,004 children (24-35 month olds) had up-to-date Immunizations by 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, Eligibility and Child Support, Public Health and Case Management, Workforce Resources and Regional Development, Internal Supports and Veterans' Services.



### Public Works

*Number of Employees - 427*

- Lane miles of road maintained - 2,182

Public Works provides maintenance and construction of County roads and bridges, management of the County's solid waste system; housing, transit and workforce development, and emergency preparedness.



In 2012, these services were provided through five departments: Administration; Environmental Services; Housing, Community Works and Transit; Management Support; and Transportation. Public Works also manages two County internal service funds; the Central Mobile Equipment Division and the Energy Center. In addition, Public Works provides staff support to the Hennepin County Housing and Redevelopment Authority and the Hennepin County Regional Railroad Authority.

### Public Safety

*Number of Employees - 2,224*

- County Attorney - Reviewed approximately 15,150 adult and juvenile criminal cases
- Public Defender - Opened 51,629 juveniles and adults cases
- Sheriff's Office - Supervised a daily average of 714 inmates at the County Jail
- Community Corrections and Rehabilitation - At year-end, had jurisdiction over 27,280 adult and 1,472 juveniles in the community. There were 393 adults under the control of Adult Corrections Facility, 48 juveniles in the County Home School, and 34 in the Juvenile Detention Center.

The Public Safety program includes the County's activities in law enforcement, criminal prosecution, legal counsel for the indigent, correctional programs, and provides legal reference information to attorneys and citizens of the County. Other service areas under Public Safety include: County Court Functions, which provides administrative services for certain District Court functions; and the 800 MHz Radio Program which purchases and maintains the radio equipment that is used by the Minnesota Regional Public Service Communication System.



## County Services - continued

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### General Government

*Number of Employees – 1,078*

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:

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<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 enterprise resource planning 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 County residents.
<b>Property Services</b>	Operates and manages 5.5 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 County departments and lines of business, building a technical infrastructure that supports the delivery of services to community partners and the citizens of the 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 the 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 defined during the budget year.
<b>Intergovernmental Relations</b>	Coordinates the County's legislative activities with Federal, State, and local governments.

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# 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.

## 2012 Budget Focus

The 2012 budget was developed during a time of uncertainty about state funding for local government. Continuing the practice of recent years, the Board and senior staff conducted a series of retreat discussions concerning the level of County services and the resources to meet the needs of citizens. The approved 2012 budget of \$1.65 billion was an overall budget increase of \$40 million or 2.5% over the \$1.61 billion adjusted 2011 budget. The operating portion of the 2012 budget was up approximately \$101.4 million compared to 2011, while the capital portion of the budget was reduced by \$61.4 million or 34% from the adjusted 2011 level. The \$118.8 million capital budget included \$16.2 million less in bonding than 2011. With respect to operations, 2012 budgets for most business lines were reduced, ranging from a 6.7% reduction for Public Works departments to the smallest reduction of 0.6% in Public Safety. The Health business line had a net increase of \$98.1 million due to the establishment of the new Hennepin Health Program of \$120.5 million coupled with reductions in the Metropolitan Health Plan and Uncompensated Care to Hennepin Healthcare System, Inc. Libraries showed an increase of 1% and General Government, including the debt service increases of 12.8%, budgeted a net increase of \$18.1 million or 6.1%. The property tax level for 2012 was reduced to \$668.4 million which was approximately \$1 million below 2011. The 2012 budget continued the redesign of the delivery of human services, 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 2012 budget included funding for a number of new Human Services offices to carry County service delivery to the various areas and neighborhoods in the County. It is anticipated that the regionalization effort will allow for the County to vacate the downtown Minneapolis Century Plaza building in 2014.

## 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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911 Emergency Communications Building – During 2012, the schematic design for the new 911 Emergency Communications Facility was approved and the construction contract was awarded. The new 59,000 square foot facility will be located in Plymouth next to the Adult Correctional Facility and will cost approximately \$33.7 million. The existing 911 Emergency Communications center is located in Golden Valley and was built in 1948. In order to meet the growing demands of the community and ever changing



world of technology, the new facility will consolidate the location of 911 and radio dispatch services; house the State's emergency radio network known as the Allied Radio Matrix Emergency Response; and accommodate the necessary space and resources to support 20 fire departments and 24 police agencies in 37 communities.

## Major Initiatives and Achievements - continued

Northwest Regional Family Services Center – The Human Services and Public Health Department opened its first regional hub at the Northwest Family Service Center in Brooklyn Center in October 2012. The facility received more than 420 clients on its first day of operations. During 2012, work continued on the remaining five hubs, with the South Suburban Hub lease receiving approval in 2012 and the other locations programmed for completion by 2014.



Construction of the Interchange Project in downtown Minneapolis is underway. The improved site will provide connections to the regional rail network, buses, and bike trails. Adjacent to Target Field, the Interchange is near the Warehouse District, Nicollet Mall, and the County's Minneapolis Central Library. The Minneapolis Farmers Market and the Mississippi River are also close by. The Interchange site will have a parking ramp, an elevated pedestrian plaza, a new light rail platform, public space, and better neighborhood accessibility. It is projected that the project will be completed in 2014.



Hennepin Health – Under a contract with the Minnesota Department of Human Services, in January 2012, several County departments began offering services as part of a new integrated health delivery network demonstration project, with a goal of improving health outcomes and lowering the total cost of providing care and services by integrating medical, behavioral health, and human services in a patient-centered model of care. The program, named Hennepin Health, provides services to enrolled County residents who are eligible for medical assistance. The services are provided by NorthPoint Health and Wellness Center, Metropolitan Health Plan, Hennepin County Medical Center, the County Human Services and Public Health Department, and other local healthcare providers.



Electronic Bidding – Hennepin County is the first county in the state to accept electronic bids for County projects. In 2012, ten transportation projects were bid out using the new process.

Medical Examiner – During 2012, the County took the lead in a merger of local medical examiner offices. The Hennepin County Medical Examiner's Office began providing forensic services to Dakota and Scott counties in January 2013. The merger enables the counties to share staff, equipment, and overhead. The consolidation will address an even more critical issue – a national shortage of forensic pathologists. The partnership is expected to sustain a model of service long into the future that can attract, train, and retain the best doctors and death investigators in the field.

Lowry Avenue Bridge – In October 2012, the opening of the new Lowry Avenue Bridge took place. The new structure restores the vital connection between north and northeast Minneapolis, a connection across the Mississippi River that dates back to 1905. Although budgeted at \$104.2 million, the total cost of the bridge is expected to be \$8 million less due to favorable bids and construction conditions.



Library Buildings – Construction began for the new Walker Library and for the renovation of the Roosevelt Library. Penn Lake Library received modifications and updates to refresh the building and allow better service to patrons. Planning for the new Excelsior and Brooklyn Park libraries also continues. Hennepin County Library began a radio frequency identification device tagging project, which will ultimately allow patrons to access Library materials more quickly.

## 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 the County operates.

### Local Economy

The economy of the 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 2012, the County unemployment rate of 5.3% was lower than the previous year's rate of 6.1%. Again, the County unemployment rate remained lower than the State rate of 5.7% and the national rate of 8.0%.

### Long-term Financial Planning

The overall environment relating to the 2013 budget was somewhat improved compared to recent years. Although it is anticipated that economic pressures nationally and locally will continue, the State of Minnesota budget is in better shape than in the recent past. Nevertheless, the State has a \$1.1 billion forecasted shortfall and the federal government is dealing with the effects of federal budget sequestration (implemented in 2013 as a result of the automatic procedures to restrain discretionary and mandatory spending) and threats of a "fiscal cliff" (fiscal tightening that was scheduled to occur at the end of 2012, which resulted in significant budget legislation). The net result is uncertainty for state and local governments which will feel the impact of spending reductions that are implemented. For 2013, the County budgeted sufficient funds to provide essential services, but resource limitations have reduced the flexibility to do so. Continuing the practice of recent years, the Board and senior staff conducted a series of retreat discussions concerning the level of County services and the resources to meet the needs of citizens. The resulting 2013 budget:

- Is \$30.1 million or 1.7% higher than the 2012 final budget. This includes a \$6.2 million property tax levy increase from the 2012 level.
- Includes a general salary adjustment for County employees for the first time since 2009.
- Continues redesign of the delivery of human services, including a new broad-spectrum intake process to better identify needs and result in more appropriate interventions for clients.
- Reduces the budgets for many departments, when compared to 2012, while addressing dwindling resources in other areas, such as uncompensated care. The cost of uncompensated care at Hennepin County Medical Center and its clinics is an ongoing challenge and the County share of the cost is increasing due to changes in State legislation.
- Increased the capital budget by \$34.9 million from the 2012 final budget level. The \$182.9 million capital budget includes \$45 million for various transportation projects, as well as amounts relating to library renovations and new construction, such as \$5.3 million for the new Walker Library in Minneapolis. Over \$13 million was budgeted for the construction of the new 911 Emergency Communications Facility in Plymouth. The County also continues to fund projects at the Medical Center and the 2013 budget includes \$31 million for new outpatient clinic buildings.
- Reduces the budget for debt service to \$149.7 million, a 20.1% decrease from the final 2012 budget. The 2012 budget included budget for optional payments of \$21.4 million for early redemption on two outstanding bond issues. The property tax required for debt is up \$2.5 million from 2012, to cover increased principal and interest payments, along with additional debt to be issued in 2013.

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 40 counties, of about 3,100 nationwide, received the highest ratings from all three credit rating agencies.

## Award and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County for each of the County's comprehensive annual financial reports for the years 1974 through 2011. In order to be awarded this notable Certificate of Achievement, a governmental unit must go beyond the minimum requirements of satisfying generally accepted accounting principles and applicable legal requirements to prepare a comprehensive annual financial report that reflects the spirit of transparency and full disclosure.

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.

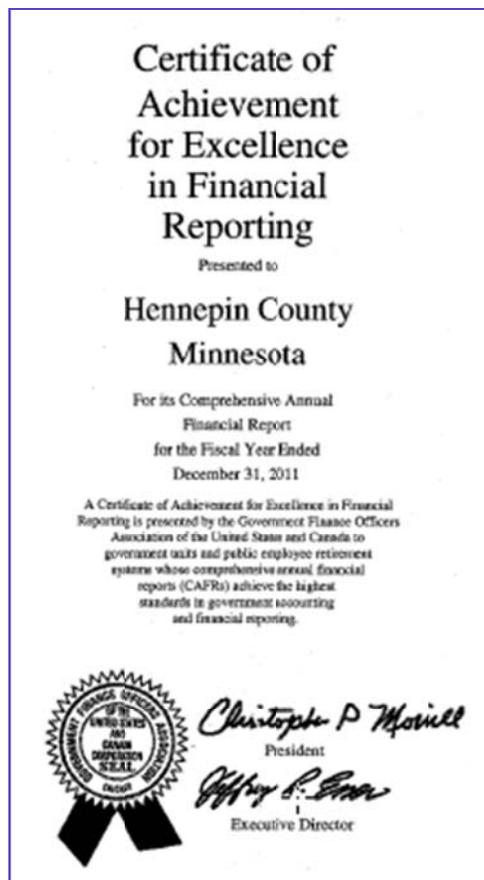
The preparation of this report could not have been accomplished without the dedicated services of the entire financial staff of the County. We would like to express appreciation to all members of the departments who assisted and contributed to the preparation of this report. Credit also must be given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



David J. Hough  
County Administrator

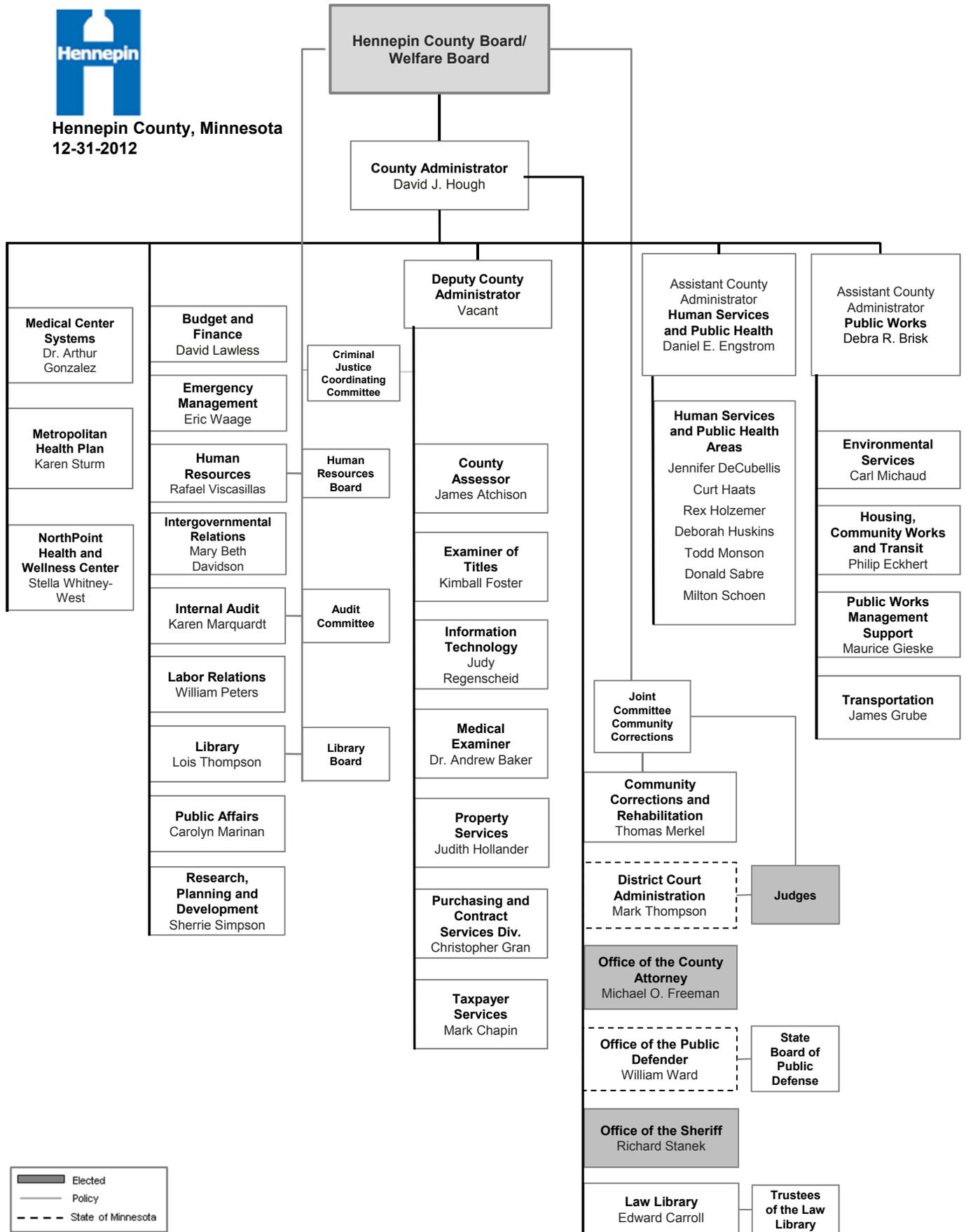


David R. Lawless  
Director of Budget and Finance





**Hennepin County, Minnesota**  
12-31-2012



■ Elected  
 — Policy  
 - - - State of Minnesota

Hennepin County, Minnesota  
**Principal Officials**  
December 31, 2012



**Commissioners:**

District 1	Mike Opat, Chair
District 2	Linda Higgins
District 3	Gail Dorfman
District 4	Peter McLaughlin
District 5	Randy Johnson
District 6	Jan Callison, Vice Chair
District 7	Jeff Johnson

**County Administrator**

David J. Hough

**Deputy County Administrator**

Vacant

**Assistant County Administrator – Human Services**

Daniel E. Engstrom

**Assistant County Administrator – Public Works**

Debra R. Brisk

**Governmental Activities**

Public Works

Housing, Community Works and Transit  
Public Works Management Support  
Transportation

Philip Eckhert  
Maurice Gieske  
James Grube

Public Safety and Judiciary

County Attorney  
Sheriff  
Community Corrections and Rehabilitation  
Law Library  
Public Defender

Michael O. Freeman  
Richard W. Stanek  
Thomas Merkel  
Edward Carroll  
William Ward

Health

Medical Examiner  
NorthPoint Health and Wellness Center

Andrew M. Baker, M.D.  
Stella Whitney-West

Libraries

Lois Thompson

Human Services

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

Curt Haats  
Rex Holzemer  
Deborah Huskins  
Donald Sabre  
Todd Monson  
Jennifer DeCubellis  
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  
Research, Planning and Development  
Taxpayer Services

James Atchison  
David Lawless  
Kimball Foster  
Rafael Viscasillas  
Judy K. Regenscheid  
Mary Beth Davidson  
Karen Marquardt  
William Peters  
Judith Hollander  
Carolyn Marinan  
Sherrie Simpson  
Mark V. Chapin

**Business-type Activities**

Metropolitan Health Plan  
Solid Waste - Environmental Services

Karen Sturm  
Carl Michaud

# **Financial Section**





## Independent Auditor's Report

To the Board of County Commissioners  
Hennepin County, Minnesota

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the 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, 2012, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Hennepin County, Minnesota, as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As explained in Note 19 to the financial statements, the County adopted GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, which resulted in the County's reporting its equity interest in this discretely presented component unit as an asset in the government-wide, governmental activities Statement of Net Position.

**Other Matters****Required Supplementary Information**

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

**Other Information**

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

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2012 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements for the year ended December 31, 2012, 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, 2011, which are not presented in the accompanying financial statements. In our report dated June 25, 2012, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information. In our opinion, the 2011 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements for the year ended December 31, 2011, taken as a whole.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2013, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

*McGladrey LLP*

Minneapolis, Minnesota  
May 31, 2013



# 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, 2012. 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 80.

## FINANCIAL HIGHLIGHTS

### Government-Wide

At December 31, 2012, the assets of the County exceeded its liabilities by \$1.67 billion. Of this amount, \$114.5 million is restricted by specific statutory requirements or external commitments. The County's net investment in capital assets is \$1.07 billion. The unrestricted amount of net position available is \$486.1 million at the end of 2012 of which \$354.7 million relates to the County's investment in component unit.

### Fund Level

As reported in the governmental fund balance sheets on pages 34 and 35, at the end of 2012 the County's governmental funds reported total ending fund balances of \$450.3 million, which is a decrease of \$23.7 million during 2012.

Unassigned fund balance for the General Fund was \$121.5 million, or approximately 22.8% of total General Fund expenditures for the year ended December 31, 2012, compared to \$107 million and 20.3% for 2011.

### Long-term Obligations

The County's total long-term obligations decreased \$74.1 million during 2012. During the year, the County made optional payments of \$21.4 million for early redemption on two outstanding bond issues (\$10 million for levy supported bonds and \$11.4 million for sales tax revenue bonds). The remaining factor of the change in debt is due to 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 Position* presents information on all of the County's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes 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, Hennepin Healthcare System, Inc. d.b.a. Hennepin County Medical Center (the 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 51 to 55 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 capital projects funds. The County has five special revenue funds: Human Services Fund, Library Fund, the Ballpark Sales Tax Fund, and the 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 Metropolitan Health Plan (MHP), 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, Employee Health Plan Self Insurance 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 Basic Financial Statements

The Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The Notes can be found on pages 49 to 80 of this report.

### Required and Supplementary Information

Supplementary information beginning on page 81 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. The Notes to Required Supplementary Information are shown on page 91.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position serves as an indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$1.67 billion at December 31, 2012. The largest portion of the County's net position, \$1.07 billion, reflects the net investment in capital assets (e.g., land, buildings, equipment, roads, and bridges net of 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.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS – CONTINUED

### Net Position

The Summary of Net Position table shown below reflects a 2011 restatement due to the implementation of Governmental Accounting Standards Board Statement No. 61, The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34. This resulted in the addition of a \$352.4 million noncurrent asset for the County's equity interest in its discretely presented component unit, which was comparable to the \$354.7 million equity interest, reported at the end of 2012. The related net position is reported as unrestricted.

#### Summary of Net Position

(in millions)

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current assets	\$774.0	\$753.3	\$118.0	\$115.7	\$892.0	\$869.0
Noncurrent Assets:						
Capital assets	1,609.5	1,574.0	102.7	101.6	1,712.2	1,675.6
Other Assets	554.9	573.4	-	-	554.9	573.4
Total assets	<u>2,938.4</u>	<u>2,900.7</u>	<u>220.7</u>	<u>217.3</u>	<u>3,159.1</u>	<u>3,118.0</u>
Current liabilities	235.8	219.3	34.5	40.6	270.3	259.9
Long-term liabilities	1,218.0	1,298.8	4.2	4.6	1,222.2	1,303.4
Total liabilities	<u>1,453.8</u>	<u>1,518.1</u>	<u>38.7</u>	<u>45.2</u>	<u>1,492.5</u>	<u>1,563.3</u>
Net Position:						
Net Investment in capital assets	964.5	916.3	101.5	96.1	1,066.0	1,012.4
Restricted	39.6	39.7	74.9	69.5	114.5	109.2
Unrestricted	480.5	426.6	5.6	6.6	486.1	433.2
Total Net Position	<u>\$1,484.6</u>	<u>\$1,382.6</u>	<u>\$182.0</u>	<u>\$172.2</u>	<u>\$1,666.6</u>	<u>\$1,554.8</u>

In 2012, the most significant changes in the net position of **governmental activities** in comparison to 2011 included the following:

- The **net investment in capital assets** increased \$48.2 million, primarily due to the \$35.5 million net increase in capital assets. More than half of the capital asset increase related to a \$19.7 million increase for the completion of the five year Lowry Avenue Bridge reconstruction project. Debt related to capital assets also declined in 2012 due to the County's optional payment of \$10 million for the early redemption of levy supported bonds, together with regularly scheduled debt payments.
- **Unrestricted net position** increased \$53.9 million. This was due to factors such as a \$13 million increase in internal service funds current assets, where the primary cash increase related to lower than expected member utilization of employee health insurance, for which the County is self-insured. The \$20.7 million increase in current assets was also caused by other factors, including the collection of more property tax than originally anticipated (both current and delinquent).

The most significant changes related to **business-type activities** during 2012 included:

- The **net investment in capital assets** increased \$5.4 million, primarily because Environmental Services completed payment on the series 2003A bonds in 2012, reducing the debt related to capital assets by \$4.1 million.
- **Restricted net position** also increased \$5.4 million due to a significant reduction in the MHP liability for premium deficiency reserves due to the changing nature of that business line.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS – CONTINUED**

**Changes in Net Position**

As shown in the table below, the County's net position increased in the current year by \$111.8 million, a change from 2011 of 7.2%.

	<b>Changes in Net Position</b>					
	(in millions)					
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$136.7	\$135.7	\$185.4	\$216.2	\$322.1	\$351.9
Operating grants and Contributions	312.8	322.8	6.5	5.7	319.3	328.5
Capital grants and Contributions	46.2	51.9	-	-	46.2	51.9
General revenues:						
Property taxes	690.4	670.7	-	-	690.4	670.7
Sales Tax	31.6	30.1	-	-	31.6	30.1
Other Taxes	2.9	2.0	3.0	2.1	5.9	4.1
Grants and contributions	18.9	22.5	-	-	18.9	22.5
Investment earnings	9.5	13.8	-	-	9.5	13.8
Gain in Investment in Component Unit	2.3	30.2	-	-	2.3	30.2
<b>Total revenues</b>	<b>1,251.3</b>	<b>1,279.7</b>	<b>194.9</b>	<b>224.0</b>	<b>1,446.2</b>	<b>1,503.7</b>
Expenses:						
General Government	125.0	120.8	-	-	125.0	120.8
Human Services	435.7	437.2	-	-	435.7	437.2
Health	95.5	102.7	-	-	95.5	102.7
Public Safety	265.1	264.6	-	-	265.1	264.6
Public Works	84.4	104.1	-	-	84.4	104.1
Libraries	74.4	73.2	-	-	74.4	73.2
Housing and Redevelopment Authority	9.6	7.6	-	-	9.6	7.6
Regional Railroad Authority	16.5	12.3	-	-	16.5	12.3
Interest on long-term debt	43.1	46.8	-	-	43.1	46.8
Metropolitan Health Plan	-	-	127.7	155.8	127.7	155.8
Solid Waste Management	-	-	54.4	52.0	54.4	52.0
Glen Lake Golf Course	-	-	0.8	0.9	0.8	0.9
Radio Communications	-	-	2.2	2.9	2.2	2.9
<b>Total expenses</b>	<b>1,149.3</b>	<b>1,169.3</b>	<b>185.1</b>	<b>211.6</b>	<b>1,334.4</b>	<b>1,380.9</b>
Increase (decrease) in net position before transfers	102.0	110.4	9.8	12.4	111.8	122.8
Transfers	-	1.6	-	(1.6)	-	-
Increase (decrease) in net position	102.0	112.0	9.8	10.8	111.8	122.8
Net position – beginning	1,382.6	1,270.6	172.2	161.4	1,554.8	1,432.0
Net position – ending	<u>\$1,484.6</u>	<u>\$1,382.6</u>	<u>\$182.0</u>	<u>\$172.2</u>	<u>\$1,666.6</u>	<u>\$1,554.8</u>

## GOVERNMENT-WIDE FINANCIAL ANALYSIS – CONTINUED

### Changes in Net Position – continued

The net increase for **governmental activities** is due to several factors.

- As previously mentioned, **property tax revenues** increased with improved collection of both current and delinquent property taxes in 2012. Additionally, a \$4.7 million property tax revenue increase was reflective of the desire by County officials to increase the pay-as-you-go financing of capital projects in order to reduce bonding. Property taxes were increased for anticipated debt service as well, however when planned issuance of new bonds was postponed the County instead made optional payments of \$10 million for early redemption of outstanding levy supported bonds.
- As compared to 2011, the 2012 **operating grants and contributions** decreased \$10 million, which was due to the elimination of the State of Minnesota's Market Value Homestead Credit program, a 10% reduction in the Adult Mental Health grant from the State, as well as various other changes in grants and contributions.
- **Public Works expenses** were \$19.7 million lower in 2012. Public Works expenses were higher in 2011 largely due to the non-capitalizable portions of the outlays relating to several large Community Works and Transit projects.

The **business-type activities** net position increase was primarily due to:

- **Charges for services revenues** decreased by \$30.8 million primarily because MHP was no longer able to offer Medical Assistance programs to its members in 2012. This was a result of a competitive bidding process implemented by the Minnesota Department of Human Services. The elimination of the Medical Assistance programs was partially offset by an increase in Medicaid Expansion enrollment as a result of the new Hennepin Health demonstration project, which began in 2012. In addition, the loss of the Medical Assistance revenue was partially offset by increased enrollment in MHP's Special Needs Basic Care programs.
- **MHP expenses** decreased by \$28.1 million from the prior year, which was primarily due to the elimination of MHP's Medical Assistance programs and \$18.1 million of related contractual services expenses. MHP expenses also decreased as a result of changes in premium deficiency reserves.

## 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, *unassigned 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 \$450.3 million; a decrease of \$23.7 million from the prior year's ending balances. Approximately 27% of total governmental fund balance, or \$121.5 million, is included in the unassigned (residual) classification for the General Fund, showing that it has not been restricted, committed, or assigned to specific purposes. The remainder of fund balance in the governmental funds is either in nonspendable form or is classified as restricted, committed, or assigned based on the spending constraints that are in place.

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

### Governmental Funds – continued

#### Revenues

The table below presents revenues reported in the governmental funds by source, as well as increases or decreases from the prior year.

<b>Revenues Classified by Source</b>						
<b>Governmental Funds</b>						
(in millions)						
Revenues by Source	2012		2011		Increase (Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent Change
Property taxes	\$696.1	54.6%	\$675.1	53.0%	\$21.0	3.1%
Sales tax	31.6	2.5%	30.1	2.4%	1.5	5.0%
Other taxes	2.9	0.2%	2.0	0.2%	0.9	45.0%
Intergovernmental	376.1	29.5%	392.9	30.8%	(16.8)	-4.3%
Investment earnings	9.9	0.8%	14.4	1.1%	(4.5)	-31.3%
Charges for services	122.1	9.6%	121.6	9.5%	0.5	0.4%
Fines and forfeits	1.7	0.1%	1.9	0.1%	(0.2)	-10.5%
Licenses and permits	6.5	0.5%	6.4	0.5%	0.1	1.6%
Other	28.6	2.2%	30.0	2.4%	(1.4)	-4.7%
<b>Total Revenues</b>	<b>\$1,275.5</b>	<b>100.0%</b>	<b>\$1,274.4</b>	<b>100.0%</b>	<b>\$1.1</b>	<b>0.1%</b>

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

- As previously mentioned, property tax revenues increased \$21 million due to improved collections, more property tax support of capital projects, and property taxes collected for an anticipated increase in debt service requirements.
- Other taxes increased 45% with the growth in mortgage registration tax revenues as the County's real estate market improved.
- Intergovernmental revenue decreased by \$16.8 million, which was mainly due to the elimination of the State of Minnesota's Market Value Homestead Credit program and the reduction in the Adult Mental Health grant described on the previous page. An additional \$5.7 million decrease related to the usage of a lower level of state aid for highways in 2012 compared to 2011.
- Investment earnings declined 31.3% in 2012. Investment earnings are based on bond yields, which have been at historic lows. On a year-over-year basis, from year-end 2011 to 2012, the composite 5-year U.S. agency note yield curve dropped approximately 26%. Additionally, the county has been investing in shorter maturities in anticipation of an eventual rise in yields.

## 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. Governmental fund expenditures decreased in 2012 by \$22.4 million from 2011's total expenditures.

<b>Expenditures by Function - Governmental Funds</b>						
(in millions)						
Expenditures by Function	2012		2011		Increase (Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
<i>Current:</i>						
General Government	\$137.7	10.6%	\$131.6	9.9%	\$6.1	27.2%
Human Services	441.1	33.9%	443.1	33.5%	(2.0)	-8.9%
Health	89.2	7.0%	87.4	6.6%	1.8	8.0%
Public Safety	247.2	19.0%	247.4	18.7%	(0.2)	-0.9%
Public Works	61.7	4.7%	63.5	4.8%	(1.8)	-8.0%
Libraries	66.6	5.1%	65.9	5.0%	0.7	3.1%
HRA	8.9	0.7%	6.9	0.5%	2.0	8.9%
RRA	18.8	1.4%	12.1	0.9%	6.7	29.9%
<i>Debt Service:</i>						
Principal retirement	78.5	6.0%	68.5	5.2%	10.0	44.6%
Interest and fiscal charges	47.2	3.6%	48.1	3.6%	(0.9)	-4.0%
Intergovernmental	0.0	0.0%	4.7	0.4%	(4.7)	-21.0%
Capital Projects	104.3	8.0%	144.4	10.9%	(40.1)	-179.0%
<b>Total expenditures</b>	<b>\$1,301.2</b>	<b>100.0%</b>	<b>\$1,323.6</b>	<b>100.0%</b>	<b>(\$22.4)</b>	<b>-1.7%</b>

The governmental fund expenditures that changed significantly in 2012 from the prior year included those in the following functional categories:

- **General Government expenditures** increased by \$6.1 million for personal services costs, primarily due to increasing accruals for future retiree health insurance and compensated absences costs. 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 and compensated absences. As a result, the County reports these estimated future benefit costs in the fund statements on a full accrual basis.
- **RRA expenditures** increased \$6.7 million, which was mainly due to higher consulting expenditures as the development activities for the Southwest Corridor accelerated in 2012.
- **Principal retirement** increased by \$10 million, primarily due to the optional payments for early redemption discussed previously.
- **Capital Projects expenditures** decreased \$40.1 million primarily due to expenditures for the Lowry Avenue Bridge reconstruction project decreasing by \$12.6 million as it neared completion in 2012. Capital Projects expenditures for the Medical Center also declined by \$8.3 million as several projects neared completion.

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

### Governmental Funds

#### *Fund Balances*

The **General Fund** is the primary operating fund of the County. At the end of the current fiscal year, the total fund balance for the General Fund was \$174.7 million and unassigned fund balance was \$121.5 million. Comparing the unassigned fund balance and total fund balance to total fund expenditures can be used as a measure of liquidity. The General Fund unassigned fund balance represents 27% of the total governmental fund balances and represents 22.8% of the total General Fund expenditures. In 2011, the unassigned fund balance represented 22.6% of total fund balances and 20.3% of General Fund expenditures. The General Fund ended the year with an increase of \$20.1 million in fund balance. The increase related to a higher collection rate for property taxes than anticipated, a greater full-time equivalent vacancy rate than expected, and to the unspent amounts of General Government budgeted contingency.

The **General Capital Projects Fund** had a decrease in fund balance of \$37.5 million primarily because the County was able rely more heavily on pay-as-you-go financing of capital projects. This reduced cash assets and delayed issuance of bonds, so there were no other financing sources related to the issuance of debt in this fund for 2012.

**The RRA Fund** reported a \$12.5 million decrease in fund balance due to a transfer of funds to the new **RRA Capital Project Fund**.

The **Ballpark Sales Tax Fund** \$3.2 million fund balance decrease was attributed to the additional funds used for early redemption of sales tax revenue bonds.

Fund balances for the **Human Services, Library, HRA, and Debt Service Funds** did not change significantly in 2012.

#### *General Fund Budgetary Highlights*

The General Fund 2012 revenue budget was increased by \$0.8 million and the expenditure budget was increased \$1.6 million between the time of original approval and the time the amended budget was finalized. The budget increases primarily related to additional support of Medical Center uncompensated care costs and to the acceptance of additional Urban Area Security Initiative grant funds.

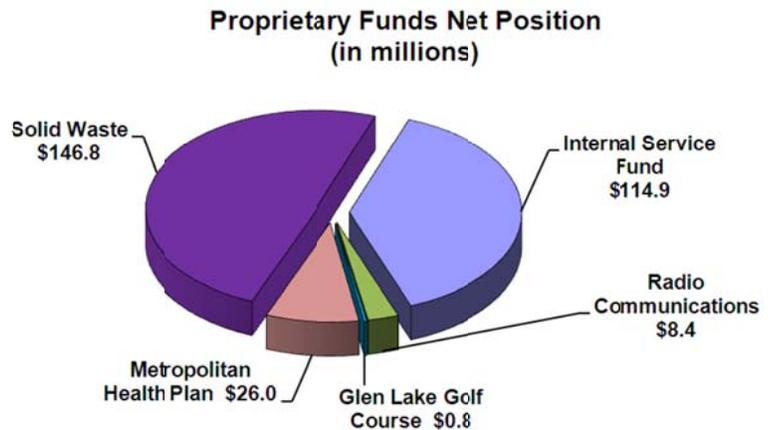
The 2012 budget for property tax revenue (current and delinquent) anticipated a lower collection rate than was actually experienced, resulting in a \$15 million positive variance between the final budget and actual revenues. This revenue was offset by a \$15.1 million unbudgeted transfer from the General Fund to the General Capital Projects Fund for the Interchange project. On the expenditure side, savings were seen in personal services costs due to a greater vacancy rate and lower health insurance rates than anticipated. Additionally, only \$0.4 million of the General Government \$17.3 million contingency budget was expended.

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

### Proprietary Funds

Other than some differences in the treatment of internal service funds, the proprietary fund information reflected in the supplementary information section of this report 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 position, shown in the chart at right, was positive at the end of the year for each fund exhibited. During the year, enterprise fund net position increased \$9.8 million and internal service fund net position increased \$15 million.



Changes in the net positions of the proprietary funds are listed below:

- **The MHP Fund** reported an increase in net position during 2012 of \$5.5 million, of which \$3.6 million was due to the release of premium deficiency reserves established in prior years. Most of the remaining increase in net position is attributable to the new Hennepin Health demonstration project.
- **The Solid Waste Fund** reported an increase in net position of \$4.1 million. Revenues were higher than expected primarily due to larger intergovernmental grants, Environmental Response Fund revenues, and solid waste fees, offset by lower investment earnings.
- **Internal Service Funds** total net position increased overall by \$15 million. The Employee Health Plan Self Insurance Fund reported the largest increase in net position during 2012 of \$10.8 million which was due primarily to lower member utilization than expected.
- Net position in the **Radio Communications** and **Glen Lake Golf Course Funds** did not change significantly in 2012.

### 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 \$166.5 million, an increase of \$21.1 million from the prior year that primarily related to additional funds held for a governmental agency that at the end of 2012 was holding bond proceeds for the planned repayment of debt in 2013.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

As shown in the table below, the County's investment in capital assets for its governmental and business-type activities as of December 31, 2012, amounts to \$1.71 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 \$36.6 million during 2012, primarily relating to the completion of the Lowry Avenue Bridge, as previously mentioned. Additionally, \$18.4 million was capitalized relating to the reconstruction of County State Aid Highway 81 in Robbinsdale, Crystal, and Brooklyn Park.

The table below summarizes the County's change in net capital assets during 2012. 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</b>						
(in millions)						
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$109.6	\$106.8	\$9.2	\$9.2	\$118.8	\$116.0
Land improvements	23.4	23.4	1.9	1.9	25.3	25.3
Buildings	748.8	750.2	136.5	134.7	885.3	884.9
Construction in progress- buildings	14.3	7.4	0.1	0.1	14.4	7.5
Equipment	153.3	145.9	15.5	17.1	168.8	163.0
Software	20.6	20.4	-	-	20.6	20.4
Library books and materials	69.3	71.7	-	-	69.3	71.7
Leasehold improvements	13.1	13.1	1.7	2.3	14.8	15.4
Arts & Historical Treasures	4.7	4.7	-	-	4.7	4.7
Infrastructure	1,254.2	1,146.2	-	-	1,254.2	1,146.2
Construction in progress- infrastructure	91.8	138.1	-	-	91.8	138.1
	<u>2,503.1</u>	<u>2,427.9</u>	<u>164.9</u>	<u>165.3</u>	<u>2,668.0</u>	<u>2,593.2</u>
Less: accumulated depreciation and amortization	<u>(893.6)</u>	<u>(853.9)</u>	<u>(62.2)</u>	<u>(63.7)</u>	<u>(955.8)</u>	<u>(917.6)</u>
	<u><u>\$1,609.5</u></u>	<u><u>\$1,574.0</u></u>	<u><u>\$102.7</u></u>	<u><u>\$101.6</u></u>	<u><u>\$1,712.2</u></u>	<u><u>\$1,675.6</u></u>
<i>Percent change from prior year</i>	2.3%		1.1%		2.2%	

### Debt Administration

As shown in the table on the following page, GO bonds and notes decreased by \$63.7 million from 2011 to 2012. During the year, GO refunding bonds totaling \$61.6 million were issued to refund existing bonds for a total economic gain of \$6.6 million over 14 years. During the year, the County made optional payments of \$21.4 million for early redemption on two outstanding bond issues (\$10 million for levy supported bonds and \$11.4 million for sales tax revenue bonds). This was in addition to regularly scheduled principal payments due in 2012.

## CAPITAL ASSET AND DEBT ADMINISTRATION – CONTINUED

State law limits the amount of GO debt that counties can issue to an amount equal to 3% of the taxable market value of property. The County's outstanding GO debt is significantly below the \$2.83 billion statutory limit.

<b>Hennepin County's Outstanding Debt</b> (in millions)						
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
General obligation bonds and notes	\$825.5	\$889.1	\$1.3	\$1.4	\$826.8	\$890.5
Revenue bonds	299.6	316.2	-	4.1	299.6	320.3
Certificates of participation	8.3	10.9	-	-	8.3	10.9
	<u>\$1,133.4</u>	<u>\$1,216.2</u>	<u>\$1.3</u>	<u>\$5.5</u>	<u>\$1,134.7</u>	<u>\$1,221.7</u>

The County's credit ratings on long-term GO bonds as of December 31, 2012 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 71 of this report and on the Schedule of Changes in Long-term Debt, located on pages 106 through 109.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The 2013 Hennepin County governmental and enterprise fund budgets total \$1.78 billion, including a net property tax levy of \$674.6 million. The budget for 2013 increased \$30.1 million (1.7%) from the \$1.75 billion final 2012 budget. The property tax levy is an increase of \$6.2 million or 0.93% higher than the 2012 level.

The 2013 budget for operations totals \$1.41 billion, an increase of \$28.3 million or 2.0% from the final 2012 budget. While the 2013 budget contains reductions for a number of departments, an additional \$4.0 million is budgeted for 2013 for uncompensated care, an increase of 20% compared to the 2012 budget. The cost for uncompensated care at the Medical Center and its clinics is an ongoing challenge and the County share is increasing due to changes in state legislation. The 2013 budget includes a general salary adjustment for County employees for the first time since 2009. The budget also continues redesign of human services 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 2013 budget includes additional funding for a number of new Human Services decentralized offices to carry services to various areas in the County.

The 2013 capital budget is \$34.9 million more than the 2012 final budget level. The \$182.9 million capital budget includes \$52.7 million for projects at the Medical Center for facility preservation, inpatient improvements and initiation of outpatient clinic improvements. The budget also includes \$10.3 million in additional bonding for the Human Services and Public Health Department's plan for six regional hubs along with several satellite facilities.

The 2013 budget for debt service totals \$149.7 million, which is \$37.6 million less than the 2012 final budget. The property tax requirement for debt service totaled \$80.2 million, up \$2.5 million from 2012.

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

The overall environment relating to the 2013 budget is somewhat improved compared to recent years. Although it is anticipated that economic pressures nationally and locally will continue, the State of Minnesota budget is in better shape than in the recent past. Nevertheless, the state has a \$1.1 billion forecasted shortfall. The federal government is dealing with the effects of federal budget sequestration (implemented in 2013 as a result of the automatic procedures to restrain discretionary and mandatory spending) and threats of a “fiscal cliff” (fiscal tightening that was scheduled to occur at the end of 2012, which resulted in significant budget legislation). The net result is uncertainty for state and local governments, which will feel the impact of spending reductions that are implemented. For 2013, the County budgeted sufficient funds to provide essential services, but resource limitations have reduced the flexibility to do so. Continuing the practice of recent years, the Board and senior staff conducted a series of retreat discussions concerning the level of County services and the resources to meet the needs of citizens.

The 2013 budget reflects the changing environment and demographics facing the County. One important factor is the aging of the baby boomer generation. Between 1990 and 2010, the number of County residents older than age 46 increased by 70%. People age 65 and older now make up 11% of the County population. By 2035, they will account for 20%. People also are living longer, and an aging population will need more of many kinds of County health and social services. In the County's own workforce, more than half of the employees are baby boomers. Many will be retiring over the next several years and the effects of that transition must be accommodated within the County organization. The ethnic diversity of the County's population is also in flux. The U.S. Census bureau forecasts that nationally, birthrates for the white population will continue to fall, as birthrates rise among Latinos, Asians and people of more than one race. The future will bring into sharp contrast the needs of an increasingly diverse young generation with a largely white older population. But diversity is not only about age or ethnicity; it includes varying perspectives, abilities, work skills and education levels. The County has a wide range of responsibilities in serving a diverse population – and there is also a wide range in what people expect in County services. Also driving change for the County is the rapid advance of technology along with the public's expectations for convenient and accessible online services.

## **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).



# **Basic Financial Statements**



Hennepin County, Minnesota  
**Statement of Net Position**  
December 31, 2012

	Primary Government			Component Unit Hennepin County Medical Center
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
<b>Current Assets:</b>				
Cash and investments	\$ 639,121,377	\$ 105,628,953	\$ 744,750,330	\$ 72,847,292
Receivables, net	108,481,707	12,187,816	120,669,523	182,901,034
Due from component unit or primary government	11,653,961	18,386	11,672,347	4,064,132
Prepaid items	7,757,334	159,149	7,916,483	5,682,949
Inventories	3,902,219	6,274	3,908,493	3,788,203
Deferred issuance costs	360,161	-	360,161	-
Lease receivable from component unit	2,719,110	-	2,719,110	-
<b>Total Current Assets</b>	<b>773,995,869</b>	<b>118,000,578</b>	<b>891,996,447</b>	<b>269,283,610</b>
<b>Noncurrent Assets:</b>				
Cash and investments	68,114,679	-	68,114,679	26,941,258
Deferred issuance costs	5,141,227	-	5,141,227	-
Notes receivable	121,565,000	-	121,565,000	-
Lease receivable from component unit	5,406,368	-	5,406,368	-
Equity interest in component unit	354,703,755	-	354,703,755	-
<b>Capital assets:</b>				
Land	109,591,195	9,164,524	118,755,719	19,320,000
Land improvements	23,434,070	1,893,908	25,327,978	-
Buildings	748,835,284	136,516,233	885,351,517	344,855,120
Construction in progress-buildings	14,325,358	151,901	14,477,259	5,913,000
Equipment	153,252,776	15,588,680	168,841,456	186,040,404
Software	20,632,505	-	20,632,505	64,439,000
Library books and other media	69,250,469	-	69,250,469	-
Leasehold improvements	13,086,656	1,673,332	14,759,988	8,976,000
Art and historical treasures	4,676,486	-	4,676,486	-
Infrastructure	1,254,248,198	-	1,254,248,198	-
Construction in progress-infrastructure	91,788,283	-	91,788,283	-
<b>Total capital assets</b>	<b>2,503,121,280</b>	<b>164,988,578</b>	<b>2,668,109,858</b>	<b>629,543,524</b>
Less accumulated depreciation and amortization	(893,633,855)	(62,237,083)	(955,870,938)	(396,342,185)
<b>Net Capital Assets</b>	<b>1,609,487,425</b>	<b>102,751,495</b>	<b>1,712,238,920</b>	<b>233,201,339</b>
<b>Total Noncurrent Assets</b>	<b>2,164,418,454</b>	<b>102,751,495</b>	<b>2,267,169,949</b>	<b>260,142,597</b>
<b>Total Assets</b>	<b>2,938,414,323</b>	<b>220,752,073</b>	<b>3,159,166,396</b>	<b>529,426,207</b>

Continued on next page

Hennepin County, Minnesota  
**Statement of Net Position**  
December 31, 2012

	Primary Government			Component Unit Hennepin County Medical Center
	Governmental Activities	Business-type Activities	Total	
<b>LIABILITIES</b>				
<b>Current Liabilities:</b>				
Accounts and contracts payable . . . . .	123,561,055	13,853,601	137,414,656	17,202,627
Accrued interest payable . . . . .	3,077,000	-	3,077,000	-
Accrued liabilities . . . . .	30,078,745	20,169,702	50,248,447	53,882,144
Due to component unit or primary government . . . . .	4,064,132	-	4,064,132	11,653,961
Unearned revenue . . . . .	6,473,699	-	6,473,699	-
Workers' compensation claims . . . . .	1,500,000	-	1,500,000	2,400,000
Lease due to primary government . . . . .	-	-	-	2,719,110
Lease revenue certificates of participation . . . . .	2,673,990	-	2,673,990	-
Revenue bonds . . . . .	5,602,219	-	5,602,219	-
General obligation bonds and notes . . . . .	53,588,065	145,000	53,733,065	-
Notes payable . . . . .	616,079	-	616,079	-
Compensated absences . . . . .	4,590,000	350,000	4,940,000	1,900,000
<b>Total Current Liabilities</b>	<b>235,824,984</b>	<b>34,518,303</b>	<b>270,343,287</b>	<b>89,757,842</b>
<b>Noncurrent Liabilities:</b>				
Workers' compensation claims . . . . .	8,306,058	-	8,306,058	8,600,000
Lease due to primary government . . . . .	-	-	-	5,406,368
Lease revenue certificates of participation . . . . .	5,656,858	-	5,656,858	-
Revenue bonds . . . . .	293,962,191	-	293,962,191	-
General obligation bonds and notes . . . . .	771,876,009	1,120,000	772,996,009	-
Notes payable . . . . .	6,522,175	-	6,522,175	-
Postemployment healthcare benefits . . . . .	42,149,552	1,739,256	43,888,808	34,429,803
Compensated absences . . . . .	89,506,659	1,370,768	90,877,427	36,528,439
<b>Total Noncurrent Liabilities</b>	<b>1,217,979,502</b>	<b>4,230,024</b>	<b>1,222,209,526</b>	<b>84,964,610</b>
<b>Total Liabilities</b>	<b>1,453,804,486</b>	<b>38,748,327</b>	<b>1,492,552,813</b>	<b>174,722,452</b>
<b>NET POSITION</b>				
Net investment in capital assets . . . . .	964,510,097	101,486,495	1,065,996,592	224,169,465
Restricted for:				
Grant and donor restrictions . . . . .	2,027,505	1,039,059	3,066,564	23,664,047
Capital projects . . . . .	4,127,563	-	4,127,563	-
Debt service . . . . .	15,629,935	-	15,629,935	-
Statutory requirements relating to:				
Housing and Redevelopment Authority . . . . .	3,578,478	-	3,578,478	-
Metropolitan Health Plan . . . . .	-	25,970,632	25,970,632	-
Solid waste management . . . . .	-	47,917,573	47,917,573	-
Youth sports and extended library hours . . . . .	3,924,443	-	3,924,443	-
Dedicated fees and fines . . . . .	8,431,404	-	8,431,404	-
Forfeitures . . . . .	1,868,103	-	1,868,103	-
Unrestricted . . . . .	480,512,309	5,589,987	486,102,296	106,870,243
<b>Total Net Position</b>	<b>\$ 1,484,609,837</b>	<b>\$ 182,003,746</b>	<b>\$ 1,666,613,583</b>	<b>\$ 354,703,755</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, 2012

	<b>Program Expenses</b>			
	<b>All Other Direct Depreciation Expenses</b>	<b>Direct Expenses</b>	<b>Total Direct Expenses</b>	<b>Indirect Expenses</b>
<b>FUNCTIONS/PROGRAMS</b>				
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
General Government .....	\$ 142,137,126	\$ 6,924,277	\$ 149,061,403	\$ (24,154,255)
Human Services .....	426,976,234	1,626,173	428,602,407	7,127,801
Health .....	94,263,236	488,328	94,751,564	740,953
Public Safety .....	249,295,764	4,930,628	254,226,392	10,922,679
Public Works .....	63,026,421	19,381,553	82,407,974	2,012,339
Libraries .....	55,047,768	16,206,891	71,254,659	3,156,131
Housing and Redevelopment Authority .....	8,914,176	632,729	9,546,905	57,942
Regional Railroad Authority .....	16,177,105	171,818	16,348,923	136,410
Interest on Long-term Debt .....	43,094,396	-	43,094,396	-
<b>Total Governmental Activities</b>	<b><u>1,098,932,226</u></b>	<b><u>50,362,397</u></b>	<b><u>1,149,294,623</u></b>	<b><u>-</u></b>
<b>Business-type Activities:</b>				
Metropolitan Health Plan .....	127,674,198	74,638	127,748,836	-
Environmental Services .....	48,813,493	5,603,932	54,417,425	-
Glen Lake Golf Course .....	713,123	117,914	831,037	-
Radio Communications .....	1,547,225	617,815	2,165,040	-
<b>Total Business-type Activities</b>	<b><u>178,748,039</u></b>	<b><u>6,414,299</u></b>	<b><u>185,162,338</u></b>	<b><u>-</u></b>
<b>Total Primary Government</b>	<b><u>\$ 1,277,680,265</u></b>	<b><u>\$ 56,776,696</u></b>	<b><u>\$ 1,334,456,961</u></b>	<b><u>\$ -</u></b>
<b>Component Unit:</b>				
Hennepin County Medical Center .....	<u>\$ 716,546,938</u>	<u>\$ 36,865,869</u>	<u>\$ 753,412,807</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 Position			Component Unit Hennepin County Medical Center
Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
\$ 35,965,791	\$ 16,321,507	\$ -	\$ (72,619,850)	\$ -	\$ (72,619,850)	-
48,239,660	178,487,312	-	(209,003,236)	-	(209,003,236)	-
20,103,173	42,467,179	-	(32,922,165)	-	(32,922,165)	-
19,476,488	34,965,179	-	(210,707,404)	-	(210,707,404)	-
5,270,660	31,861,795	45,745,395	(1,542,463)	-	(1,542,463)	-
4,336,640	6,636,576	-	(63,437,574)	-	(63,437,574)	-
2,024,459	1,497,281	-	(6,083,107)	-	(6,083,107)	-
1,316,533	603,211	417,896	(14,147,693)	-	(14,147,693)	-
-	-	-	(43,094,396)	-	(43,094,396)	-
<u>136,733,404</u>	<u>312,840,040</u>	<u>46,163,291</u>	<u>(653,557,888)</u>	<u>-</u>	<u>(653,557,888)</u>	<u>-</u>
132,486,554	794,949	-	-	5,532,667	5,532,667	-
49,858,405	5,629,253	-	-	1,070,233	1,070,233	-
893,430	-	-	-	62,393	62,393	-
2,173,897	155,075	-	-	163,932	163,932	-
<u>185,412,286</u>	<u>6,579,277</u>	<u>-</u>	<u>-</u>	<u>6,829,225</u>	<u>6,829,225</u>	<u>-</u>
\$ <u>322,145,690</u>	\$ <u>319,419,317</u>	\$ <u>46,163,291</u>	<u>(653,557,888)</u>	<u>6,829,225</u>	<u>(646,728,663)</u>	<u>-</u>
\$ <u>700,451,792</u>	\$ <u>45,837,633</u>	\$ <u>5,613,819</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,509,563)</u>
General Revenues:						
Property taxes			690,356,320	-	690,356,320	-
Sales tax			31,601,050	-	31,601,050	-
Other taxes			2,934,354	2,988,795	5,923,149	-
Grants & contributions not restricted to specific programs			18,868,727	-	18,868,727	-
Unrestricted investment earnings			9,493,981	-	9,493,981	3,810,616
Change in equity interest in component unit			2,301,053	-	2,301,053	-
Total General Revenues			<u>755,555,485</u>	<u>2,988,795</u>	<u>758,544,280</u>	<u>3,810,616</u>
Change in Net Position			101,997,597	9,818,020	111,815,617	2,301,053
Net Position - Beginning, as Restated (note 19)			<u>1,382,612,240</u>	<u>172,185,726</u>	<u>1,554,797,966</u>	<u>352,402,702</u>
Net Position - Ending			\$ <u>1,484,609,837</u>	\$ <u>182,003,746</u>	\$ <u>1,666,613,583</u>	\$ <u>354,703,755</u>

Hennepin County, Minnesota  
**Balance Sheets**  
**Governmental Funds**  
December 31, 2012  
With Comparative Totals for December 31, 2011

	General	Human Services	Library	Ballpark Sales Tax	Housing and Redevelopment Authority (HRA)
<b>ASSETS</b>					
Cash and investments . . . . .	\$ 216,192,450	\$ 156,102,918	\$ 41,370,794	\$ -	\$ 4,529,555
Due from component unit . . . . .	10,564,320	-	751	-	-
Delinquent taxes receivable . . . . .	8,280,544	3,031,021	732,091	-	-
Due from other governmental agencies . . . . .	8,675,520	29,051,627	378	5,012,753	46,061
Accrued investment interest . . . . .	3,079,177	-	-	-	-
Interfund receivable . . . . .	-	-	-	-	-
Advances to other fund . . . . .	-	-	-	-	-
Other receivable . . . . .	38,547,982	929,633	142,474	-	40,127
Prepaid items . . . . .	1,846,537	358,476	818,306	-	285,690
Inventories . . . . .	3,386,730	7,475	-	-	-
Note receivable . . . . .	-	-	-	-	14,760,000
Restricted cash and investments . . . . .	-	-	5,824,560	7,399,561	701,633
	<u>\$ 290,573,260</u>	<u>\$ 189,481,150</u>	<u>\$ 48,889,354</u>	<u>\$ 12,412,314</u>	<u>\$ 20,363,066</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts and contracts payable . . . . .	\$ 62,792,826	\$ 22,127,197	\$ 1,228,538	\$ 83,658	\$ 514,978
Accrued liabilities . . . . .	12,772,124	9,079,928	1,574,304	-	-
Interfund payable . . . . .	28,331,243	17,555,506	3,641,426	-	14,760,000
Due to component unit . . . . .	4,064,132	-	-	-	-
Deferred revenue - delinquent taxes . . . . .	6,956,944	2,655,221	633,091	-	-
Deferred revenue . . . . .	955,124	1,638,418	-	-	-
	<u>115,872,393</u>	<u>53,056,270</u>	<u>7,077,359</u>	<u>83,658</u>	<u>15,274,978</u>
<b>Fund Balances:</b>					
Nonspendable . . . . .	12,483,267	365,951	2,520,075	-	285,690
Restricted . . . . .	16,251,456	-	6,218,447	12,328,656	4,802,398
Committed . . . . .	-	136,058,929	33,073,473	-	-
Assigned . . . . .	24,461,198	-	-	-	-
Unassigned . . . . .	121,504,946	-	-	-	-
	<u>174,700,867</u>	<u>136,424,880</u>	<u>41,811,995</u>	<u>12,328,656</u>	<u>5,088,088</u>
Total Liabilities and Fund Balances	<u>\$ 290,573,260</u>	<u>\$ 189,481,150</u>	<u>\$ 48,889,354</u>	<u>\$ 12,412,314</u>	<u>\$ 20,363,066</u>

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

	Regional Railroad Authority (RRA)	RRA Debt Service	RRA Capital Projects	General Debt Service	General Capital Projects	Totals	
						2012	2011
\$	19,650,655	\$ 352,002	\$ 10,719,441	\$ 4,406,646	\$ 50,824,041	\$ 504,148,502	\$ 494,336,502
	-	-	-	-	-	10,565,071	13,626,365
	224,513	-	-	927,212	54,142	13,249,523	14,833,398
	-	-	-	-	7,666,478	50,452,817	63,009,876
	-	-	-	-	3,548	3,082,725	2,468,696
	-	-	-	-	14,760,000	14,760,000	16,957,000
	-	-	-	-	-	-	109,416
	267,528	-	-	-	818,769	40,746,513	28,460,536
	-	-	-	-	-	3,309,009	3,061,399
	-	-	-	-	-	3,394,205	2,768,005
	-	-	-	106,805,000	-	121,565,000	127,549,000
	-	-	-	1,812,549	-	15,738,303	19,111,303
\$	<u>20,142,696</u>	<u>\$ 352,002</u>	<u>\$ 10,719,441</u>	<u>\$ 113,951,407</u>	<u>\$ 74,126,978</u>	<u>\$ 781,011,668</u>	<u>\$ 786,291,496</u>
\$	1,328,291	\$ -	\$ 217,566	\$ 892,694	\$ 24,376,842	\$ 113,562,590	\$ 107,516,993
	-	-	-	-	-	23,426,356	16,149,804
	-	-	-	-	-	64,288,175	58,830,804
	-	-	-	-	-	4,064,132	543,965
	-	-	-	788,012	42,642	11,075,910	12,970,551
	-	-	-	106,805,000	4,877,619	114,276,161	116,274,683
	<u>1,328,291</u>	<u>-</u>	<u>217,566</u>	<u>108,485,706</u>	<u>29,297,103</u>	<u>330,693,324</u>	<u>312,286,800</u>
	-	-	-	-	15,691,900	31,346,883	30,614,458
	18,814,405	352,002	10,501,875	5,465,701	29,137,975	103,872,915	145,351,752
	-	-	-	-	-	169,132,402	169,814,896
	-	-	-	-	-	24,461,198	21,257,943
	-	-	-	-	-	121,504,946	106,965,647
	<u>18,814,405</u>	<u>352,002</u>	<u>10,501,875</u>	<u>5,465,701</u>	<u>44,829,875</u>	<u>450,318,344</u>	<u>474,004,696</u>
\$	<u>20,142,696</u>	<u>\$ 352,002</u>	<u>\$ 10,719,441</u>	<u>\$ 113,951,407</u>	<u>\$ 74,126,978</u>	<u>\$ 781,011,668</u>	<u>\$ 786,291,496</u>

Hennepin County, Minnesota  
**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position**  
December 31, 2012

Total governmental fund balances (page 35)	\$	450,318,344
Amounts reported for governmental activities in the statement of net position 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.)		1,555,205,448
<b>The equity interest in component unit</b> is not a current financial resource and, therefore, is not reported in the governmental fund statements.		354,703,755
<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.		122,576,305
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.		8,125,478
<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 position. This reconciling item includes the adjustment to eliminate internal service fund surpluses and deficits.		131,753,705
<b>Long-term liabilities</b> are not due and payable in the current period and therefore are not reported in the funds.		<u>(1,138,073,198)</u>
Net position of governmental activities (page 30)	\$	<u><u>1,484,609,837</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, 2012  
With Comparative Totals for the Year Ended December 31, 2011

	General	Human Services	Library	Ballpark Sales Tax	Housing and Redevelopment Authority (HRA)
<b>REVENUES</b>					
Property taxes .....	\$ 330,342,950	\$ 202,009,567	\$ 56,301,631	\$ -	\$ 5,605,701
Sales tax .....	-	-	-	31,601,050	-
Other taxes .....	2,783,905	77,438	22,334	-	2,152
Intergovernmental .....	121,643,297	184,832,057	8,141,404	-	979,189
Investment earnings .....	9,136,629	-	85,792	2,286	86,952
Charges for services .....	74,339,326	45,014,168	138,358	-	1,616,792
Fines and forfeits .....	216,423	-	1,526,361	-	-
Licenses and permits .....	5,190,857	1,308,339	-	-	-
Other .....	24,736,485	1,814,699	1,166,992	-	407,667
	<b>568,389,872</b>	<b>435,056,268</b>	<b>67,382,872</b>	<b>31,603,336</b>	<b>8,698,453</b>
Total Revenues					
<b>EXPENDITURES</b>					
Current:					
General government .....	135,275,562	-	-	2,403,499	-
Human services .....	-	441,096,724	-	-	-
Health .....	89,233,679	-	-	-	-
Public safety .....	247,225,055	-	-	-	-
Public works .....	61,652,098	-	-	-	-
Libraries .....	-	-	66,648,516	-	-
Housing and Redevelopment Authority .....	-	-	-	-	8,914,176
Regional Railroad Authority .....	-	-	-	-	-
Debt service:					
Principal retirement .....	-	-	-	-	-
Interest and fiscal charges .....	-	-	-	-	-
Intergovernmental .....	-	-	-	-	-
Capital projects .....	-	-	-	-	-
	<b>533,386,394</b>	<b>441,096,724</b>	<b>66,648,516</b>	<b>2,403,499</b>	<b>8,914,176</b>
Total Expenditures					
Excess (Deficiency) of Revenues Over Expenditures	<b>35,003,478</b>	<b>(6,040,456)</b>	<b>734,356</b>	<b>29,199,837</b>	<b>(215,723)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of debt .....	-	-	-	-	-
Payment to refunded bond escrow agent .....	-	-	-	-	-
Transfers in .....	1,600,000	3,662,211	1,860,000	-	911,103
Transfers out .....	(16,547,056)	-	-	(32,416,332)	(1,138,211)
Capital contribution .....	-	-	-	-	-
Sale of capital assets .....	-	-	-	-	-
Debt premiums .....	-	-	-	-	-
	<b>(14,947,056)</b>	<b>3,662,211</b>	<b>1,860,000</b>	<b>(32,416,332)</b>	<b>(227,108)</b>
Total Other Financing Sources (Uses)					
Net Change in Fund Balances	20,056,422	(2,378,245)	2,594,356	(3,216,495)	(442,831)
Fund Balances - Beginning	154,644,445	138,803,125	39,217,639	15,545,151	5,530,919
Fund Balances - Ending	<b>\$ 174,700,867</b>	<b>\$ 136,424,880</b>	<b>\$ 41,811,995</b>	<b>\$ 12,328,656</b>	<b>\$ 5,088,088</b>

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

	Regional Railroad Authority	RRA Debt Service	RRA Capital Projects	General Debt Service	General Capital Projects	Totals	
						2012	2011
\$	15,148,841	\$ 2,824,751	\$ -	\$ 77,491,154	\$ 6,400,658	\$ 696,125,253	\$ 675,091,343
	-	-	-	-	-	31,601,050	30,094,848
	13,625	1,111	-	30,230	3,559	2,934,354	1,973,347
	555,891	-	47,320	14,153,442	45,698,075	376,050,675	392,952,707
	417,896	-	-	935	181,387	9,911,877	14,370,838
	945,561	-	-	-	-	122,054,205	121,632,254
	-	-	-	-	-	1,742,784	1,932,048
	-	-	-	-	-	6,499,196	6,407,791
	15,417	-	-	-	431,109	28,572,369	29,953,520
	<u>17,097,231</u>	<u>2,825,862</u>	<u>47,320</u>	<u>91,675,761</u>	<u>52,714,788</u>	<u>1,275,491,763</u>	<u>1,274,408,696</u>
	-	-	-	-	-	137,679,061	131,590,360
	-	-	-	-	-	441,096,724	443,134,270
	-	-	-	-	-	89,233,679	87,401,937
	-	-	-	-	-	247,225,055	247,456,814
	-	-	-	-	-	61,652,098	63,471,437
	-	-	-	-	-	66,648,516	65,935,700
	-	-	-	-	-	8,914,176	6,864,613
	18,829,460	-	-	-	-	18,829,460	12,056,194
	-	1,395,000	-	77,150,914	-	78,545,914	68,463,497
	-	1,455,700	-	45,690,861	-	47,146,561	48,118,335
	-	-	-	-	-	-	4,715,000
	-	-	345,445	-	103,945,205	104,290,650	144,434,094
	<u>18,829,460</u>	<u>2,850,700</u>	<u>345,445</u>	<u>122,841,775</u>	<u>103,945,205</u>	<u>1,301,261,894</u>	<u>1,323,642,251</u>
	<u>(1,732,229)</u>	<u>(24,838)</u>	<u>(298,125)</u>	<u>(31,166,014)</u>	<u>(51,230,417)</u>	<u>(25,770,131)</u>	<u>(49,233,555)</u>
	-	-	-	61,605,000	-	61,605,000	60,000,000
	-	-	-	(64,879,334)	-	(64,879,334)	-
	-	-	10,800,000	29,790,348	15,558,500	64,182,162	137,599,217
	(10,800,000)	-	-	-	(3,280,563)	(64,182,162)	(137,762,210)
	-	-	-	-	-	-	-
	-	-	-	-	1,487,416	1,487,416	541,836
	-	-	-	3,870,697	-	3,870,697	3,197,996
	<u>(10,800,000)</u>	<u>-</u>	<u>10,800,000</u>	<u>30,386,711</u>	<u>13,765,353</u>	<u>2,083,779</u>	<u>63,576,839</u>
	(12,532,229)	(24,838)	10,501,875	(779,303)	(37,465,064)	(23,686,352)	14,343,284
	31,346,634	376,840	-	6,245,004	82,294,939	474,004,696	459,661,412
\$	<u>18,814,405</u>	<u>\$ 352,002</u>	<u>\$ 10,501,875</u>	<u>\$ 5,465,701</u>	<u>\$ 44,829,875</u>	<u>\$ 450,318,344</u>	<u>\$ 474,004,696</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, 2012

Net change in governmental fund balances (page 39) \$ (23,686,352)

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. 35,900,137

The net effect of **capital asset disposals, sales, and donations** is to decrease net position 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. (3,198,328)

The change in the **equity interest in component unit** reported in the statement of activities does not provide current financial resources and is not reported in the governmental funds. 2,301,053

**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. (2,524,861)

**Revenues** in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. (4,883,538)

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 position. 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. 80,255,038

**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). 3,519,242

The net revenue of certain activities of **internal service funds** is reported with governmental activities. 14,315,206

Change in net position of governmental activities (page 33) \$ 101,997,597

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



Hennepin County, Minnesota  
**Statements of Net Position**  
**Proprietary Funds**  
December 31, 2012  
With Comparative Totals for December 31, 2011

	Business-type Activities - Enterprise Funds			
	Metropolitan Health Plan	Solid Waste	Glen Lake Golf Course	Radio Communications
<b>ASSETS</b>				
Current Assets:				
Cash	\$ 51,220,164	\$ 37,062,176	\$ 13,297	\$ 5,621,396
Delinquent taxes receivable	-	1,684	-	-
Interfund receivable	-	-	-	-
Due from component unit	-	-	-	18,386
Other receivable	6,419,748	5,653,436	-	112,948
Inventories	-	-	6,274	-
Prepaid items	157,819	-	1,330	-
<b>Total Current Assets</b>	<b>57,797,731</b>	<b>42,717,296</b>	<b>20,901</b>	<b>5,752,730</b>
Noncurrent Assets:				
Restricted cash and investments	500,000	11,211,920	-	-
Capital assets:				
Land	-	8,179,432	985,092	-
Land improvements	-	-	1,893,908	-
Buildings	-	135,673,066	843,167	-
Equipment	408,883	5,930,068	188,034	9,061,695
Software	-	-	-	-
Leasehold improvements	1,673,332	-	-	-
Construction in progress	-	151,901	-	-
<b>Total capital assets</b>	<b>2,082,215</b>	<b>149,934,467</b>	<b>3,910,201</b>	<b>9,061,695</b>
Less accumulated depreciation and amortization	2,082,215	52,062,844	1,886,634	6,205,390
<b>Net Capital Assets</b>	<b>-</b>	<b>97,871,623</b>	<b>2,023,567</b>	<b>2,856,305</b>
<b>Total Noncurrent Assets</b>	<b>500,000</b>	<b>109,083,543</b>	<b>2,023,567</b>	<b>2,856,305</b>
<b>Total Assets</b>	<b>\$ 58,297,731</b>	<b>\$ 151,800,839</b>	<b>\$ 2,044,468</b>	<b>\$ 8,609,035</b>
<b>LIABILITIES</b>				
Current Liabilities:				
Interfund payable	\$ -	\$ -	\$ -	\$ -
Accounts and contracts payable	10,643,454	3,026,503	10,307	173,337
Accrued interest payable	-	-	-	-
Accrued expenses	19,924,110	245,592	-	-
Unearned revenue	-	-	-	-
Current portion of:				
Workers' compensation claims	-	-	-	-
Lease revenue certificates of participation	-	-	-	-
General obligation bonds and notes	-	-	145,000	-
Notes payable	-	-	-	-
Compensated absences	300,000	50,000	-	-
<b>Total Current Liabilities</b>	<b>30,867,564</b>	<b>3,322,095</b>	<b>155,307</b>	<b>173,337</b>
Noncurrent Liabilities, Net of Current Portion:				
Workers' compensation claims	-	-	-	-
Lease revenue certificates of participation	-	-	-	-
General obligation bonds and notes	-	-	1,120,000	-
Notes payable	-	-	-	-
Postemployment healthcare benefits	1,082,682	656,574	-	-
Compensated absences	376,853	993,915	-	-
<b>Total Noncurrent Liabilities</b>	<b>1,459,535</b>	<b>1,650,489</b>	<b>1,120,000</b>	<b>-</b>
<b>Total Liabilities</b>	<b>\$ 32,327,099</b>	<b>\$ 4,972,584</b>	<b>\$ 1,275,307</b>	<b>\$ 173,337</b>
<b>NET POSITION</b>				
Net investment in capital assets	\$ -	\$ 97,871,623	\$ 758,567	\$ 2,856,305
Restricted for:				
Statutory requirements relating to:				
Metropolitan Health Plan	500,000	-	-	-
Solid waste management	-	10,172,861	-	-
Grants	-	1,039,059	-	-
Unrestricted	25,470,632	37,744,712	10,594	5,579,393
<b>Total Net Position</b>	<b>\$ 25,970,632</b>	<b>\$ 146,828,255</b>	<b>\$ 769,161</b>	<b>\$ 8,435,698</b>

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

Totals		2012 Internal Service Funds
2012	2011	
\$ 93,917,033	\$ 81,192,866	\$ 187,349,251
1,684	2,770	-
-	-	49,528,176
18,386	17,323	1,088,890
12,186,132	20,506,015	950,129
6,274	3,973	508,014
159,149	456,256	4,448,325
<u>106,288,658</u>	<u>102,179,203</u>	<u>243,872,785</u>
11,711,920	13,556,093	-
9,164,524	9,164,524	1,040,600
1,893,908	1,893,908	-
136,516,233	134,672,045	34,637,576
15,588,680	17,160,263	92,585,526
-	-	6,997,361
1,673,332	2,317,221	-
151,901	136,960	189,000
164,988,578	165,344,921	135,450,063
62,237,083	63,709,053	81,168,086
102,751,495	101,635,868	54,281,977
114,463,415	115,191,961	54,281,977
\$ <u>220,752,073</u>	\$ <u>217,371,164</u>	\$ <u>298,154,762</u>
\$ -	\$ 23,000	\$ -
13,853,601	13,522,320	9,998,465
-	64,063	5,583
20,169,702	22,328,389	6,652,389
-	-	3,697,933
-	-	1,500,000
-	-	66,140
145,000	4,314,772	1,255,007
-	-	97,987
350,000	350,000	4,590,000
<u>34,518,303</u>	<u>40,602,544</u>	<u>27,863,504</u>
-	-	8,306,058
-	-	139,230
1,120,000	1,190,000	15,192,308
-	-	105,071
1,739,256	1,672,000	42,149,552
1,370,768	1,720,894	89,506,659
<u>4,230,024</u>	<u>4,582,894</u>	<u>155,398,878</u>
\$ <u>38,748,327</u>	\$ <u>45,185,438</u>	\$ <u>183,262,382</u>
\$ 101,486,495	\$ 96,131,096	\$ 37,629,292
500,000	500,000	-
10,172,861	11,993,273	-
1,039,059	1,062,820	-
68,805,331	62,498,537	77,263,088
\$ <u>182,003,746</u>	\$ <u>172,185,726</u>	\$ <u>114,892,380</u>

Hennepin County, Minnesota  
**Statements of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
For the Year Ended December 31, 2012  
With Comparative Totals for the Year Ended December 31, 2011

	Business-type Activities - Enterprise Funds			
	Metropolitan Health Plan	Solid Waste	Glen Lake Golf Course	Radio Communications
<b>OPERATING REVENUES</b>				
Net charges for services. . . . .	\$ 132,486,554	\$ 49,858,405	\$ 893,430	\$ 2,173,897
<b>OPERATING EXPENSES</b>				
Personal services. . . . .	8,490,655	6,036,092	451,745	-
Commodities. . . . .	591,643	224,060	92,529	238,408
Contractual services. . . . .	118,190,915	37,603,916	121,650	1,307,356
Depreciation and amortization. . . . .	74,638	5,603,932	117,914	617,815
Other. . . . .	261,319	684,401	19,099	-
Total Operating Expenses	<u>127,609,170</u>	<u>50,152,401</u>	<u>802,937</u>	<u>2,163,579</u>
Operating Income (Loss)	<u>4,877,384</u>	<u>(293,996)</u>	<u>90,493</u>	<u>10,318</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Other taxes. . . . .	-	66,212	-	-
Intergovernmental. . . . .	-	4,985,697	-	155,075
Investment earnings. . . . .	794,949	643,556	-	-
Interest expense. . . . .	(139,666)	(12,812)	(28,100)	(1,461)
Gain (Loss) on capital asset disposal. . . . .	-	-	-	-
Other. . . . .	-	2,922,583	-	-
Environmental grants awarded. . . . .	-	(4,252,212)	-	-
Total Nonoperating Revenues (Expenses)	<u>655,283</u>	<u>4,353,024</u>	<u>(28,100)</u>	<u>153,614</u>
Income Before Contributions and Transfers	<u>5,532,667</u>	<u>4,059,028</u>	<u>62,393</u>	<u>163,932</u>
Capital contributions. . . . .	-	-	-	-
Transfers in. . . . .	-	-	-	-
Transfers out. . . . .	-	-	-	-
Net Contributions and Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Position	5,532,667	4,059,028	62,393	163,932
Total Net Position - Beginning	<u>20,437,965</u>	<u>142,769,227</u>	<u>706,768</u>	<u>8,271,766</u>
Total Net Position - Ending	<u>\$ 25,970,632</u>	<u>\$ 146,828,255</u>	<u>\$ 769,161</u>	<u>\$ 8,435,698</u>

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

Total		2012 Internal Service Funds
2012	2011	
\$ 185,412,286	\$ 216,237,888	\$ 194,299,528
14,978,492	18,347,703	129,716,699
1,146,640	1,710,866	13,217,674
157,223,837	174,474,072	24,412,272
6,414,299	6,574,456	11,749,494
964,819	7,026,966	1,437,865
<u>180,728,087</u>	<u>208,134,063</u>	<u>180,534,004</u>
4,684,199	8,103,825	13,765,524
66,212	107,175	-
5,140,772	4,194,938	-
1,438,505	1,526,615	-
(182,039)	(314,106)	(683,815)
-	-	556,348
2,922,583	1,966,754	-
<u>(4,252,212)</u>	<u>(3,134,536)</u>	<u>-</u>
5,133,821	4,346,840	(127,467)
9,818,020	12,450,665	13,638,057
-	-	1,377,967
-	-	875,041
-	(1,637,007)	(875,041)
-	(1,637,007)	1,377,967
9,818,020	10,813,658	15,016,024
<u>172,185,726</u>	<u>161,372,068</u>	<u>99,876,356</u>
\$ <u>182,003,746</u>	\$ <u>172,185,726</u>	\$ <u>114,892,380</u>

Hennepin County, Minnesota  
**Statement of Cash Flows**  
**Proprietary Funds**  
For the Year Ended December 31, 2012

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.....	\$ 136,904,328	\$ 51,604,266	\$ 893,430	\$ 2,170,395	\$ 191,572,419	\$ 186,559,965
Payments to suppliers for goods and services.....	(117,297,714)	(38,708,652)	(218,694)	(1,519,333)	(157,744,393)	(38,758,310)
Payments to employees for services.....	(8,789,404)	(6,020,213)	(451,745)	-	(15,261,362)	(124,018,158)
Other operating disbursements.....	(261,319)	(684,401)	(19,099)	-	(964,819)	(1,547,281)
Net Cash Provided by Operating Activities	<u>10,555,891</u>	<u>6,191,000</u>	<u>203,892</u>	<u>651,062</u>	<u>17,601,845</u>	<u>22,236,216</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Other taxes.....	-	67,298	-	-	67,298	-
Grants and contributions.....	-	3,656,068	-	155,075	3,811,143	-
Transfers in.....	-	-	-	-	-	875,041
Transfers out.....	-	-	-	-	-	(875,041)
Noncapital debt payments.....	-	-	-	-	-	(91,381)
Interfund loan.....	-	-	(23,000)	-	(23,000)	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>-</u>	<u>3,723,366</u>	<u>(23,000)</u>	<u>155,075</u>	<u>3,855,441</u>	<u>(91,381)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Purchase of capital assets.....	-	(5,677,801)	-	(1,852,122)	(7,529,923)	(12,617,250)
Interest paid.....	(139,666)	(76,875)	(28,100)	(1,461)	(246,102)	(687,300)
Proceeds from issuance of debt.....	-	-	-	-	-	489,390
Debt issuance cost and principal payments.....	-	(4,099,772)	(140,000)	-	(4,239,772)	(1,254,336)
Net Cash Used by Capital and Related Financing Activities	<u>(139,666)</u>	<u>(9,854,448)</u>	<u>(168,100)</u>	<u>(1,853,583)</u>	<u>(12,015,797)</u>	<u>(14,069,496)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Interest income.....	794,949	643,556	-	-	1,438,505	-
Net Cash Provided By Investing Activities	<u>794,949</u>	<u>643,556</u>	<u>-</u>	<u>-</u>	<u>1,438,505</u>	<u>-</u>
Net Increase (Decrease) In Cash	11,211,174	703,474	12,792	(1,047,446)	10,879,994	8,075,339
Cash at Beginning of Year	40,508,990	47,570,622	505	6,668,842	94,748,959	179,273,912
Cash at End of Year	<u>\$ 51,720,164</u>	<u>\$ 48,274,096</u>	<u>\$ 13,297</u>	<u>\$ 5,621,396</u>	<u>\$ 105,628,953</u>	<u>\$ 187,349,251</u>
<b>CASH COMPONENTS:</b>						
Cash.....	\$ 51,220,164	\$ 37,062,176	\$ 13,297	\$ 5,621,396	\$ 93,917,033	\$ 187,349,251
Restricted cash.....	500,000	11,211,920	-	-	11,711,920	-
Cash at End of Year	<u>\$ 51,720,164</u>	<u>\$ 48,274,096</u>	<u>\$ 13,297</u>	<u>\$ 5,621,396</u>	<u>\$ 105,628,953</u>	<u>\$ 187,349,251</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>						
Operating income (loss).....	\$ 4,877,384	\$ (293,996)	\$ 90,493	\$ 10,318	\$ 4,684,199	\$ 13,765,524
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation and amortization.....	74,638	5,603,932	117,914	617,815	6,414,299	11,749,494
(Increase) decrease in:						
Receivables and prepaid items.....	6,897,293	1,722,391	(255)	(2,439)	8,616,990	(5,025,057)
Due from component unit.....	-	-	-	(1,063)	(1,063)	17,146
Inventories.....	-	-	(2,301)	-	(2,301)	95,404
Increase (decrease) in:						
Accounts payable and accrued expenses.....	(1,293,424)	(841,327)	(1,959)	26,431	(2,110,279)	1,686,645
Unearned revenue.....	-	-	-	-	-	56,476
Advance from other funds.....	-	-	-	-	-	(109,416)
Net Cash Provided by Operating Activities	<u>\$ 10,555,891</u>	<u>\$ 6,191,000</u>	<u>\$ 203,892</u>	<u>\$ 651,062</u>	<u>\$ 17,601,845</u>	<u>\$ 22,236,216</u>
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>						
Capital asset additions through increase in debt.....	-	-	-	-	-	489,390
Contributions of capital assets.....	-	-	-	-	-	1,377,967
Loss on disposal of capital assets.....	-	-	-	(1,461)	(1,461)	(31,152)
Increase in fair value of investments.....	213,375	215,337	-	-	428,712	-

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

Hennepin County, Minnesota  
**Statement of Fiduciary Net Position**  
**Agency Fund**  
December 31, 2012

	Agency
<b>ASSETS</b>	
Cash and investments . . . . .	\$ 120,940,834
Delinquent taxes receivable . . . . .	45,494,396
Total Assets	\$ 166,435,230
<b>LIABILITIES</b>	
Amounts held or due as agent	\$ 166,435,230

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



Hennepin County, Minnesota  
**Notes to the Basic Financial Statements**  
December 31, 2012

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Hennepin County, Minnesota  
**Notes to the Basic Financial Statements**  
December 31, 2012

**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, a financial benefit or burden relationship exists, and management of the County has operational responsibility for the RRA. 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, a financial benefit or burden relationship exists, and management of the County has operational responsibility for the HRA. 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**

Hennepin Healthcare System, Inc. d.b.a. Hennepin County Medical Center (the 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 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.

On January 1, 2012, Hennepin Faculty Associates, a multispecialty physician group practicing primarily at the Medical Center, became fully integrated with the Medical Center. The integration was accounted for as a government merger under pooling concepts.

Hennepin County, Minnesota  
**Notes to the Basic Financial Statements**  
December 31, 2012

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

**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.

➤ **Government-wide Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component unit 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 position. 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 Position* – This statement is designed to display the financial position of the County and its component units. The County reports all capital assets, including infrastructure, and all long-term liabilities, such as long-term debt. The net position of the County is broken down into three categories 1) net investment in capital assets; 2) restricted; and 3) unrestricted. Restrictions reported are those imposed by parties outside the County, such as creditors, grantors, contributors, laws and regulations of other governments, or imposed by law through enabling legislation. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as they are needed. 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 Position 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, 2012

**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 postemployment 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, 2012

**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 financial, social and public health services.
- 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.

*Capital Projects Funds* account 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.

*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 position. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which 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, 2012

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

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 state-authorized health maintenance organization operations. MHP provides comprehensive coverage to enrollees who are eligible for state and federal funded health programs including Medicaid Expansion, Minnesota Senior Care Plus, Minnesota Senior Health Options, and Special Needs Basic Care.
- 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, the countywide multi-function device program, paper recycling, and surplus furnishings and equipment services.
- The *Central Mobile Equipment 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 workers' compensation and tort liabilities, and for amounts relating to building and contents property insurance retentions.
- The *Employee Health Plan Self Insurance Fund* is used to account for the County's self-insured health benefit plan.
- The *Other Employee Benefits Fund* is used to account for the cost of compensated absences and the cost of other postemployment benefit obligations for governmental funds.

Hennepin County, Minnesota  
**Notes to the Basic Financial Statements**  
December 31, 2012

**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. Each fund's portion of the pool is reported as "cash" or "restricted cash." For 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: U.S. government and 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; and shares of certain investment companies.

**Interfund Receivables and Payables**

Transactions between funds that are representative of lending/borrowing arrangements, as well as unpaid amounts of interfund services provided and used that are outstanding at the end of the year are referred to as "interfund receivables/payables." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

**Receivables**

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. Receivable amounts relating to intergovernmental revenues are generally reimbursement based, with no allowance for uncollectible accounts necessary. 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.

**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 nonspendable constraint of fund balance.

Hennepin County, Minnesota  
**Notes to the Basic Financial Statements**  
 December 31, 2012

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

**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 and improvements; \$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 the life of an asset 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 is capitalized when there is a period of time required to prepare the capital asset for use. 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	7 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 Position. 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. Governmental funds recognize bond premiums, discounts, 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. The County has chosen the option of using an Internal Service Fund to account for the cost and liquidation of the governmental funds’ compensated absences. As a result, the County reports these estimated future benefit costs on a full accrual basis.

Hennepin County, Minnesota  
**Notes to the Basic Financial Statements**  
December 31, 2012

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

**Fund Balance and Net Position**

In the governmental fund financial statements, fund balance is displayed in the following classifications that are based on the spending constraints placed on the resources:

- Nonspendable fund balance – amounts that are not in a spendable form (such as inventory) or are required to be maintained intact (such as revolving loan funds).
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, or higher levels of government) or imposed by law through enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by the County Board as approved or rescinded in a Board Resolution.
- Assigned fund balance – amounts constrained by the County's intent to be used for specific purposes, but are neither restricted nor committed. As adopted in 2010 on Board Resolution 10-0431R2, the County Board, County Administrator, Deputy County Administrator, and the Director of the Office of Budget and Finance have the authority to assign fund balance.
- Unassigned fund balance – amounts included in the residual classification for the General Fund that have not been restricted, committed, or assigned to specific purposes, and deficit fund balances of the other funds.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, restricted fund balance is used first. When an expenditure is incurred for which unrestricted fund balance is to be used, committed amounts are used first, followed by assigned, and then unassigned.

In the enterprise fund and government-wide financial statements, the net investment in capital assets portion is reported separately. Restricted net position is reported for amounts that are legally restricted by outside parties to be used for a specific purpose or imposed by law through enabling legislation.

**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, 2011, 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, 2012

**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 Position:**

The basic financial statements include a reconciliation of the governmental fund balance sheet to the Statement of Net Position. 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.) .....	\$ 2,381,989,456
Governmental fund accumulated depreciation .....	<u>(826,784,008)</u>
Total Capital Assets Reconciliation Item	<u>\$ 1,555,205,448</u>

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

General obligation (G.O.) bonds and notes payable .....	\$ (815,005,000)
Deferred charge on refundings of G.O. bonds (to be amortized as interest expense) .....	12,964,534
Net G.O. premiums and discounts (to be amortized as interest expense) .....	(23,423,608)
Deferred charges for G.O. issuance costs (to be amortized over the life of the debt) .....	4,386,035
Revenue bonds .....	(291,480,000)
Revenue bond premiums (to be amortized as interest expense) .....	(8,084,410)
Deferred charges for revenue bond issuance costs (to be amortized over the life of the debt) .....	1,115,353
Lease revenue certificate of participation (COP) payable .....	(8,330,128)
C.O.P. premiums (to be amortized as interest expense) .....	(720)
Notes payable .....	(7,138,254)
Accrued interest payable .....	<u>(3,077,000)</u>
Total Long-Term Liabilities Reconciliation Item	<u>\$ (1,138,073,198)</u>

**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 .....	\$ 86,262,534
Less depreciation expense .....	<u>(50,362,397)</u>
Total Capital Outlays and Depreciation Reconciliation Item	<u>\$ 35,900,137</u>

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

Issuance of debt .....	\$ (61,605,000)
Bond premiums .....	(3,870,697)
Issuance costs .....	597,188
Loss on current year refunding .....	6,589,334
Principal repayments – G.O. debt .....	60,800,000
Principal repayments – refunding bonds .....	58,290,000
Principal repayments – Ballpark revenue bonds .....	16,300,000
Principal repayments – note payable .....	518,092
Principal repayments – lease revenue certificate of participation .....	<u>2,636,121</u>
Total Long-term Debt Reconciliation Item	<u>\$ 80,255,038</u>

Hennepin County, Minnesota  
**Notes to the Basic Financial Statements**  
December 31, 2012

**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 \$14,158,414. 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 \$5,094,422. County, fiduciary, and discretely presented component unit cash and investments are pooled.

**Management of Investment Risk**

At December 31, 2012, the County had the following investments. Effective duration is shown in years.

Nonfiduciary Investments	Fair Value	Effective Duration
U.S. government and agency	\$ 790,987,238	1.67
Municipal securities	69,850,037	2.33
Repurchase agreements	95,702,312	0.03
Money market funds	9,212,110	0.13
Total fair value	<u>\$ 965,751,697</u>	
Effective duration		1.54

*Interest Rate Risk.* Through its investment policy, the County manages exposure to fair value losses arising from increasing interest rates by limiting the effective duration of the 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. government and agencies, municipal securities, and money market funds were AAA or AA by Standard & Poor's and Fitch Ratings, and Aaa or Aa1 by Moody's Investors Service, with the exception of \$58,152,171 of unrated U.S. government and agency issues. 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 and agency issues 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 is in each of the following: Federal National Mortgage Association (38%), Federal Home Loan Mortgage Corporation (22%), Federal Agricultural Mortgage Corporation (6%), Federal Home Loan Bank, (6%), and Federal Farm Credit Bank (6%).

Hennepin County, Minnesota  
**Notes to the Basic Financial Statements**  
December 31, 2012

**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 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 funds shown in the table below. 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 2012 is as follows:

Fund	Investment Income and Realized Gains and Losses	Net Increase in the Fair Value of Investments	Total Investment Earnings
<u>Governmental Funds:</u>			
General	\$ 6,395,932	\$ 2,740,697	\$ 9,136,629
Special Revenue:			
Library	56,154	29,638	85,792
Ballpark Sales Tax	2,286	-	2,286
Housing and Redevelopment	51,384	35,568	86,952
Regional Railroad	276,173	141,723	417,896
General Debt Service	935	-	935
General Capital Projects	181,387	-	181,387
	<u>6,964,251</u>	<u>2,947,626</u>	<u>9,911,877</u>
<u>Proprietary Funds:</u>			
Enterprise:			
Metropolitan Health Plan	487,860	307,089	794,949
Solid Waste	428,219	215,337	643,556
	<u>916,079</u>	<u>522,426</u>	<u>1,438,505</u>
Total	<u>\$ 7,880,330</u>	<u>\$ 3,470,052</u>	<u>\$ 11,350,382</u>

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

	2012	2011
Investment income and realized gains and losses	\$ 7,880,330	\$ 11,741,876
Net annual increase (decrease) in the fair value of investments	3,470,052	4,155,577
Total Investment Earnings	<u>\$ 11,350,382</u>	<u>\$ 15,897,453</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
- \$10,172,861 Solid Waste Fund Environmental Response Program cash and investments restricted for purposes specified by Minnesota statutes, section 383B.81.
- Grant proceeds totaling \$1,039,059 are restricted in the Solid Waste Fund for conservation programs and the cleanup of brownfields.

Hennepin County, Minnesota  
**Notes to the Basic Financial Statements**  
December 31, 2012

**5. CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2012 was as follows:

	Balance January 1, 2012	Additions and Transfers In	Deletions and Transfers Out	Balance December 31, 2012
<b>Governmental Activities:</b>				
<i>Capital assets not being depreciated:</i>				
Art & historical treasures	\$ 4,658,497	\$ 17,989	\$ -	\$ 4,676,486
Land	106,817,958	3,071,913	(298,676)	109,591,195
Construction in progress – buildings	7,402,602	7,396,172	(473,416)	14,325,358
Construction in progress – infrastructure	138,055,163	68,886,971	(115,153,851)	91,788,283
<i>Total capital assets not being depreciated</i>	<u>256,934,220</u>	<u>79,373,045</u>	<u>(115,925,943)</u>	<u>220,381,322</u>
<i>Capital assets being depreciated:</i>				
Buildings	750,249,381	700,030	(2,114,127)	748,835,284
Equipment	145,921,742	20,992,512	(13,661,478)	153,252,776
Software	20,417,806	214,699	-	20,632,505
Library books and materials	71,665,025	5,434,344	(7,848,900)	69,250,469
Leasehold improvements	13,086,656	-	-	13,086,656
Land improvements	23,434,070	-	-	23,434,070
Infrastructure	1,146,203,864	115,153,851	(7,109,517)	1,254,248,198
<i>Total capital assets being depreciated</i>	<u>2,170,978,544</u>	<u>142,495,436</u>	<u>(30,734,022)</u>	<u>2,282,739,958</u>
<i>Less accumulated depreciation for:</i>				
Buildings	317,323,330	18,877,615	(1,491,267)	334,709,678
Equipment	101,426,567	18,025,141	(12,755,285)	106,696,423
Software	1,998,432	2,691,719	-	4,690,151
Library books and materials	43,766,065	8,240,771	(7,848,900)	44,157,936
Leasehold improvements	11,770,999	192,610	-	11,963,609
Land improvements	8,213,556	1,511,482	-	9,725,038
Infrastructure	369,430,270	17,093,475	(4,832,725)	381,691,020
<i>Total accumulated depreciation</i>	<u>853,929,219</u>	<u>66,632,813</u>	<u>(26,928,177)</u>	<u>893,633,855</u>
Total capital assets being depreciated, net	<u>1,317,049,325</u>	<u>75,862,623</u>	<u>(3,805,845)</u>	<u>1,389,106,103</u>
Governmental activities capital assets, net	<u>1,573,983,545</u>	<u>155,235,668</u>	<u>(119,731,788)</u>	<u>1,609,487,425</u>
<b>Business-type Activities</b>				
<i>Capital assets not being depreciated:</i>				
Land	9,164,524	-	-	9,164,524
Construction in progress – buildings	136,960	14,941	-	151,901
<i>Total capital assets not being depreciated</i>	<u>9,301,484</u>	<u>14,941</u>	<u>-</u>	<u>9,316,425</u>
<i>Capital assets being depreciated:</i>				
Buildings	134,672,045	5,662,860	(3,818,672)	136,516,233
Equipment	17,160,263	1,853,583	(3,425,166)	15,588,680
Leasehold improvements	2,317,221	-	(643,889)	1,673,332
Land improvements	1,893,908	-	-	1,893,908
<i>Total capital assets being depreciated</i>	<u>156,043,437</u>	<u>7,516,443</u>	<u>(7,887,727)</u>	<u>155,672,153</u>
<i>Less accumulated depreciation for:</i>				
Buildings	47,474,577	5,436,326	(3,818,672)	49,092,231
Equipment	12,855,544	827,579	(3,423,705)	10,259,418
Leasehold improvements	2,242,586	74,638	(643,892)	1,673,332
Land improvements	1,136,346	75,756	-	1,212,102
<i>Total accumulated depreciation</i>	<u>63,709,053</u>	<u>6,414,299</u>	<u>(7,886,269)</u>	<u>62,237,083</u>
Total capital assets being depreciated, net	<u>92,334,384</u>	<u>1,102,144</u>	<u>(1,458)</u>	<u>93,435,070</u>
Business-type activities capital assets, net	<u>101,635,868</u>	<u>1,117,085</u>	<u>(1,458)</u>	<u>102,751,495</u>
Total Capital Assets, Net	<u>\$ 1,675,619,413</u>	<u>\$ 156,352,753</u>	<u>\$ (119,733,246)</u>	<u>\$ 1,712,238,920</u>

Hennepin County, Minnesota  
**Notes to the Basic Financial Statements**  
December 31, 2012

**5. CAPITAL ASSETS – CONTINUED**

The direct depreciation expenses shown in the Statement of Activities includes the depreciation expenses of the Internal Service Funds. The \$11,749,494 of depreciation is included in the governmental activities programs in the following amounts: General Government \$2,026,572, Human Services \$1,780,366, Health \$551,695, Public Safety \$2,590,683, Public Works \$4,085,075 and Libraries \$715,103.

Of the capital assets shown in governmental activities in the previous table, the RRA and HRA blended component units' capital asset activity for the year ended December 31, 2012 was as follows:

	Balance January 1, 2012	Additions	Deletions	Balance December 31, 2012
<b>RRA Activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land (including rail corridor)	\$ 36,197,290	\$ 2,714,890	\$ -	\$ 38,912,180
<i>Capital assets being depreciated:</i>				
Buildings	2,371,256	-	(580,575)	1,790,681
Less accumulated depreciation	1,646,188	171,818	(580,575)	1,237,431
Total capital assets being depreciated, net	725,068	(171,818)	-	553,250
RRA Capital Assets, Net	\$ 36,922,358	\$ 2,543,072	\$ -	\$ 39,465,430
<b>HRA Activities:</b>				
<i>Capital assets being depreciated:</i>				
Buildings	\$ 12,654,573	\$ -	\$ -	\$ 12,654,573
Less accumulated depreciation	3,577,039	632,728	-	4,209,767
Total capital assets being depreciated, net	9,077,534	(632,728)	-	8,444,806
HRA Capital Assets, Net	\$ 9,077,534	\$ (632,728)	\$ -	\$ 8,444,806

**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	\$10,306,335	\$ 8,675,520	\$ 3,079,177	\$ 38,547,982	\$ (2,025,791)	\$ 58,583,223
Human Services	4,336,891	29,051,627	-	929,633	(1,305,870)	33,012,281
Library	1,051,144	378	-	142,474	(319,053)	874,943
Ballpark Sales Tax	-	5,012,753	-	-	-	5,012,753
HRA	-	46,061	-	40,127	-	86,188
RRA	323,422	-	-	267,528	(98,909)	492,041
General Debt Service	1,337,649	-	-	-	(410,437)	927,212
General Capital Projects	80,422	7,666,478	3,548	818,769	(26,280)	8,542,937
MHP	-	-	-	6,831,110	(411,362)	6,419,748
Solid Waste	2,263	-	-	5,653,436	(579)	5,655,120
Radio Comm.	-	-	-	112,948	-	112,948
Internal Service	-	-	-	950,129	-	950,129
<b>Total</b>	<b>\$ 17,438,126</b>	<b>\$ 50,452,817</b>	<b>\$ 3,082,725</b>	<b>\$ 54,294,136</b>	<b>\$ (4,598,281)</b>	<b>\$120,669,523</b>

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

**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 \$4,186,340 in the governmental funds and \$579 in proprietary funds.

**Notes Receivable**

In addition to the receivables detailed in the preceding table, the County reports notes receivable totaling \$106,805,000 in the General Debt Service Fund. A \$102,810,000 note receivable was established when the County assisted the Counties Transit Improvement Board (CTIB) in obtaining more favorable financing terms by issuing sales tax revenue bonds and loaning the proceeds to CTIB. As disclosed in Note 7, CTIB is expected to repay the remaining \$99,265,000 balance from sales tax revenues equal to the bond debt service paid by the County. The remaining \$7,540,000 of notes receivable in the General Fund relates to the notes receivable from the Minnehaha Watershed District for similar transactions.

The County reports \$14,760,000 notes receivable in the HRA Fund. In 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 to serve as the Northwest Family Service Center. The County's participation in this transaction allowed the County and CEAP to benefit from New Market Tax Credits. The County originally provided an \$18,175,000 loan for this project, which flowed through the HRA. As such, the HRA reports the note receivable and a corresponding interfund payable to the County. The \$14,175,000 note receivable from Northwest Family Service Center Lender LLC matures in June 2019. Of the original \$4,000,000 note receivable from CEAP, the remaining \$585,000 principal balance is expected to be received in 2013. Both notes charge a 6% interest rate.

**Deferred Long-term Loans Receivable**

In 2000, the HRA 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, 2012 there are 149 AHIF deferred loans outstanding, with original terms ranging from 10 to 60 years. Loans totaling \$22,767,075 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 \$22,161,305 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 \$10,852,840 is outstanding at year-end for 593 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 50 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.

Hennepin County, Minnesota  
**Notes to the Basic Financial Statements**  
December 31, 2012

**6. RECEIVABLES – CONTINUED**

**Deferred Long-term Loans Receivable – Continued**

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, 2012 there are 402 HOME deferred loans totaling \$29,953,662 outstanding, with original terms ranging from 20 to 40 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.

**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
2013	\$ 11,486,143
2014	11,692,894
2015	11,903,366
2016	12,177,626
2017	12,335,744
2018-2021	51,603,737
Total	\$ 111,139,510

**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.

Hennepin County, Minnesota  
**Notes to the Basic Financial Statements**  
December 31, 2012

**7. COMMITMENTS – CONTINUED**

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

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 2012 relating to Medical Center capital improvements that had not yet been completed totaled \$42,875,145 with \$20,072,700 already expended, resulting in a remaining commitment of \$22,802,445.

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 \$1,000,000 annually, the County would reimburse the Medical Center for 50% of the amount in excess of \$1,000,000.

**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, the County assisted 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. Remaining principal and interest payments total \$149,203,400. At year-end, CTIB assets totaled \$89,236,861 and liabilities totaled \$111,975,520, resulting in deficit net position of \$22,738,659. The deficit net position relates to the use of long-term debt for the provision of grants to fund transit projects for other local governments pursuant to Minn. Statutes Section 297A.992. The deficit is expected to be funded by future sales tax revenue streams. 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 the year 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 \$2,524,861 from the Medical Center under a capital lease agreement.
- The County provided \$24,000,000 to the Medical Center in support of uncompensated care provided to Hennepin County citizens.
- The County contributed \$5,614,000 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 2012, MHP purchased Medical Center services totaling \$40,136,759.

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:

- \$14,760,000 due from the HRA Fund to the General Capital Projects Fund relating to the County's participation in a project to construct the Northwest Family Service Center and benefit from New Market Tax Credits as described in Note 6. Approximately \$14,175,000 is not expected to be repaid within one year.
- \$28,331,243 due from the General Fund to an Internal Service Fund for future postemployment healthcare benefits. Approximately \$28,100,000 is not expected to be repaid within one year.
- \$17,555,506 due from the Human Services Fund to an Internal Service Fund for future postemployment healthcare benefits. Approximately \$16,400,000 is not expected to be repaid within one year.
- \$3,641,426 due from the Library Fund to an Internal Service Fund for future postemployment healthcare benefits. Approximately \$3,400,000 is not expected to be repaid within one year.

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 and compensated absences. As a result, 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 2012:**

Fund Transferred From	Fund Transferred To	Purpose	Amount
<b><i>Between Funds Within Governmental Activities:</i></b>			
General	Human Services	Support shelter and employment services	\$ 350,000
General	General Debt Service	Central Library Parking Facility debt service	638,556
General	General Capital Projects	701 Building facility preservation	500,000
General	General Capital Projects	Interchange project	15,058,500
HRA	Human Services	Support Northwest Family Service Center location	1,138,211
General Capital Projects	Human Services	Return excess from Northwest Family Service Center project	2,174,000
Ballpark Sales Tax	General	Sales tax support of youth sports	1,600,000
Ballpark Sales Tax	Library	Sales tax support of extended library hours	1,860,000
Ballpark Sales Tax	General Debt Service	Ballpark debt service	28,956,332
General Capital Projects	HRA	Affordable housing and transit oriented development	911,103
General Capital Projects	General Debt Service	Augsburg debt service	195,460
RRA	RRA Capital Projects	Establish new RRA Capital Projects Fund	10,800,000
			\$ 64,182,162

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, 2012 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
G.O. bonds – County-wide	\$ 624,913,750	\$59,065,000	\$(101,970,250)	\$582,008,500	\$37,750,750
G.O. bonds – libraries	78,876,250	2,540,000	(9,184,750)	72,231,500	6,519,250
Limited Authority G.O. bonds RRA	40,505,000	-	(1,395,000)	39,110,000	1,435,000
G.O. bonds – non-levy supported	1,150,000	-	(140,000)	1,010,000	150,000
G.O. revenue bonds – CTIB	102,810,000	-	(3,545,000)	99,265,000	3,685,000
G.O. Capital notes	24,235,000	-	(2,855,000)	21,380,000	2,965,000
Unamortized premiums	23,757,104	3,870,697	(4,204,193)	23,423,608	2,105,515
Deferred amount on refundings	(7,119,778)	(6,770,245)	925,489	(12,964,534)	(1,022,450)
Total G.O. bonds & notes	889,127,326	58,705,452	(122,368,704)	825,464,074	53,588,065
Sales tax revenue bonds	307,780,000	-	(16,300,000)	291,480,000	5,230,000
Unamortized premiums	8,456,629	-	(372,219)	8,084,410	372,219
Total revenue bonds and notes	316,236,629	-	(16,672,219)	299,564,410	5,602,219
Total G.O. & revenue bonds and notes	1,205,363,955	58,705,452	(139,040,923)	1,125,028,484	59,190,284
Lease revenue certificates of participation (COPS)	11,350,000	-	(2,700,000)	8,650,000	2,785,000
Deferred amount on refunding	(431,132)	-	111,260	(319,872)	(111,260)
Unamortized premiums	971	-	(251)	720	250
Total COPS	10,919,839	-	(2,588,991)	8,330,848	2,673,990
Notes payable	7,747,727	-	(609,473)	7,138,254	616,079
Compensated absences	94,528,026	4,183,310	(4,614,677)	94,096,659	4,590,000
Postemployment healthcare	36,393,000	15,995,551	(10,239,000)	42,149,551	-
	<b>1,354,952,547</b>	<b>78,884,313</b>	<b>(157,093,064)</b>	<b>1,276,743,796</b>	<b>67,070,353</b>
<b>Business-type Activities:</b>					
G.O. bonds – Golf Course	1,405,000	-	(140,000)	1,265,000	145,000
G.O. revenue bonds – Solid Waste	4,100,000	-	(4,100,000)	-	-
Unamortized premiums	(228)	-	228	-	-
Total G.O. Revenue bonds	4,099,772	-	(4,099,772)	-	-
Compensated absences	2,070,894	17,524	(367,650)	1,720,768	350,000
Postemployment healthcare	1,672,000	185,256	(118,000)	1,739,256	-
	<b>9,247,666</b>	<b>202,780</b>	<b>(4,725,422)</b>	<b>4,725,024</b>	<b>495,000</b>
<b>Government-wide Total</b>	<b>\$1,364,200,213</b>	<b>\$79,087,093</b>	<b>\$(161,818,486)</b>	<b>\$1,281,468,820</b>	<b>\$67,565,353</b>

The Schedule of Changes in Long-term Debt (page 106) 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 postemployment healthcare.

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

**General obligation (G.O.) 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 G.O. bonds to provide funds for the acquisition and construction of major capital facilities. During the year, G.O. bonds totaling \$61,605,000 were issued.

Of this amount, \$25,230,000 was issued to refund the \$24,500,000 remaining balance of series 2004A. The reacquisition price exceeded the net carrying amount of the old debt by \$2,328,759. This amount is being netted against the new debt and amortized over the life of the related debt. The advance refunding resulted in a total reduction of the County's debt service payments of \$3,166,970 over twelve years and a total economic gain (difference between the present value of the debt service payments for the old and new debt) of \$2,909,171.

In addition, \$36,375,000 was issued to refund the \$33,790,000 callable amount of series 2006A. The reacquisition price exceeded the net carrying amount of the old debt by \$4,441,486. This amount is being netted against the new debt and amortized over the life of the related debt. The advance refunding resulted in a total reduction of the County's debt service payments of \$4,100,299 over fourteen years and a total economic gain of \$3,659,207.

In 2012, debt service for G.O. bonds included \$10,000,000 of optional redemptions.

**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, \$468,501,057 of total remaining Ballpark Revenue Bond principal and interest was expected to be paid from future sales tax collected through 2037. The 2012 \$28,584,876 principal and interest payments, which included \$11,400,000 of optional redemptions, were primarily paid from \$31,093,416 of net sales tax revenues collected during 2012 (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 G.O. 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 variable rate Series 2008C sales tax revenue bonds is renewed and the bonds are remarketed):

	<u>G.O. Bonds &amp; Notes</u>		<u>Sales Tax Revenue Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
<b>Governmental Activities:</b>					
2013	\$ 48,670,000	\$ 27,992,027	\$ 5,230,000	\$ 12,074,826	\$ 93,966,853
2014	49,265,000	26,463,160	5,690,000	11,856,900	93,275,060
2015	49,170,000	24,825,727	6,130,000	11,617,575	91,743,302
2016	49,880,000	23,106,910	6,630,000	11,384,049	91,000,959
2017	48,110,000	21,317,755	7,155,000	11,118,224	87,700,979
2018-2022	211,045,000	79,784,315	45,055,000	50,467,116	386,351,431
2023-2027	163,445,000	41,971,078	65,170,000	38,278,647	308,864,725
2028-2032	75,530,000	12,839,742	80,320,000	21,555,304	190,245,046
2033-2037	19,615,000	1,899,070	70,100,000	8,668,416	100,282,486
	<u>714,730,000</u>	<u>260,199,784</u>	<u>291,480,000</u>	<u>177,021,057</u>	<u>1,443,430,841</u>
<b>Business-type Activities:</b>					
2013	145,000	25,300	-	-	170,300
2014	145,000	22,400	-	-	167,400
2015	150,000	19,500	-	-	169,500
2016	155,000	16,500	-	-	171,500
2017	160,000	13,400	-	-	173,400
2018-2020	510,000	20,600	-	-	530,600
	<u>1,265,000</u>	<u>117,700</u>	<u>-</u>	<u>-</u>	<u>1,382,700</u>
	<u>\$ 715,995,000</u>	<u>\$260,317,484</u>	<u>\$291,480,000</u>	<u>\$177,021,057</u>	<u>\$1,444,813,541</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. The liquidity facility that supports the series 2008C variable rate bonds expires in June 2014. If renewal or substitution efforts are unsuccessful, the 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. If the 2008C bonds are mandatorily redeemed, 2014 debt service for sales tax revenue bond principal will be \$45,390,000, rather than the \$5,690,000 shown in the table above.

Hennepin County, Minnesota  
**Notes to the Basic Financial Statements**  
December 31, 2012

**11. DEBT SERVICE REQUIREMENTS – CONTINUED**

**G.O. revenue bonds** are issued when specific revenues are pledged to pay debt service. County revenue bonds relating to the Augsburg Ice Arena in the amount of \$1,010,000 are payable from the facility's pledged revenue through 2018. In 2010, the County issued \$102,810,000 of G.O. Senior Sales Tax Revenue Bonds, which are payable from CTIB sales tax revenues through 2030. Additional information is provided in Note 7.

Annual debt service requirements for G.O. revenue bonds, as of December 31 are as follows:

	<b>G.O. Revenue Bonds</b>		Total
	Principal	Interest	
<b>Governmental Activities:</b>			
2013	\$ 3,835,000	\$ 4,650,724	\$ 8,485,724
2014	3,990,000	4,496,274	8,486,274
2015	4,155,000	4,335,588	8,490,588
2016	4,320,000	4,167,904	8,487,904
2017	4,535,000	3,952,074	8,487,074
2018-2022	25,455,000	16,187,529	41,642,529
2023-2027	31,410,000	10,033,212	41,443,212
2028-2030	22,575,000	2,294,250	24,869,250
	\$ 100,275,000	\$ 50,117,555	\$ 150,392,555

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

	Principal	Interest	Total
<b>Governmental Activities:</b>			
2013	\$ 616,079	\$ 3,715	\$ 619,794
2014	623,163	908	624,071
2015	518,092	-	518,092
2016	518,092	-	518,092
2017	518,092	-	518,092
2018-2022	2,590,460	-	2,590,460
2023-2026	1,754,276	-	1,784,276
	\$ 7,138,254	\$ 4,623	\$ 7,142,877

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

**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 remaining three years range from \$2,785,000 to \$2,985,000 for principal, and from \$104,475 to \$285,106 for interest.

**Taxable commercial paper** was issued in a par amount of \$50,000,000 in February 2012 at an interest rate of 0.25% and a maturity date of March 14, 2012, pursuant to its authorized \$150,000,000 commercial paper program. In March, the County rolled that \$50,000,000 issuance for another 30 days at an interest rate of 0.24% and a maturity date of April 13, 2012. In April, the County rolled the initial \$50,000,000 and added an additional \$25,000,000 for a total of \$75,000,000 for 30 days at an interest rate of 0.24%. That issuance was repaid on May 14, 2012. 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. In November 2012, the County Board increased the size of the program to \$200,000,000 and extended the term of the program to December 31, 2017.

**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.

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, 2011	Balance December 31, 2012
Community Provider Program, August 1993	\$ 4,409,000	\$ 261,000	\$ 132,000
Opportunity Partners, Inc., September 2008	2,940,022	2,350,832	2,149,734
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
Ebenezer York Assisted Living LLC December 2009	16,000,000	15,268,000	14,960,048
	<u>\$ 60,719,022</u>	<u>\$ 55,249,832</u>	<u>\$ 54,611,782</u>

Hennepin County, Minnesota  
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**13. GOVERNMENTAL FUND BALANCE CLASSIFICATIONS**

In addition to unassigned fund balance, governmental fund balance classifications and the constraints imposed on the uses of those resources are shown in the table below. The classifications are described in greater detail in the Fund Balance and Net Position section of Note 1.

<b>Classification and Amount at December 31, 2012</b>				
<b>Fund and Purpose</b>	<b>Nonspendable</b>	<b>Restricted For</b>	<b>Committed To</b>	<b>Assigned To</b>
<b><u>General Fund</u></b>				
Long-term portion of receivables	\$7,250,000			
Inventories	3,386,730			
Prepays	1,846,537			
Grant requirements		\$ 2,027,506		
Statutory requirements - primarily relating to youth sports & County Recorder technology		14,223,950		
Public works				\$ 1,135,462
Public safety				3,753,826
Health				532,202
General government				19,039,708
<b><u>Human Services Fund</u></b>				
Prepays	358,476			
Inventories	7,475			
Human Services & Public Health			\$ 136,058,929	
<b><u>Library Fund</u></b>				
Endowments	1,701,769			
Prepays	818,306			
Donor requirements specific to media category or library location		4,785,742		
Extended Library hours		1,432,705		
Library activities			33,073,473	
<b><u>Ballpark Sales Tax Fund</u></b>				
Debt service & statutory requirements		12,328,656		
<b><u>HRA Fund</u></b>				
Prepays	285,690			
HRA Levy requirements		4,802,398		
<b><u>RRA Fund</u></b>				
RRA Levy requirements		18,814,405		
<b><u>RRA Debt Service Fund</u></b>				
Debt service		352,002		
<b><u>RRA Capital Projects Fund</u></b>				
Interchange project		10,501,875		
<b><u>General Debt Service Fund</u></b>				
Debt service		5,465,701		
<b><u>General Capital Projects Fund</u></b>				
Long-term portion of receivables	15,691,900			
Bond requirements		29,137,975		

Hennepin County, Minnesota  
**Notes to the Basic Financial Statements**  
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**14. 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.

Outstanding and incurred but not reported (IBNR) tort claims are evaluated through a combination of case-by-case reviews and application of historical experience. The balance of the estimated tort liability in the Self Insurance fund at December 31, 2012 is \$500,000. 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:

	2012	2011
Estimated liability at beginning of year	\$500,000	\$500,000
Estimated incurred claims (including IBNR)	633,155	275,401
Claim Payments	(633,155)	(275,401)
Estimated liability at end of year	\$500,000	\$500,000

The Self-Insurance fund is also used to account for workers' compensation claims and to hold funds for property risk retentions. The County is self-insured for workers' compensation. Reinsurance for claims in excess of \$1,840,000 per occurrence was purchased. During 2012, \$2,520,419 in benefits and administrative costs were paid and charged to the workers' compensation liability account. The balance in the liability account at December 31, 2012 was \$9,806,058. The liability amount is between the high and low actuarial estimates of the remaining ultimate claim costs. Outstanding and IBNR claims are evaluated through a combination of case-by-case reviews and application of historical experience. The estimate of outstanding and IBNR claims is reviewed by an independent actuary.

Changes in the estimated workers' compensation liability during the past two years are as follows:

	2012	2011
Estimated liability at beginning of year	\$ 9,419,502	\$ 9,178,319
Estimated incurred claims (including IBNR)	2,906,975	2,291,842
Claim Payments and expenses	(2,520,419)	(2,050,659)
Estimated liability at end of Year	\$ 9,806,058	\$ 9,419,502

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.

Hennepin County, Minnesota  
**Notes to the Basic Financial Statements**  
December 31, 2012

**15. SELF-INSURED EMPLOYEE HEALTH PLAN**

Employee health claims are accounted for in the Employee Health Plan Self Insurance internal service fund. The County makes premium payments to the fund that include both employer and employee contributions. A stop-loss insurance policy was purchased for the plan which limits the County's annual exposure to 125% of projected claim payments for the year and \$500,000 per person. A liability was recorded at year-end for estimated open and IBNR claims. Outstanding and IBNR claims are evaluated through a review of current year claims paid as well as claims paid subsequent to year-end.

Changes in the employee health plan liability during the past two years are as follows:

	2012	2011
Estimated liability at beginning of year	\$ 7,142,000	\$ -
Estimated incurred claims (including IBNR)	78,894,734	79,221,185
Claim payments and expenses	(80,514,103)	(72,079,185)
Estimated liability at end of year	\$ 5,522,631	\$ 7,142,000

**16. CONTINGENCIES**

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.

**17. OTHER EMPLOYEE BENEFITS**

The County uses an internal service fund to account for the cost and liquidation of governmental fund compensated absences and postemployment healthcare 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 \$4,982,327 in 2012. 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, the liability for accumulated compensated absences for all employees totaled \$95,817,427. At the government-wide level, \$1,720,768 is reported in business-type activities. The remaining amount of \$94,096,659 is reported in governmental activities, of which \$66,148,286 is funded in the Other Employee Benefits internal service fund.

Hennepin County, Minnesota  
**Notes to the Basic Financial Statements**  
December 31, 2012

**17. 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. Individuals 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, 2012 and 2011 were \$339,700 and \$347,900, 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, 2012

**17. OTHER EMPLOYEE BENEFITS – CONTINUED**

*Funding Policy*

The Other Employee Benefits internal service fund is used to account for the cost and liquidation of postemployment healthcare benefits relating to governmental funds on a cost-reimbursement basis. Cash set aside in this internal service fund for the future costs of retiree healthcare totaling \$16,176,752 does not meet requirements for reporting this funding as a contribution in relation to the Annual Required Contribution (ARC). The County Board may change the funding policy at any time. In 2012, the County paid eligible single premium amounts for the enrolled retirees described above, while these retirees contributed \$40 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 Governmental Accounting Standards Board (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 \$16,180,808 AOC in 2012 consists of the \$8,741,741 normal cost, the \$7,280,462 amortization of UAL, and net interest and adjustments of \$158,605. During 2012, 974 former employees received this 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	\$ 16,022,203
Interest on net OPEB obligation	1,427,438
Adjustments to ARC	<u>(1,268,833)</u>
AOC (expense)	16,180,808
Contributions made	<u>(10,357,000)</u>
Increase in net OPEB obligation	5,823,808
Net OPEB obligation - beginning of year	<u>38,065,000</u>
Net OPEB obligation - end of year	<u>\$ 43,888,808</u>

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

<u>Year Ended December 31:</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Costs Contributed</u>	<u>Net OPEB Obligation</u>
2010	\$ 24,930,000	62%	\$ 31,069,000
2011	25,582,000	73%	38,065,000
2012	16,180,808	64%	43,888,808

Hennepin County, Minnesota  
**Notes to the Basic Financial Statements**  
December 31, 2012

**17. OTHER EMPLOYEE BENEFITS – CONTINUED**

*Funded Status and Funding Progress*

The actuarial accrued liability for benefits as of January 1, 2012, the most recent actuarial valuation date, was \$210,519,404. This liability will be phased in over 30 years. Contributions in relation to the \$16,180,808 AOC during 2012 totaled \$10,357,000. No plan assets exist under the GASB 45 definition of plan assets; therefore the unfunded actuarial accrued liability (UAAL) at December 31, 2012 remained \$210,519,404. The annual payroll of active employees covered by the plan was \$465,818,934. The ratio of the UAAL to the covered payroll was 45.2%.

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, 2012 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions include a 3.75% 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 8.1% initially, reduced over fifty years to an ultimate rate of 5.4%, was used. Wage inflation of 3.75% per year and a level percentage of projected payroll 30-year open amortization period were used. The Schedule of Funding Progress for the Retiree Health Plan is found in the Required Supplementary Information section on page 81.

**18. 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). However, approximately 0.2% of employees who were previously employed by the City of Minneapolis and whose work unit was transferred to the County under legislative authority are instead covered by the Minneapolis Employees Retirement Fund (MERF) division of PERA. Unless they meet PERA exclusion criteria, all other full-time and part-time employees in permanent positions are required to participate in PERA.

Hennepin County, Minnesota  
**Notes to the Basic Financial Statements**  
December 31, 2012

**18. EMPLOYEE RETIREMENT SYSTEMS – CONTINUED**

*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 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For PEPFF members, the annuity accrual rate is 3.0 percent for each year of service. The annuity accrual rate is 1.9 percent 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.

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.

Hennepin County, Minnesota  
**Notes to the Basic Financial Statements**  
December 31, 2012

**18. EMPLOYEE RETIREMENT SYSTEMS – CONTINUED**

PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERF, PEPFF, and PECF. That report may be obtained on the web at [www.mnpera.org](http://www.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. GERF Basic Plan members and Coordinated Plan members are required to contribute 9.1% and 6.25%, respectively, of their annual covered salary in 2012. PEPFF members are required to contribute 9.6% of their annual covered salary in 2012. 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 members, 7.25% for Coordinated Plan members, 14.4% for PEPFF members, and 8.75% for PECF members. The County's contributions to the Public Employees Retirement Fund for the years ending December 31, 2012, 2011, and 2010 were \$35,504,164, \$34,451,716, and \$34,411,830, 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, 2012, 2011, and 2010 were \$245,964, \$302,267, and \$374,139, respectively.

**19. NEW ACCOUNTING PRONOUNCEMENTS**

**Accounting Standards Adopted in the Current Year**

GASB Statement No. 61, The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34, was implemented in 2012. This statement modified certain requirements for inclusion of component units, amended criteria for blending, and clarified the reporting of equity interests in legally separate entities. The County's January 1, 2012 beginning net position was restated to include the \$352,402,702 equity interest in the Medical Center, a discretely presented component unit, at that date.

GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position, was implemented in 2012. This statement provided financial reporting guidance for deferred outflows of resources and deferred inflows of resources.

Hennepin County, Minnesota  
**Notes to the Basic Financial Statements**  
December 31, 2012

**19. NEW ACCOUNTING PRONOUNCEMENTS – CONTINUED**

**Accounting Standards Adopted in the Current Year – Continued**

The following GASB Statements were also adopted in 2012 with no impact on the County's current financial reporting: No. 60, Accounting and Financial Reporting for Service Concession Arrangements; No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA pronouncements; and No. 66, Technical Corrections-2012.

**Accounting Standards Not Yet Adopted**

GASB Statement No. 65, Items Previously Reported as Assets and Liabilities, will be effective for the County on January 1, 2013. This statement clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting.

GASB Statement No. 68, Accounting and Financial Reporting for Pensions, will be effective for the County on January 1, 2015. This statement revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. Among other requirements, Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time and calls for immediate recognition of more pension expense than is currently required.

GASB Statement No. 69, Government Combinations and Disposals of Government Operations, will be effective for the County on January 1, 2014. This statement provides guidance for determining whether a specific government combination is a government merger, acquisition, or a transfer of operations, which will improve accounting for mergers and acquisitions among state and local governments.

GASB Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees, will effective for the County on January 1, 2014. This statement provides guidance to governments that extend and receive nonexchange financial guarantees.

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

**20. SUBSEQUENT EVENTS**

In January 2013, the County issued \$20,000,000 in series 2013A general obligation bonds at a premium of \$3,157,880 to finance capital improvements. In January 2013, the County also issued \$20,780,000 G.O. Refunding Bonds series 2013A with a premium of \$2,290,219 to refund the \$22,700,000 remaining balance of the series 2005A G.O. Bonds. This current refunding resulted in a reduction of the County's debt service payments of \$2,486,590 over the next five years and an economic gain of \$2,432,077.

The County also issued \$7,075,000 in series 2013B general obligation bonds at a premium of \$319,754 in January to finance various capital improvement projects for the Minnehaha Creek Watershed District's Land Conservation program. Debt service on the 2013B bonds will be payable from ad valorem taxes levied from the District, though the bonds are ultimately secured by the County's general obligation unlimited tax pledge.

In February 2013, the County issued \$75,000,000 of taxable commercial paper certificates for 71 days at an interest rate of 0.24% and a maturity date of May 10, 2013, pursuant to its authorized \$200,000,000 commercial paper program. The County Board authorized the commercial paper program as a liquidity instrument as well as a short-term option to fund the capital improvement plan.

**Required  
Supplementary Information**



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

	Actuarial valuation date				
	1/1/2008	1/1/2009	1/1/2010	1/1/2011	1/1/2012
<b>Results of Actuarial Valuation</b>					
Actuarial value of assets . . . . .	\$ -	-	-	-	-
Actuarial accrued liability (AAL) entry age normal cost method . . . . .	\$ 227,798,000	213,269,000	277,388,000	287,362,000	210,519,404
Unfunded AAL (UAAL) . . . . .	\$ 227,798,000	213,269,000	277,388,000	287,362,000	210,519,404
Funded ratio . . . . .	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Covered payroll . . . . .	\$ 474,842,065	475,854,166	474,028,795	467,775,317	465,818,934
UAAL as a percentage of covered payroll . . . . .	48.0 %	44.8 %	58.5 %	61.4 %	45.2 %
<b>Trend Information</b>					
	12/31/2008	12/31/2009	12/31/2010	12/31/2011	12/31/2012
Annual required contribution (ARC) . . . . .	\$ 19,716,000	19,346,000	24,898,000	25,536,000	16,022,203
Employer contributions . . . . .	\$ 11,810,000	13,181,000	15,566,000	18,586,000	10,357,000
Contributions as a percentage of the ARC . . . . .	60 %	68 %	63 %	73 %	65 %
Interest and adjustments . . . . .	28,000	57,000	32,000	46,000	158,605
Net OPEB obligation . . . . .	\$ 15,483,000	21,705,000	31,069,000	38,065,000	43,888,808
<b>Demographics (shown only for the years where full actuarial valuations were performed)</b>					
Active employees . . . . .	7,458	7,789	7,394	N/A	7,085
Number of retirees utilizing the retiree health plan at year-end . . . . .	1,006	968	933	N/A	974
Number of active employees age 50-54 . . . . .	1,249	1,289	1,206	N/A	1,161
Number of active employees age 55-59 . . . . .	1,305	1,370	1,318	N/A	1,193
Number of active employees age 60-64 . . . . .	617	753	761	N/A	869
Number of active employees age 65+ (ineligible for benefit) . . . . .	144	170	173	N/A	228

**Notes:**

See Note 17 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, 2012 actuarial valuation was significantly lower than would have been expected based on the results of the January 1, 2010 valuation report prepared by the prior actuary. The main cost drivers for the lower estimates were the favorable medical claims experience and revisions to the assumed retirement rates, which overrode the increases in costs due to the use of a lower interest discount rate and higher medical trend rates.

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, 2012  
With Comparative Actual Amounts for Year Ended December 31, 2011

	2012					2011 Actual
	Original Budget	Final Amended Budget	Actual	Variance with Final Budget		
<b>REVENUES</b>						
Property taxes	\$ 313,046,949	\$ 315,349,220	\$ 330,342,950	\$ 14,993,730	\$ 324,864,622	
Other taxes	3,967,212	1,314,941	2,783,905	1,468,964	1,683,927	
Intergovernmental	128,092,109	130,225,138	121,643,297	(8,581,841)	124,956,677	
Investment earnings	7,250,000	7,250,000	9,136,629	1,886,629	13,293,700	
Charges for services	67,089,613	67,493,535	74,339,326	6,845,791	73,878,599	
Fines and forfeits	78,300	347,090	216,423	(130,667)	307,487	
Licenses and permits	5,154,915	5,154,915	5,190,857	35,942	5,184,180	
Other	30,057,709	28,438,058	24,736,485	(3,701,573)	24,747,566	
<b>Total Revenues</b>	<b>554,736,807</b>	<b>555,572,897</b>	<b>568,389,872</b>	<b>12,816,975</b>	<b>568,916,758</b>	
<b>EXPENDITURES - CURRENT</b>						
<b>General Government</b>						
County Board:						
Personal services	2,420,245	2,439,245	2,100,022	339,223	2,214,818	
Commodities	36,110	(120,796)	17,662	(138,458)	23,031	
Contractual services	134,239	212,636	89,019	123,617	85,965	
Capital outlay	3,386	14,186	-	14,186	-	
Other charges	131,849	94,840	57,384	37,456	63,458	
	<u>2,725,829</u>	<u>2,640,111</u>	<u>2,264,087</u>	<u>376,024</u>	<u>2,387,272</u>	
County Administration:						
Personal services	2,076,198	2,076,198	1,933,671	142,527	1,851,944	
Commodities	19,500	19,486	13,145	6,341	28,239	
Contractual services	741,243	1,004,447	687,798	316,649	639,948	
Capital outlay	3,000	3,000	-	3,000	-	
Other charges	41,550	41,550	40,824	726	17,074	
	<u>2,881,491</u>	<u>3,144,681</u>	<u>2,675,438</u>	<u>469,243</u>	<u>2,537,205</u>	
Assessor:						
Personal services	3,529,572	3,570,572	3,318,891	251,681	3,232,817	
Commodities	21,900	21,900	28,645	(6,745)	15,605	
Contractual services	411,610	411,610	424,816	(13,206)	375,520	
Capital outlay	-	-	11,904	(11,904)	-	
Other charges	33,600	33,600	29,397	4,203	25,306	
	<u>3,996,682</u>	<u>4,037,682</u>	<u>3,813,653</u>	<u>224,029</u>	<u>3,649,248</u>	
Budget & Finance:						
Personal services	8,844,185	8,844,185	8,060,798	783,387	7,675,802	
Commodities	42,360	68,295	326,464	(258,169)	348,638	
Contractual services	3,820,885	3,832,235	3,634,015	198,220	6,297,498	
Capital outlay	2,000	(7,100)	-	(7,100)	-	
Other charges	541,200	541,200	(10,279)	551,479	383,713	
	<u>13,250,630</u>	<u>13,278,815</u>	<u>12,010,998</u>	<u>1,267,817</u>	<u>14,705,651</u>	
Examiner of Titles:						
Personal services	856,948	856,948	802,114	54,834	801,163	
Commodities	2,500	2,500	2,308	192	1,809	
Contractual services	42,929	42,929	40,750	2,179	36,712	
Capital outlay	1,000	1,000	-	1,000	-	
Other charges	10,500	10,500	11,396	(896)	7,211	
	<u>913,877</u>	<u>913,877</u>	<u>856,568</u>	<u>57,309</u>	<u>846,895</u>	
Research, Planning and Development:						
Personal services	2,059,430	2,059,430	1,877,375	182,055	1,827,600	
Commodities	19,000	15,664	20,691	(5,027)	18,961	
Contractual services	541,691	518,945	401,077	117,868	805,115	
Capital outlay	-	-	-	-	96	
Other charges	64,000	64,000	36,844	27,156	22,809	
	<u>2,684,121</u>	<u>2,658,039</u>	<u>2,335,987</u>	<u>322,052</u>	<u>2,674,581</u>	
Property Services:						
Personal services	17,034,274	17,034,274	16,267,479	766,795	15,987,204	
Commodities	1,275,835	1,138,864	1,454,638	(315,774)	1,203,419	
Contractual services	26,552,480	27,136,556	24,789,587	2,346,969	24,712,886	
Capital outlay	130,520	129,451	98,255	31,196	188,798	
Other charges	860,164	895,319	686,408	208,911	488,960	
	<u>45,853,273</u>	<u>46,334,464</u>	<u>43,296,367</u>	<u>3,038,097</u>	<u>42,581,267</u>	
CIO Admin Service Management & Compliance:						
Personal services	4,714,253	4,714,253	4,396,121	318,132	4,509,630	
Commodities	96,100	(72,807)	152,767	(225,574)	57,098	
Contractual services	3,522,557	3,402,787	3,290,587	112,200	2,757,137	
Capital outlay	-	(158,480)	-	(158,480)	-	
Other charges	74,430	74,430	46,527	27,903	14,082	
	<u>8,407,340</u>	<u>7,960,183</u>	<u>7,886,002</u>	<u>74,181</u>	<u>7,337,947</u>	
Taxpayer Services:						
Personal services	20,396,948	20,396,948	19,270,986	1,125,962	20,043,524	
Commodities	448,400	435,734	301,216	134,518	277,702	
Contractual services	8,496,473	8,778,647	5,898,257	2,880,390	3,875,333	
Capital outlay	7,000	7,000	54,337	(47,337)	7,989	
Other charges	99,350	99,350	97,198	2,152	352,562	
	<u>29,448,171</u>	<u>29,717,679</u>	<u>25,621,994</u>	<u>4,095,685</u>	<u>24,557,110</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, 2012  
With Comparative Actual Amounts for Year Ended December 31, 2011

	2012				2011 Actual
	Original Budget	Final Amended Budget	Actual	Variance with Final Budget	
<b>General Government, Continued</b>					
Human Resources:					
Personal services .....	5,963,788	5,963,788	5,512,067	451,721	5,457,262
Commodities .....	81,349	86,646	112,220	(25,574)	86,696
Contractual services .....	968,007	906,375	833,648	72,727	992,971
Capital outlay .....	400	400	-	400	-
Other charges .....	91,239	108,062	133,192	(25,130)	18,745
	<u>7,104,783</u>	<u>7,065,271</u>	<u>6,591,127</u>	<u>474,144</u>	<u>6,555,674</u>
Public Affairs:					
Personal services .....	1,728,385	1,728,385	1,565,722	162,663	1,712,410
Commodities .....	50,453	50,453	78,874	(28,421)	52,151
Contractual services .....	365,324	395,324	420,702	(25,378)	404,286
Capital outlay .....	-	-	20,159	(20,159)	-
Other charges .....	86,749	86,749	86,146	603	94,068
	<u>2,230,911</u>	<u>2,260,911</u>	<u>2,171,603</u>	<u>89,308</u>	<u>2,262,915</u>
Internal Audit:					
Personal services .....	1,362,533	1,362,533	1,326,936	35,597	1,245,212
Commodities .....	5,000	5,000	8,355	(3,355)	9,660
Contractual services .....	635,446	635,446	578,610	56,836	572,060
Capital outlay .....	-	-	-	-	-
Other charges .....	23,250	23,250	23,450	(200)	25,484
	<u>2,026,229</u>	<u>2,026,229</u>	<u>1,937,351</u>	<u>88,878</u>	<u>1,852,416</u>
General County Purposes <sup>1</sup> :					
Personal services .....	2,529,254	2,651,775	7,809,879	(5,158,104)	1,754,931
Commodities .....	70,774	722,288	510,183	212,105	41,982
Contractual services .....	13,860,284	14,833,943	12,382,038	2,451,905	11,062,753
Capital outlay .....	35,000	35,000	40,695	(5,695)	2,439
Other charges .....	25,669,606	19,993,581	3,071,592	16,921,989	3,497,012
	<u>42,164,918</u>	<u>38,236,587</u>	<u>23,814,387</u>	<u>14,422,200</u>	<u>16,359,117</u>
<b>Total General Government:</b>					
Personal services .....	73,516,013	73,698,534	74,242,061	(543,527)	68,314,317
Commodities .....	2,169,281	2,373,227	3,027,168	(653,941)	2,164,991
Contractual services .....	60,093,168	62,111,880	53,470,904	8,640,976	52,618,184
Capital outlay .....	182,306	24,457	225,350	(200,893)	199,322
Other charges .....	27,727,487	22,066,431	4,310,079	17,756,352	5,010,484
	<u>163,688,255</u>	<u>160,274,529</u>	<u>135,275,562</u>	<u>24,998,967</u>	<u>128,307,298</u>
<b>Health</b>					
NorthPoint Health and Wellness Center:					
Personal services .....	18,297,739	18,297,739	17,504,555	793,184	16,872,815
Commodities .....	2,227,508	2,154,858	2,221,485	(66,627)	2,091,866
Contractual services .....	5,996,010	5,864,499	5,783,550	80,949	5,130,732
Capital outlay .....	130,000	814,012	237,179	576,833	76,160
Other charges .....	558,700	558,700	841,555	(282,855)	522,518
	<u>27,209,957</u>	<u>27,689,808</u>	<u>26,588,324</u>	<u>1,101,484</u>	<u>24,694,091</u>
Medical Examiner:					
Personal services .....	3,067,203	3,067,203	2,949,913	117,290	2,958,222
Commodities .....	51,250	207,673	185,067	22,606	8,988
Contractual services .....	627,744	838,470	768,343	70,127	642,539
Capital outlay .....	-	-	8,545	(8,545)	61,354
Other charges .....	19,690	19,690	36,882	(17,192)	60,492
	<u>3,765,887</u>	<u>4,133,036</u>	<u>3,948,750</u>	<u>184,286</u>	<u>3,731,595</u>
Uncompensated Care:					
Personal services .....	-	-	-	-	-
Commodities .....	-	-	-	-	-
Contractual services .....	20,000,000	24,000,000	24,000,000	-	20,000,000
Capital outlay .....	-	-	-	-	-
Other charges .....	-	-	-	-	-
	<u>20,000,000</u>	<u>24,000,000</u>	<u>24,000,000</u>	<u>-</u>	<u>20,000,000</u>
HCMC Intergovernmental Transfers:					
Personal services .....	-	-	-	-	-
Commodities .....	-	-	-	-	-
Contractual services .....	40,000,000	39,818,300	34,696,605	5,121,695	38,976,251
Capital outlay .....	-	-	-	-	-
Other charges .....	-	-	-	-	-
	<u>40,000,000</u>	<u>39,818,300</u>	<u>34,696,605</u>	<u>5,121,695</u>	<u>38,976,251</u>
<b>Total Health:</b>					
Personal services .....	21,364,942	21,364,942	20,454,468	910,474	19,831,037
Commodities .....	2,278,758	2,362,531	2,406,552	(44,021)	2,100,854
Contractual services .....	66,623,754	70,521,269	65,248,498	5,272,771	64,749,522
Capital outlay .....	130,000	814,012	245,724	568,288	137,514
Other charges .....	578,390	578,390	878,437	(300,047)	583,010
	<u>90,975,844</u>	<u>95,641,144</u>	<u>89,233,679</u>	<u>6,407,465</u>	<u>87,401,937</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, 2012  
With Comparative Actual Amounts for Year Ended December 31, 2011

	2012				2011 Actual
	Original Budget	Final Amended Budget	Actual	Variance with Final Budget	
<b>Public Safety</b>					
County Attorney:					
Personal services .....	36,141,263	36,672,099	36,282,375	389,724	36,226,008
Commodities .....	242,600	413,575	398,550	15,025	303,697
Contractual services .....	5,569,950	5,889,553	6,190,965	(301,412)	5,426,168
Capital outlay .....	-	-	14,157	(14,157)	-
Other charges .....	120,627	179,527	184,265	(4,738)	175,978
	<u>42,074,440</u>	<u>43,154,754</u>	<u>43,070,312</u>	<u>84,442</u>	<u>42,131,851</u>
Court Functions:					
Personal services .....	-	-	-	-	-
Commodities .....	-	-	-	-	-
Contractual services .....	2,237,000	2,207,625	1,754,158	453,467	1,872,562
Capital outlay .....	-	-	-	-	-
Other charges .....	-	-	-	-	-
	<u>2,237,000</u>	<u>2,207,625</u>	<u>1,754,158</u>	<u>453,467</u>	<u>1,872,562</u>
Law Library:					
Personal services .....	620,368	620,368	540,523	79,845	570,829
Commodities .....	12,100	12,100	3,764	8,336	6,162
Contractual services .....	248,456	248,379	196,119	52,260	197,838
Capital outlay .....	742,371	742,371	784,768	(42,397)	845,539
Other charges .....	21,000	21,000	13,475	7,525	24,202
	<u>1,644,295</u>	<u>1,644,218</u>	<u>1,538,649</u>	<u>105,569</u>	<u>1,644,570</u>
Public Defender:					
Personal services .....	12,137,018	12,137,018	11,291,480	845,538	12,237,348
Commodities .....	365,625	383,324	229,999	153,325	153,883
Contractual services .....	2,790,382	2,861,382	3,263,097	(401,715)	2,761,590
Capital outlay .....	35,000	35,000	-	35,000	-
Other charges .....	40,200	40,200	58,800	(18,600)	56,736
	<u>15,368,225</u>	<u>15,456,924</u>	<u>14,843,376</u>	<u>613,548</u>	<u>15,209,557</u>
Sheriff:					
Personal services .....	70,054,733	69,870,481	70,243,843	(373,362)	70,759,552
Commodities .....	3,938,854	4,302,996	4,062,503	240,493	4,003,366
Contractual services .....	10,537,514	10,415,908	10,019,394	396,514	9,576,431
Capital outlay .....	303,843	453,608	660,187	(206,579)	893,513
Other charges .....	951,962	1,019,201	991,245	27,956	905,942
	<u>85,786,906</u>	<u>86,062,194</u>	<u>85,977,172</u>	<u>85,022</u>	<u>86,138,804</u>
Community Corrections and Rehabilitation:					
Personal services .....	79,748,286	79,747,821	77,755,524	1,992,297	78,401,442
Commodities .....	3,686,486	3,407,808	3,591,666	(183,858)	3,546,261
Contractual services .....	19,196,132	18,872,749	18,086,625	786,124	18,212,389
Capital outlay .....	35,100	(25,714)	104,044	(129,758)	26,465
Other charges .....	372,669	370,107	503,529	(133,422)	272,913
	<u>103,038,673</u>	<u>102,372,771</u>	<u>100,041,388</u>	<u>2,331,383</u>	<u>100,459,470</u>
<b>Total Public Safety</b>					
Personal services .....	198,701,668	199,047,787	196,113,745	2,934,042	198,195,179
Commodities .....	8,245,665	8,519,803	8,286,482	233,321	8,013,369
Contractual services .....	40,579,434	40,495,596	39,510,358	985,238	38,046,978
Capital outlay .....	1,116,314	1,205,265	1,563,156	(357,891)	1,765,517
Other charges .....	1,506,458	1,630,035	1,751,314	(121,279)	1,435,771
	<u>250,149,539</u>	<u>250,898,486</u>	<u>247,225,055</u>	<u>3,673,431</u>	<u>247,456,814</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, 2012  
With Comparative Actual Amounts for Year Ended December 31, 2011

	2012				2011 Actual
	Original Budget	Final Amended Budget	Actual	Variance with Final Budget	
<b>Public Works</b>					
Public Works Administration:					
Personal services .....	1,176,832	1,176,836	1,206,348	(29,512)	1,613,503
Commodities .....	123,177	115,962	78,531	37,431	53,791
Contractual services .....	492,820	262,822	241,245	21,577	1,765,529
Capital outlay .....	-	-	-	-	65,828
Other charges .....	58,037	43,040	11,905	31,135	26,055
	<u>1,850,866</u>	<u>1,598,660</u>	<u>1,538,029</u>	<u>60,631</u>	<u>3,524,706</u>
Housing, Community Works & Transit:					
Personal services .....	6,507,577	6,592,577	6,212,615	379,962	5,984,948
Commodities .....	295,670	285,013	260,364	24,649	509,521
Contractual services .....	16,812,308	16,914,527	15,578,062	1,336,465	16,371,059
Capital outlay .....	365	365	70	295	9,532
Other charges .....	155,945	181,868	123,549	58,319	109,825
	<u>23,771,865</u>	<u>23,974,350</u>	<u>22,174,660</u>	<u>1,799,690</u>	<u>22,984,885</u>
Management Support:					
Personal services .....	2,490,427	2,490,427	2,142,056	348,371	2,027,597
Commodities .....	11,150	11,025	323,149	(312,124)	13,814
Contractual services .....	210,153	212,583	166,495	46,088	182,392
Capital outlay .....	4,100	(90,900)	112	(91,012)	-
Other charges .....	20,400	20,400	6,646	13,754	4,169
	<u>2,736,230</u>	<u>2,643,535</u>	<u>2,638,458</u>	<u>5,077</u>	<u>2,227,972</u>
Transportation:					
Personal services .....	19,191,397	19,191,397	18,566,306	625,091	18,351,061
Commodities .....	5,627,528	5,618,879	6,178,669	(559,790)	5,381,910
Contractual services .....	10,555,582	10,281,447	10,296,525	(15,078)	10,253,207
Capital outlay .....	143,677	162,394	144,374	18,020	599,762
Other charges .....	164,751	164,751	115,077	49,674	147,934
	<u>35,682,935</u>	<u>35,418,868</u>	<u>35,300,951</u>	<u>117,917</u>	<u>34,733,874</u>
<b>Total Public Works:</b>					
Personal services .....	29,366,233	29,451,237	28,127,325	1,323,912	27,977,109
Commodities .....	6,057,525	6,030,879	6,840,713	(809,834)	5,959,036
Contractual services .....	28,070,863	27,671,379	26,282,327	1,389,052	28,572,187
Capital outlay .....	148,142	71,859	144,556	(72,697)	675,122
Other charges .....	399,133	410,059	257,177	152,882	287,983
	<u>64,041,896</u>	<u>63,635,413</u>	<u>61,652,098</u>	<u>1,983,315</u>	<u>63,471,437</u>
<b>TOTAL EXPENDITURES - CURRENT:</b>					
Personal services .....	322,948,856	323,562,500	318,937,599	4,624,901	314,317,642
Commodities .....	18,751,229	19,286,440	20,560,915	(1,274,475)	18,238,250
Contractual services .....	195,367,219	200,800,124	184,512,087	16,288,037	183,986,871
Capital outlay .....	1,576,762	2,115,593	2,178,786	(63,193)	2,777,475
Other charges .....	30,211,468	24,684,915	7,197,007	17,487,908	7,317,248
Total Expenditures	<u>\$ 568,855,534</u>	<u>\$ 570,449,572</u>	<u>\$ 533,386,394</u>	<u>\$ 37,063,178</u>	<u>\$ 526,637,486</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(14,118,727)</u>	<u>(14,876,675)</u>	<u>35,003,478</u>	<u>49,880,153</u>	<u>42,279,272</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in .....	1,884,424	1,884,424	1,600,000	(284,424)	2,274,163
Transfers out .....	-	-	(16,547,056)	(16,547,056)	(28,434,705)
Total Other Financing Sources (Uses)	<u>1,884,424</u>	<u>1,884,424</u>	<u>(14,947,056)</u>	<u>(16,831,480)</u>	<u>(26,160,542)</u>
Net Change in Fund Balance	(12,234,303)	(12,992,251)	20,056,422	<u>\$ 33,048,673</u>	16,118,730
Fund Balance - Beginning	<u>154,644,445</u>	<u>154,644,445</u>	<u>154,644,445</u>		<u>138,525,715</u>
Fund Balance - Ending	<u>\$ 142,410,142</u>	<u>\$ 141,652,194</u>	<u>\$ 174,700,867</u>		<u>\$ 154,644,445</u>

<sup>1</sup> In 2011 the General County Purposes program in General Government included functions such as the County Fair, the Historical Society, Extension Services, General Fund Retiree Health Care, the Municipal Building Commission, the Youth Activities/Amateur Sports function, Non-Federal Medical Assistance, Emergency Management, and the Computer Forensics Unit. Additionally, beginning in 2012 the General County Purposes program includes costs relating to the Minneapolis Employee Retirement Fund.

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, 2012  
With Comparative Actual Amounts for Year Ended December 31, 2011

	2012				
	Budgeted Amounts		Actual	Variance with Final Budget	2011 Actual
	Original	Final			
<b>REVENUES</b>					
Property taxes . . . . .	\$ 195,645,154	\$ 195,995,154	\$ 202,009,567	\$ 6,014,413	\$ 203,924,116
Other taxes . . . . .	-	-	77,438	77,438	168,529
Intergovernmental . . . . .	193,036,042	193,236,042	184,832,057	(8,403,985)	195,702,733
Charges for services . . . . .	47,528,107	47,528,107	45,014,168	(2,513,939)	46,380,488
Licenses and permits . . . . .	1,278,000	1,278,000	1,308,339	30,339	1,223,611
Other . . . . .	1,941,000	1,941,000	1,814,699	(126,301)	1,892,020
<b>Total Revenues</b>	<b>439,428,303</b>	<b>439,978,303</b>	<b>435,056,268</b>	<b>(4,922,035)</b>	<b>449,291,497</b>
<b>EXPENDITURES</b>					
<b>Human Services:</b>					
Personal services . . . . .	223,597,502	223,797,502	225,405,531	(1,608,029)	227,322,471
Commodities . . . . .	2,724,410	2,724,410	1,970,530	753,880	2,476,254
Contractual services . . . . .	35,308,326	35,308,326	32,760,382	2,547,944	34,250,989
Public aid assistance . . . . .	174,731,527	175,081,527	171,773,072	3,308,455	169,792,670
Capital outlay . . . . .	51,000	51,000	90,765	(39,765)	50,206
Other . . . . .	9,015,538	9,015,538	9,096,444	(80,906)	9,241,680
<b>Total Expenditures</b>	<b>445,428,303</b>	<b>445,978,303</b>	<b>441,096,724</b>	<b>4,881,579</b>	<b>443,134,270</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(6,000,000)</b>	<b>(6,000,000)</b>	<b>(6,040,456)</b>	<b>(40,456)</b>	<b>6,157,227</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in . . . . .	-	-	3,662,211	3,662,211	1,241,000
Transfers out . . . . .	-	-	-	-	(13,975,000)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>3,662,211</b>	<b>3,662,211</b>	<b>(12,734,000)</b>
<b>Net Change in Fund Balance</b>	<b>(6,000,000)</b>	<b>(6,000,000)</b>	<b>(2,378,245)</b>	<b>\$ 3,621,755</b>	<b>(6,576,773)</b>
Fund Balance - Beginning	138,803,125	138,803,125	138,803,125		145,379,898
Fund Balance - Ending	<b>\$ 132,803,125</b>	<b>\$ 132,803,125</b>	<b>\$ 136,424,880</b>		<b>\$ 138,803,125</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, 2012  
With Comparative Actual Amounts for Year Ended December 31, 2011

	2012					2011 Actual
	Budgeted Amounts		Actual	Variance with Final Budget		
	Original	Final				
<b>REVENUES</b>						
Property taxes . . . . .	\$ 54,560,587	\$ 54,560,587	\$ 56,301,631	\$ 1,741,044		\$ 53,743,858
Other taxes . . . . .	-	-	22,334	22,334		44,466
Intergovernmental . . . . .	7,761,470	7,761,470	8,141,404	379,934		9,436,357
Investment earnings . . . . .	80,474	80,474	85,792	5,318		108,617
Charges for services . . . . .	150,000	150,000	138,358	(11,642)		27,011
Fines and forfeits . . . . .	1,650,000	1,650,000	1,526,361	(123,639)		1,624,561
Other . . . . .	1,447,537	1,447,537	1,166,992	(280,545)		1,592,425
<b>Total Revenues</b>	<u>65,650,068</u>	<u>65,650,068</u>	<u>67,382,872</u>	<u>1,732,804</u>		<u>66,577,295</u>
<b>EXPENDITURES</b>						
<b>Libraries:</b>						
Personal services . . . . .	42,769,834	42,769,717	39,791,680	2,978,037		41,235,782
Commodities . . . . .	784,375	697,300	692,212	5,088		815,802
Contractual services . . . . .	20,986,471	21,118,832	20,606,382	512,450		17,166,511
Capital outlay . . . . .	4,608,337	4,740,095	5,099,176	(359,081)		6,345,750
Other . . . . .	751,051	747,717	459,066	288,651		371,855
<b>Total Expenditures</b>	<u>69,900,068</u>	<u>70,073,661</u>	<u>66,648,516</u>	<u>3,425,145</u>		<u>65,935,700</u>
Excess (Deficiency) of Revenues Over Expenditures	(4,250,000)	(4,423,593)	734,356	5,157,949		641,595
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in . . . . .	1,860,000	1,860,000	1,860,000	-		1,754,837
Net Change in Fund Balance	(2,390,000)	(2,563,593)	2,594,356	\$ 5,157,949		2,396,432
Fund Balance - Beginning	39,217,639	39,217,639	39,217,639			36,821,207
Fund Balance - Ending	<u>\$ 36,827,639</u>	<u>\$ 36,654,046</u>	<u>\$ 41,811,995</u>			<u>\$ 39,217,639</u>

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, 2012  
With Comparative Actual Amounts for Year Ended December 31, 2011

	2012					2011 Actual
	Budgeted Amounts		Actual	Variance with Final Budget		
	Original	Final				
<b>REVENUES</b>						
Sales tax .....	\$ 28,913,556	\$ 28,913,556	\$ 31,601,050	\$ 2,687,494	\$ 30,094,848	
Investment Earnings .....	-	-	2,286	2,286	509	
Total Revenues	<u>28,913,556</u>	<u>28,913,556</u>	<u>31,603,336</u>	<u>2,689,780</u>	<u>30,095,357</u>	
<b>EXPENDITURES</b>						
<b>Ballpark Sales Tax</b>						
Contractual services .....	3,925,000	3,925,000	507,633	3,417,367	776,574	
Grants .....	<u>2,325,866</u>	<u>2,325,866</u>	<u>1,895,866</u>	<u>430,000</u>	<u>2,506,488</u>	
Total Expenditures	<u>6,250,866</u>	<u>6,250,866</u>	<u>2,403,499</u>	<u>3,847,367</u>	<u>3,283,062</u>	
Excess of Revenues Over Expenditures	<u>22,662,690</u>	<u>22,662,690</u>	<u>29,199,837</u>	<u>6,537,147</u>	<u>26,812,295</u>	
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers out .....	<u>(25,346,320)</u>	<u>(25,346,320)</u>	<u>(32,416,332)</u>	<u>(7,070,012)</u>	<u>(32,902,109)</u>	
Net Change in Fund Balance	(2,683,630)	(2,683,630)	(3,216,495)	\$ <u>(532,865)</u>	(6,089,814)	
Fund Balance - Beginning	<u>15,545,151</u>	<u>15,545,151</u>	<u>15,545,151</u>		<u>21,634,965</u>	
Fund Balance - Ending	\$ <u><u>12,861,521</u></u>	\$ <u><u>12,861,521</u></u>	\$ <u><u>12,328,656</u></u>		\$ <u><u>15,545,151</u></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, 2012  
With Comparative Actual Amounts for Year Ended December 31, 2011

	2012					2011 Actual
	Budgeted Amounts		Actual	Variance with Final Budget		
	Original	Final				
<b>REVENUES</b>						
Property taxes . . . . .	\$ 5,612,734	\$ 5,612,734	\$ 5,605,701	\$ (7,033)		\$ 5,358,739
Other taxes . . . . .	-	-	2,152	2,152		4,618
Intergovernmental . . . . .	1,308,044	1,308,044	979,189	(328,855)		131,201
Investment earnings . . . . .	10,000	10,000	86,952	76,952		41,044
Charges for services . . . . .	700,125	700,125	1,616,792	916,667		937,289
Other . . . . .	300,000	300,000	407,667	107,667		650,769
<b>Total Revenues</b>	<u>7,930,903</u>	<u>7,930,903</u>	<u>8,698,453</u>	<u>767,550</u>		<u>7,123,660</u>
<b>EXPENDITURES</b>						
<b>Housing and Redevelopment Authority:</b>						
Commodities . . . . .	151,250	151,250	-	151,250		71
Contractual services . . . . .	3,111,459	3,111,459	3,348,202	(236,743)		2,492,537
Other . . . . .	40,150	22,817	106,188	(83,371)		141,742
Grants . . . . .	<u>5,728,044</u>	<u>5,708,044</u>	<u>5,459,786</u>	<u>248,258</u>		<u>4,230,263</u>
<b>Total Expenditures</b>	<u>9,030,903</u>	<u>8,993,570</u>	<u>8,914,176</u>	<u>79,394</u>		<u>6,864,613</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(1,100,000)	(1,062,667)	(215,723)	846,944		259,047
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in . . . . .	750,000	750,000	911,103	161,103		3,147,777
Transfers out . . . . .	-	-	(1,138,211)	(1,138,211)		-
<b>Total Other Financing Sources (Uses)</b>	<u>750,000</u>	<u>750,000</u>	<u>(227,108)</u>	<u>(977,108)</u>		<u>3,147,777</u>
<b>Net Change in Fund Balance</b>	(350,000)	(312,667)	(442,831)	\$ (130,164)		3,406,824
<b>Fund Balance - Beginning</b>	<u>5,530,919</u>	<u>5,530,919</u>	<u>5,530,919</u>			<u>2,124,095</u>
<b>Fund Balance - Ending</b>	<u>\$ 5,180,919</u>	<u>\$ 5,218,252</u>	<u>\$ 5,088,088</u>			<u>\$ 5,530,919</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, 2012  
With Comparative Actual Amounts for Year Ended December 31, 2011

	2012				
	Budgeted Amounts		Actual	Variance with Final Budget	2011 Actual
	Original	Final			
<b>REVENUES</b>					
Property taxes .....	\$ 15,149,300	15,149,300	\$ 15,148,841	\$ (459)	\$ 14,543,875
Other taxes .....	-	-	13,625	13,625	12,202
Intergovernmental .....	4,182,000	4,182,000	555,891	(3,626,109)	487,693
Investment earnings .....	50,000	50,000	417,896	367,896	559,784
Charges for services .....	645,000	645,000	945,561	300,561	408,867
Other .....	1,550,000	1,550,000	15,417	(1,534,583)	111,020
<b>Total Revenues</b>	<b>21,576,300</b>	<b>21,576,300</b>	<b>17,097,231</b>	<b>(4,479,069)</b>	<b>16,123,441</b>
<b>EXPENDITURES</b>					
<b>Regional Railroad Authority:</b>					
Commodities .....	12,750	12,750	6,925	5,825	77,520
Contractual services .....	23,658,162	23,559,288	17,535,929	6,023,359	11,884,434
Capital outlay .....	10,515,000	10,515,000	1,215,357	9,299,643	-
Other .....	1,612,200	1,612,200	71,249	1,540,951	94,240
<b>Total Expenditures</b>	<b>35,798,112</b>	<b>35,699,238</b>	<b>18,829,460</b>	<b>16,869,778</b>	<b>12,056,194</b>
Excess (Deficiency) of Revenues Over Expenditures	(14,221,812)	(14,122,938)	(1,732,229)	12,390,709	4,067,247
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers out .....	-	-	(10,800,000)	(10,800,000)	-
Net Change in Fund Balance	(14,221,812)	(14,122,938)	(12,532,229)	\$ 1,590,709	4,067,247
Fund Balance - Beginning	31,346,634	31,346,634	31,346,634		27,279,387
Fund Balance - Ending	\$ 17,124,822	\$ 17,223,696	\$ 18,814,405		\$ 31,346,634

See notes to required supplementary information.

Hennepin County, Minnesota  
**Notes to Required Supplementary Information**  
December 31, 2012

**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. These annual appropriations lapse at year-end to the extent that they have not been expended or encumbered. Project-length financial plans are adopted for all capital projects in the five-year Capital Improvement Plan. An annual capital budget is adopted that reflects the annual appropriation for the project-length plans, which does not lapse until the project is completed.

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.



**Supplementary Information  
Governmental Funds**



Hennepin County, Minnesota  
**Balance Sheets**  
**General Fund**  
December 31, 2012 and 2011

	2012	2011
<b>ASSETS</b>		
Cash and Investments . . . . .	\$ 216,192,450	\$ 189,362,866
Due from component unit . . . . .	10,564,320	11,863,329
Delinquent taxes receivable . . . . .	8,280,544	9,296,438
Due from other governmental agencies . . . . .	8,675,520	11,361,558
Accrued investment interest . . . . .	3,079,177	2,459,780
Interfund receivable . . . . .	-	23,000
Other receivable . . . . .	38,547,982	25,671,401
Prepaid items . . . . .	1,846,537	2,326,208
Inventories . . . . .	3,386,730	2,760,530
Total Assets	\$ 290,573,260	\$ 255,125,110
<b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts and contracts payable . . . . .	\$ 62,792,826	\$ 54,959,031
Accrued liabilities . . . . .	12,772,124	12,028,763
Interfund payable . . . . .	28,331,243	22,930,749
Due to component unit . . . . .	4,064,132	372,794
Deferred revenue - delinquent taxes . . . . .	6,956,944	8,071,442
Deferred revenue . . . . .	955,124	2,117,886
Total Liabilities	115,872,393	100,480,665
<b>Fund Balances:</b>		
Nonspendable . . . . .	12,483,267	10,389,781
Restricted . . . . .	16,251,456	16,031,074
Assigned . . . . .	24,461,198	21,257,943
Unassigned . . . . .	121,504,946	106,965,647
Total Fund Balances	174,700,867	154,644,445
Total Liabilities and Fund Balances	\$ 290,573,260	\$ 255,125,110

Hennepin County, Minnesota  
**Balance Sheets**  
**Special Revenue Funds**  
December 31, 2012 and 2011

	Human Services		Library	
	2012	2011	2012	2011
<b>ASSETS</b>				
Cash and investments	\$ 156,102,918	\$ 148,860,347	\$ 41,370,794	\$ 39,688,680
Due from component unit	-	46,040	751	-
Delinquent taxes receivable	3,031,021	3,499,323	732,091	810,696
Due from other governmental agencies	29,051,627	33,138,340	378	-
Other receivables	929,633	1,374,612	142,474	103,215
Prepaid items	358,476	218,286	818,306	203,479
Inventories	7,475	7,475	-	-
Notes receivable	-	-	-	-
Restricted cash and investments	-	-	5,824,560	5,891,524
	<u>\$ 189,481,150</u>	<u>\$ 187,144,423</u>	<u>\$ 48,889,354</u>	<u>\$ 46,697,594</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts and contracts payable	\$ 22,127,197	\$ 20,540,207	\$ 1,228,538	\$ 1,707,187
Accrued liabilities	9,079,928	8,553,176	1,574,304	1,499,507
Interfund payable	17,555,506	15,437,990	3,641,426	3,528,065
Deferred revenue - delinquent taxes	2,655,221	3,250,923	633,091	745,196
Deferred revenue	1,638,418	559,002	-	-
	<u>53,056,270</u>	<u>48,341,298</u>	<u>7,077,359</u>	<u>7,479,955</u>
<b>Fund Balances:</b>				
Nonspendable	365,951	225,761	2,520,075	1,878,590
Restricted	-	-	6,218,447	6,101,517
Committed	136,058,929	138,577,364	33,073,473	31,237,532
	<u>136,424,880</u>	<u>138,803,125</u>	<u>41,811,995</u>	<u>39,217,639</u>
Total Liabilities and Fund Balances	<u>\$ 189,481,150</u>	<u>\$ 187,144,423</u>	<u>\$ 48,889,354</u>	<u>\$ 46,697,594</u>

Ballpark Sales Tax		Housing and Redevelopment Authority		Regional Railroad Authority	
2012	2011	2012	2011	2012	2011
\$ -	\$ -	\$ 4,529,555	\$ 5,252,053	\$ 19,650,655	\$ 32,585,234
-	-	-	-	-	-
-	-	-	-	224,513	238,451
5,012,753	4,644,493	46,061	-	-	-
-	-	40,127	166,468	267,528	257,940
-	-	285,690	313,426	-	-
-	-	-	-	-	-
-	-	14,760,000	16,934,000	-	-
7,399,561	10,900,658	701,633	602,215	-	-
<u>\$ 12,412,314</u>	<u>\$ 15,545,151</u>	<u>\$ 20,363,066</u>	<u>\$ 23,268,162</u>	<u>\$ 20,142,696</u>	<u>\$ 33,081,625</u>
\$ 83,658	\$ -	\$ 514,978	\$ 703,916	\$ 1,328,291	\$ 1,568,168
-	-	-	-	-	-
-	-	14,760,000	16,934,000	-	-
-	-	-	-	-	-
-	-	-	99,327	-	166,823
<u>83,658</u>	<u>-</u>	<u>15,274,978</u>	<u>17,737,243</u>	<u>1,328,291</u>	<u>1,734,991</u>
-	-	285,690	313,426	-	-
12,328,656	15,545,151	4,802,398	5,217,493	18,814,405	31,346,634
-	-	-	-	-	-
<u>12,328,656</u>	<u>15,545,151</u>	<u>5,088,088</u>	<u>5,530,919</u>	<u>18,814,405</u>	<u>31,346,634</u>
<u>\$ 12,412,314</u>	<u>\$ 15,545,151</u>	<u>\$ 20,363,066</u>	<u>\$ 23,268,162</u>	<u>\$ 20,142,696</u>	<u>\$ 33,081,625</u>

Hennepin County, Minnesota  
**Balance Sheets**  
**Debt Service Fund - Regional Railroad Authority Debt**  
December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
Cash and Investments .....	\$ <u>352,002</u>	\$ <u>376,840</u>
 <b>LIABILITIES AND FUND BALANCES</b>		
<b>Fund Balances:</b>		
Restricted .....	<u>352,002</u>	<u>\$ 376,840</u>
Total Liabilities and Fund Balances	\$ <u>352,002</u>	\$ <u>376,840</u>

Hennepin County, Minnesota  
**Balance Sheets**  
**Capital Projects Fund - Regional Railroad Authority Capital Projects**  
December 31, 2012 and 2011

	2012	2011
<b>ASSETS</b>		
Cash and Investments .....	\$ <u>10,719,441</u>	\$ <u>-</u>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts and contracts payable .....	\$ 217,566	\$ -
<b>Fund Balances:</b>		
Restricted .....	<u>10,501,875</u>	<u>-</u>
Total Liabilities and Fund Balances	\$ <u>10,719,441</u>	\$ <u>-</u>

Hennepin County, Minnesota  
**Balance Sheets**  
**Debt Service Fund - General Debt**  
December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
Cash and Investments . . . . .	\$ 4,406,646	\$ 5,407,655
Delinquent taxes receivable . . . . .	927,212	959,417
Note receivable . . . . .	106,805,000	110,615,000
Restricted cash and investments . . . . .	<u>1,812,549</u>	<u>1,716,906</u>
 Total Assets	 \$ <u>113,951,407</u>	 \$ <u>118,698,978</u>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts payable . . . . .	\$ 892,694	\$ 962,957
Deferred revenue - delinquent taxes . . . . .	788,012	876,017
Deferred revenue . . . . .	<u>106,805,000</u>	<u>110,615,000</u>
 Total Liabilities	 <u>108,485,706</u>	 <u>112,453,974</u>
<b>Fund Balances:</b>		
Restricted . . . . .	<u>5,465,701</u>	<u>6,245,004</u>
 Total Liabilities and Fund Balances	 \$ <u>113,951,407</u>	 \$ <u>118,698,978</u>

Hennepin County, Minnesota  
**Balance Sheets**  
**Capital Projects Fund - General Capital Projects**  
December 31, 2012 and 2011

	2012	2011
<b>ASSETS</b>		
Cash and investments . . . . .	\$ 50,824,041	\$ 72,802,827
Due from component unit . . . . .	-	1,716,996
Delinquent taxes receivable . . . . .	54,142	29,073
Due from other governmental agencies . . . . .	7,666,478	13,865,485
Accrued investment interest . . . . .	3,548	8,916
Interfund receivable . . . . .	14,760,000	16,934,000
Advances to other fund . . . . .	-	109,416
Other receivable . . . . .	818,769	886,900
Total Assets	\$ 74,126,978	\$ 106,353,613
<b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts and contracts payable . . . . .	\$ 24,376,842	\$ 21,143,885
Due to component unit . . . . .	-	171,171
Deferred revenue - delinquent taxes . . . . .	42,642	26,973
Deferred revenue . . . . .	4,877,619	2,716,645
Total Liabilities	29,297,103	24,058,674
<b>Fund Balances:</b>		
Nonspendable . . . . .	15,691,900	17,806,900
Restricted . . . . .	29,137,975	64,488,039
Total Fund Balances	44,829,875	82,294,939
Total Liabilities and Fund Balances	\$ 74,126,978	\$ 106,353,613

Hennepin County, Minnesota  
**Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**General Fund**  
For the Years Ended December 31, 2012 and 2011

	2012					2011 Actual
	Budgeted Amounts		Actual	Variance with Final Budget		
	Original	Final				
<b>REVENUES</b>						
Property taxes . . . . .	\$ 313,046,949	\$ 315,349,220	\$ 330,342,950	\$ 14,993,730	\$ 324,864,622	
Other taxes . . . . .	3,967,212	1,314,941	2,783,905	1,468,964	1,683,927	
Intergovernmental . . . . .	128,092,109	130,225,138	121,643,297	(8,581,841)	124,956,677	
Investment earnings . . . . .	7,250,000	7,250,000	9,136,629	1,886,629	13,293,700	
Charges for services . . . . .	67,089,613	67,493,535	74,339,326	6,845,791	73,878,599	
Fines and forfeits . . . . .	78,300	347,090	216,423	(130,667)	307,487	
Licenses and permits . . . . .	5,154,915	5,154,915	5,190,857	35,942	5,184,180	
Other . . . . .	30,057,709	28,438,058	24,736,485	(3,701,573)	24,747,566	
<b>Total Revenues</b>	<u>554,736,807</u>	<u>555,572,897</u>	<u>568,389,872</u>	<u>12,816,975</u>	<u>568,916,758</u>	
<b>EXPENDITURES</b>						
General government . . . . .	163,688,255	160,274,529	135,275,562	24,998,967	128,307,298	
Health . . . . .	90,975,844	95,641,144	89,233,679	6,407,465	87,401,937	
Public safety . . . . .	250,149,539	250,898,486	247,225,055	3,673,431	247,456,814	
Public works . . . . .	64,041,896	63,635,413	61,652,098	1,983,315	63,471,437	
<b>Total Expenditures</b>	<u>568,855,534</u>	<u>570,449,572</u>	<u>533,386,394</u>	<u>37,063,178</u>	<u>526,637,486</u>	
Excess (Deficiency) of Revenues Over Expenditures	<u>(14,118,727)</u>	<u>(14,876,675)</u>	<u>35,003,478</u>	<u>49,880,153</u>	<u>42,279,272</u>	
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in . . . . .	1,884,424	1,884,424	1,600,000	(284,424)	2,274,163	
Transfers out . . . . .	-	-	(16,547,056)	(16,547,056)	(28,434,705)	
<b>Total Other Financing Sources (Uses)</b>	<u>1,884,424</u>	<u>1,884,424</u>	<u>(14,947,056)</u>	<u>(16,831,480)</u>	<u>(26,160,542)</u>	
Net Change in Fund Balance	(12,234,303)	(12,992,251)	20,056,422	\$ <u>33,048,673</u>	16,118,730	
Fund Balance - Beginning	154,644,445	154,644,445	154,644,445		138,525,715	
Fund Balance - Ending	\$ <u>142,410,142</u>	\$ <u>141,652,194</u>	\$ <u>174,700,867</u>		\$ <u>154,644,445</u>	

Hennepin County, Minnesota  
**Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**Debt Service Fund - Regional Railroad Authority Debt**  
For the Years Ended December 31, 2012 and 2011

	2012					2011 Actual
	Budgeted Amounts		Actual	Variance with Final Budget		
	Original	Final				
<b>REVENUES</b>						
Property taxes .....	\$ 2,850,700	\$ 2,850,700	\$ 2,824,751	\$ (25,949)		\$ 2,748,226
Other taxes .....	-	-	1,111	1,111		2,292
Total Revenues	<u>2,850,700</u>	<u>2,850,700</u>	<u>2,825,862</u>	<u>(24,838)</u>		<u>2,750,518</u>
<b>EXPENDITURES</b>						
Debt Service:						
Principal retirement .....	51,395,000	51,395,000	1,395,000	50,000,000		1,360,000
Interest and fiscal charges .....	1,455,700	1,455,700	1,455,700	-		1,482,900
Total Expenditures	<u>52,850,700</u>	<u>52,850,700</u>	<u>2,850,700</u>	<u>50,000,000</u>		<u>2,842,900</u>
Deficiency of Revenues Over Expenditures	(50,000,000)	(50,000,000)	(24,838)	\$ 49,975,162		(92,382)
<b>OTHER FINANCING SOURCES (USES)</b>						
Issuance of debt .....	50,000,000	50,000,000	-	(50,000,000)		-
Net Change in Fund Balance	-	-	(24,838)	\$ <u>(24,838)</u>		(92,382)
Fund Balance - Beginning	<u>376,840</u>	<u>376,840</u>	<u>376,840</u>			<u>469,222</u>
Fund Balance - Ending	\$ <u><u>376,840</u></u>	\$ <u><u>376,840</u></u>	\$ <u><u>352,002</u></u>			\$ <u><u>376,840</u></u>

Hennepin County, Minnesota  
**Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**Capital Projects Fund - Regional Railroad Authority Capital Projects**  
For the Years Ended December 31, 2012 and 2011

	2012				2011 Actual
	Budgeted Amounts		Actual	Variance with Final Budget	
	Original	Final			
<b>REVENUES</b>					
Intergovernmental . . . . .	\$ -	\$ 48,200,000	\$ 47,320	\$ (48,152,680)	\$ -
<b>EXPENDITURES</b>					
Capital projects . . . . .	-	48,200,000	345,445	47,854,555	-
Deficiency of Revenues Over Expenditures	-	-	(298,125)	(298,125)	-
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in . . . . .	-	-	10,800,000	10,800,000	-
Net Change in Fund Balance	-	-	10,501,875	<u>10,501,875</u>	-
Fund Balance - Beginning	-	-	-	-	-
Fund Balance - Ending	\$ -	\$ -	\$ 10,501,875	\$ -	\$ -

Hennepin County, Minnesota  
**Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**Debt Service Fund - General Debt**  
For the Years Ended December 31, 2012 and 2011

	2012					2011 Actual
	Budgeted Amounts		Actual	Variance with Final Budget		
	Original	Final				
<b>REVENUES</b>						
Property taxes . . . . .	\$ 77,657,421	\$ 77,657,421	\$ 77,491,154	\$ (166,267)	\$	68,235,034
Other taxes . . . . .	-	-	30,230	30,230	-	55,987
Intergovernmental . . . . .	14,189,171	14,189,171	14,153,442	(35,729)	-	10,859,497
Investment earnings . . . . .	-	-	935	935	-	90
<b>Total Revenues</b>	<u>91,846,592</u>	<u>91,846,592</u>	<u>91,675,761</u>	<u>(170,831)</u>	<u></u>	<u>79,150,608</u>
<b>EXPENDITURES</b>						
Debt Service:						
Principal retirement . . . . .	65,397,484	133,402,484	77,150,914	56,251,570	-	67,103,497
Interest and fiscal charges . . . . .	53,909,770	53,909,770	45,690,861	8,218,909	-	46,635,435
Intergovernmental . . . . .	-	-	-	-	-	4,715,000
<b>Total Expenditures</b>	<u>119,307,254</u>	<u>187,312,254</u>	<u>122,841,775</u>	<u>64,470,479</u>	<u></u>	<u>118,453,932</u>
<b>Deficiency of Revenues Over Expenditures</b>	<u>(27,460,662)</u>	<u>(95,465,662)</u>	<u>(31,166,014)</u>	<u>64,299,648</u>	<u></u>	<u>(39,303,324)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Issuance of debt . . . . .	-	61,605,000	61,605,000	-	-	4,715,000
Payment to refunded bond escrow agent . . . . .	-	-	(64,879,334)	(64,879,334)	-	-
Transfers in . . . . .	27,460,662	33,860,662	29,790,348	(4,070,314)	-	33,795,483
Debt premiums . . . . .	-	-	3,870,697	3,870,697	-	250,470
<b>Total Other Financing Sources (Uses)</b>	<u>27,460,662</u>	<u>95,465,662</u>	<u>30,386,711</u>	<u>(65,078,951)</u>	<u></u>	<u>38,760,953</u>
<b>Net Change in Fund Balance</b>	<u>-</u>	<u>-</u>	<u>(779,303)</u>	<u>\$ (779,303)</u>	<u></u>	<u>(542,371)</u>
Fund Balance - Beginning	<u>6,245,004</u>	<u>6,245,004</u>	<u>6,245,004</u>	<u></u>	<u></u>	<u>6,787,375</u>
<b>Fund Balance - Ending</b>	<u>\$ 6,245,004</u>	<u>\$ 6,245,004</u>	<u>\$ 5,465,701</u>	<u></u>	<u>\$</u>	<u>\$ 6,245,004</u>

Hennepin County, Minnesota  
**Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**Capital Projects Fund - General Capital Projects**  
For the Years Ended December 31, 2012 and 2011

	2012					2011 Actual
	Budgeted Amounts		Actual	Variance with Final Budget		
	Original	Final				
<b>REVENUES</b>						
Property taxes .....	\$ 6,151,000	\$ 6,470,957	\$ 6,400,658	\$ (70,299)		\$ 1,672,873
Other taxes .....	-	-	3,559	3,559		1,326
Intergovernmental .....	51,636,500	51,764,500	45,698,075	(6,066,425)		51,378,549
Investment earnings .....	-	-	181,387	181,387		367,094
Other .....	18,438,000	47,238,000	431,109	(46,806,891)		959,720
<b>Total Revenues</b>	<b>76,225,500</b>	<b>105,473,457</b>	<b>52,714,788</b>	<b>(52,758,669)</b>		<b>54,379,562</b>
<b>EXPENDITURES</b>						
Capital projects .....	118,828,250	148,076,207	103,945,205	44,131,002		144,434,094
<b>Total Expenditures</b>	<b>118,828,250</b>	<b>148,076,207</b>	<b>103,945,205</b>	<b>44,131,002</b>		<b>144,434,094</b>
Deficiency of Revenues Over Expenditures	(42,602,750)	(42,602,750)	(51,230,417)	(8,627,667)		(90,054,532)
<b>OTHER FINANCING SOURCES (USES)</b>						
Issuance of debt .....	42,602,750	42,602,750	-	(42,602,750)		55,285,000
Transfers in .....	-	-	15,558,500	15,558,500		39,795,306
Transfers out .....	-	-	(3,280,563)	(3,280,563)		(6,859,745)
Sale of capital assets .....	-	-	1,487,416	1,487,416		541,836
Debt premiums .....	-	-	-	-		2,947,526
<b>Total Other Financing Sources (Uses)</b>	<b>42,602,750</b>	<b>42,602,750</b>	<b>13,765,353</b>	<b>(28,837,397)</b>		<b>91,709,923</b>
Net Change in Fund Balance	-	-	(37,465,064)	\$ (37,465,064)		1,655,391
Fund Balance - Beginning	82,294,939	82,294,939	82,294,939			80,639,548
Fund Balance - Ending	\$ 82,294,939	\$ 82,294,939	\$ 44,829,875			\$ 82,294,939



Hennepin County, Minnesota  
**Schedule of Changes in Long-term Debt**  
For the Year Ended December 31, 2012

	Repayment Terms	Interest Rates	Amount of Original Issue
<b>General Obligation - Levy Supported Bonds and Notes</b>			
<b>Countywide:</b>			
Capital Improvements:			
May 1, 2004 Series A	Refunded by Series 2012A	4.0%	\$ 30,000,000
July 1, 2005 Series A	\$4,500,000 in 2013, \$5,100,000 in 2014, \$4,400,000 in 2015 and \$7,100,000 in various increments in years 2016 through 2017	Variable - Est 0.136%	89,600,000
May 1, 2006 Series A	\$4,845,750 in 2013, \$4,585,000 in 2014, \$3,277,000 in 2015 and \$14,400,000 in various increments in years 2016 through 2020	5.00%	88,688,000
July 1, 2007 Series A	\$5,055,000 in 2013, \$2,145,000 in 2014, \$2,230,000 in 2015 and \$31,615,000 in various increments in years 2016 through 2026	4.25 to 4.65%	68,140,000
March 26, 2008 Series A	\$2,125,000 in 2013, \$2,200,000 in 2014, \$2,275,000 in 2015 and \$35,400,000 in various increments in years 2016 through 2027	4.0 to 4.625%	50,000,000
November 10, 2008 Series D	\$3,005,000 in 2013, \$3,055,000 in 2014, \$3,115,000 in 2015 and \$37,850,000 in various increments in years 2016 through 2028	4.0 to 5.0%	58,335,000
October 22, 2008 Series E, Capital Notes	\$1,910,000 in 2013, \$1,970,000 in 2014, \$2,030,000 in 2015 and \$4,250,000 in various increments in years 2016 through 2017	3.5 to 4.5%	15,000,000
April 14, 2009 Series A	\$2,435,000 in 2013, \$2,505,000 in 2014, \$2,580,000 in 2015 and \$43,765,000 in various increments in years 2016 through 2028	2.25 to 4.375%	55,000,000
December 1, 2009 Series B	\$7,790,000 in 2013, \$8,880,000 in 2014, \$9,030,000 and \$62,640,000 in various increments from 2016 through 2023	3.0 to 5.0%	100,935,000
December 1, 2009 Series C	\$2,400,000 in 2013, \$2,465,000 in 2014, \$2,565,000 and \$8,490,000 in various increments from 2016 through 2018	3.0 to 5.0%	22,035,000
December 1, 2009 Series D, <sup>(1)</sup> Taxable	Zero payments in 2013 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	\$2,610,000 in 2013, \$2,690,000 in 2014, \$2,770,000 in 2015 and \$15,110,000 in various increments from 2016 through 2020	3.0 to 4.0%	27,440,000
September 15, 2010 Series B Capital Notes	\$930,000 in 2013, \$960,000 in 2014, \$985,000 in 2015 and \$5,380,000 in various increments from 2016 through 2020	3.0 to 4.0%	10,000,000
September 15, 2010 Series B Watershed District Notes	\$125,000 in 2013, \$130,000 in 2014, \$135,000 in 2015 and \$2,575,000 in various increments from 2016 through 2030	3.0 to 4.0%	3,190,000
September 15, 2010 Series C, <sup>(1)</sup> Taxable	\$0 in 2013 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, <sup>(2)</sup> Recovery Zone Econ Develop	\$0 in 2013 through 2029, \$5,665,000 in 2030, \$5,950,000 in 2031 and \$25,760,000 in various increments from 2032 through 2035	4.65 to 4.875%	37,375,000
November 15, 2011 Series A,	\$900,000 in 2013, \$2,105,000 in 2014, \$2,190,000 IN 2015 and \$48,740,000 in various increments from 2016 through 2031	3.0 to 4.0%	55,285,000
November 15, 2011 Series A, Watershed District	\$165,000 in 2013, \$175,000 in 2014, \$185,000 in 2015 and \$4,050,000 in various increments from 2016 through 2031	3.0 to 4.0%	4,715,000
January 25, 2012 Series A, Refunding Bonds	\$1,715,000 in 2013, \$2,205,000 in 2014, \$2,170,000 in 2015 and \$15,745,000 in various increments from 2016 through 2023	2.0 to 3.0%	23,685,000
March 08, 2012 Series B, Refunding Bonds	\$350,000 in 2013, \$355,000 in 2014, \$2,805,000 in 2015 and \$31,205,000 in various increments from 2016 through 2025	2.0 to 3.0%	35,380,000
<b>Suburban Library:</b>			
May 1, 2004 Series A	Refunded by Series 2012A	4.00%	5,000,000
July 1, 2005 Series A	\$400,000 annually in 2013 through 2016	Variable - Est 0.136%	6,400,000
May 1, 2006 Series A	\$1,439,250 in 2013, \$1,735,000 in 2014, \$313,000 in 2015 and \$1,760,000 in various increments in years 2016 through 2020	4.75% to 5.0%	12,727,000
July 1, 2007 Series A	\$205,000 in 2013, \$215,000 in 2014, \$225,000 in 2015 and \$3,155,000 in various increments in years 2016 through 2026	4.25 to 4.65%	5,000,000
March 26, 2008 Series A	\$425,000 in 2013, \$450,000 in 2014 and 2015, \$475,000 in 2016 and \$6,625,000 in various increments in years 2017 through 2027	3.25 to 4.625%	10,000,000
November 10, 2008 Series D	\$200,000 in 2013, \$205,000 in 2014, \$215,000 in 2015 and \$3,675,000 in various increments in years 2016 through 2028	4.0 to 5.0%	5,000,000

	Principal Payable			Interest Payable			
	Balance Dec. 31, 2011	Additions	Payments	Balance Dec. 31, 2012	Due Within One Year	Total	Due Within One Year
<b>General Obligation - Levy Supported Bonds and Notes Countywide:</b>							
Capital Improvements:							
May 1, 2004 Series A	\$ 23,000,000	\$ -	\$ 23,000,000	\$ -	\$ -	\$ -	\$ -
July 1, 2005 Series A	35,500,000	-	14,400,000	21,100,000	4,500,000	80,136	28,708
May 1, 2006 Series A	64,768,000	-	37,660,250	27,107,750	4,845,750	5,114,242	1,369,355
July 1, 2007 Series A	45,890,000	-	4,845,000	41,045,000	5,055,000	14,226,723	1,826,561
March 26, 2008 Series A	44,075,000	-	2,075,000	42,000,000	2,125,000	15,899,625	1,748,000
November 10, 2008 Series D	49,980,000	-	2,955,000	47,025,000	3,005,000	18,798,538	2,133,544
October 22, 2008 Series E Capital Notes	11,980,000	-	1,820,000	10,160,000	1,910,000	1,339,800	427,650
April 14, 2009 Series A	52,275,000	-	990,000	51,285,000	2,435,000	18,640,688	1,855,462
December 1, 2009 Series B	95,635,000	-	7,295,000	88,340,000	7,790,000	21,640,900	3,918,750
December 1, 2009 Series C	18,245,000	-	2,325,000	15,920,000	2,400,000	2,464,200	642,500
December 1, 2009 Series D, <sup>(1)</sup> Taxable	40,965,750	-	-	40,965,750	-	25,368,293	2,019,825
September 15, 2010 Series B	25,740,000	-	2,560,000	23,180,000	2,610,000	3,270,200	696,050
September 15, 2010 Series B Capital Notes	9,165,000	-	910,000	8,255,000	930,000	1,164,100	247,850
September 15, 2010 Series B Watershed District Notes	3,090,000	-	125,000	2,965,000	125,000	953,712	91,063
September 15, 2010 Series C, <sup>(1)</sup> Taxable	32,870,000	-	-	32,870,000	-	17,749,095	1,325,800
September 15, 2010 Series D, <sup>(2)</sup> Recovery Zone Econ Development	37,375,000	-	-	37,375,000	-	36,670,233	1,780,009
November 15, 2011 Series A,	55,285,000	-	1,350,000	53,935,000	900,000	22,326,331	1,996,419
November 15, 2011 Series A, Watershed District	4,715,000	-	140,000	4,575,000	165,000	1,858,181	168,719
January 25, 2012 Series A, Refunding Bonds	-	23,685,000	1,850,000	21,835,000	1,715,000	3,250,963	560,137
March 08, 2012 Series B, Refunding Bonds	-	35,380,000	665,000	34,715,000	350,000	6,729,650	910,850
	<b>650,553,750</b>	<b>59,065,000</b>	<b>104,965,250</b>	<b>604,653,500</b>	<b>40,860,750</b>	<b>217,545,610</b>	<b>23,747,252</b>
<b>Suburban Library:</b>							
May 1, 2004 Series A	1,500,000	-	1,500,000	-	-	-	-
July 1, 2005 Series A	2,000,000	-	400,000	1,600,000	400,000	5,442	2,177
May 1, 2006 Series A	7,632,000	-	2,384,750	5,247,250	1,439,250	781,595	207,995
July 1, 2007 Series A	4,000,000	-	200,000	3,800,000	205,000	1,408,568	169,710
March 26, 2008 Series A	8,825,000	-	400,000	8,425,000	425,000	3,189,344	350,656
November 10, 2008 Series D	4,485,000	-	190,000	4,295,000	200,000	1,932,594	198,700

See additional debt categories on the following page

Continued from previous page

	Repayment Terms	Interest Rates	Amount of Original Issue
<b>Suburban Library - continued:</b>			
April 14, 2009 Series A	\$235,000 in 2013, \$245,000 in 2014, \$250,000 in 2015 and \$4,235,000 in various increments from 2016 through 2028	2.25 to 4.375%	\$ 5,000,000
December 1, 2009 Series B	\$1,465,000 in 2013, \$950,000 in 2014 and \$945,000 in 2015	3.0 to 5.0%	7,595,000
December 1, 2009 Series C	\$645,000 in 2013, \$665,000 in 2014, \$695,000 in 2015 and \$2,290,000 in various increments from 2016 through 2018	3.0 to 5.0%	5,945,000
December 1, 2009 Series D, <sup>(1)</sup> Taxable	Zero payments in 2013 through 2018, \$841,500 in 2019, \$878,687 in 2010 and \$9,334,063 in various increments in 2021 through 2029	4.35 to 5.40%	11,054,250
May 4, 2010 Series A	\$335,000 in 2013, \$360,000 in 2014, \$400,000 in 2015 and \$8,135,000 in various increments from 2016 through 2028	2.0 to 4.0%	10,215,000
September 15, 2010 Series B	\$650,000 in 2013, \$670,000 in 2014, \$690,000 in 2015 and \$3,760,000 in various increments from 2016 through 2020	3.0 to 4.0%	6,810,000
September 15, 2010 Series C, <sup>(1)</sup>	\$0 in 2013 through 2020, \$825,000 in 2021, \$840,000 in 2022 and \$6,525,000 in various increments from 2023 through 2029	3.5 to 4.5%	8,190,000
January 25, 2012 Series A, Refunding Bonds	\$510,000 in 2013, \$510,000 in 2014	2.0 to 3.0%	1,545,000
March 08, 2012 Series B, Refunding Bonds	\$10,000 in 2013 and 2014, \$485,000 in 2015 and \$475,000 in 2016	2.0 to 3.0%	995,000
<b>G.O. Revenue Bonds</b>			
December 1, 1998 Augsburg Financing	\$150,000 in 2013, \$155,000 in 2014, \$165,000 in 2015 and \$540,000 in various increments from 2016 thru 2018	4.7 to 4.9%	2,550,000
December 22, 2010 Series E	\$3,685,000 in 2013, \$3,835,000 in 2014, \$3,990,000 in 2015 and \$87,755,000 in various increments in years 2016 through 2030	4.0 to 5.0%	102,810,000
<b>Solid Waste Resource Recovery:</b>			
July 1, 2003 Series A	Retired 2012	3.75%	33,000,000
<b>Sales Tax Revenue Bonds</b>			
Ballpark: May 15, 2007 Series A	\$1,150,000 in 2013, \$1,300,000 in 2014, \$1,400,000 in 2015 and \$142,600,000 in various increments in years 2016 through 2037	4.75 to 5.0%	150,000,000
Ballpark: April 10, 2008 Series B	\$3,280,000 in 2013, \$3,590,000 in 2014, \$3,930,000 in 2015 and \$92,930,000 in various increments in years 2016 through 2029	4.0 to 5.0%	116,775,000
Ballpark: June 26, 2008 Series C	\$800,000 in 2013 through 2019, \$900,000 in 2020 through 2022 and \$33,000,000 in various increments in years 2023 through 2024	Variable - Est 0.166%	75,000,000
<b>Limited Tax Bonds</b>			
<b>Regional Railroad Authority (RRA):</b>			
March 17, 2010 Series A - Refunding Bonds	\$1,435,000 in 2013, \$1,470,000 in 2014, \$1,510,000 and \$34,695,000 in various increments in years 2016 through 2031	2.0 to 4.0%	42,595,000
<b>Lease Revenue Certificates of Participation</b>			
December 15, 2008 Series F	\$2,785,000 in 2013, \$2,880,000 in 2014 and \$2,985,000 in 2015	3.125 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, 2011	Additions	Payments	Balance Dec. 31, 2012	Due Within One Year	Total	Due Within One Year
<b>Suburban Library - continued:</b>							
April 14, 2009 Series A	\$ 4,975,000	\$ -	\$ 10,000	\$ 4,965,000	\$ 235,000	\$ 1,803,775	\$ 179,594
December 1, 2009 Series B	5,345,000	-	1,985,000	3,360,000	1,465,000	261,700	129,200
December 1, 2009 Series C	4,925,000	-	630,000	4,295,000	645,000	664,950	173,350
December 1, 2009 Series D, <sup>(1)</sup> Taxable	11,054,250	-	-	11,054,250	-	6,845,412	545,032
May 4, 2010 Series A	9,535,000	-	305,000	9,230,000	335,000	3,324,944	327,456
September 15, 2010 Series B	6,410,000	-	640,000	5,770,000	650,000	813,700	173,250
September 15, 2010 Series C, <sup>(1)</sup>	8,190,000	-	-	8,190,000	-	4,422,900	330,355
January 25, 2012 Series A, Refunding Bonds	-	1,545,000	525,000	1,020,000	510,000	35,700	25,500
March 08, 2012 Series B, Refunding Bonds	-	995,000	15,000	980,000	10,000	101,450	29,300
	<u>78,876,250</u>	<u>2,540,000</u>	<u>9,184,750</u>	<u>72,231,500</u>	<u>6,519,250</u>	<u>25,592,074</u>	<u>2,842,275</u>
<b>Total of G.O. Levy Supported</b>	<b><u>729,430,000</u></b>	<b><u>61,605,000</u></b>	<b><u>114,150,000</u></b>	<b><u>676,885,000</u></b>	<b><u>47,380,000</u></b>	<b><u>243,137,684</u></b>	<b><u>26,589,527</u></b>
<b><u>G.O. Revenue Bonds</u></b>							
December 1, 1998 Augsburg Financing	1,150,000	-	140,000	1,010,000	150,000	179,155	48,880
December 22, 2010 Series E	102,810,000	-	3,545,000	99,265,000	3,685,000	49,938,400	4,601,844
<b>Solid Waste Resource Recovery:</b>							
July 1, 2003 Series A	4,100,000	-	4,100,000	-	-	-	-
<b>108,060,000</b>			<b><u>7,785,000</u></b>	<b><u>100,275,000</u></b>	<b><u>3,835,000</u></b>	<b><u>50,117,555</u></b>	<b><u>4,650,724</u></b>
<b>Total Non-RRA G.O. Debt</b>	<b><u>837,490,000</u></b>	<b><u>61,605,000</u></b>	<b><u>121,935,000</u></b>	<b><u>777,160,000</u></b>	<b><u>51,215,000</u></b>	<b><u>293,255,239</u></b>	<b><u>31,240,251</u></b>
<b><u>Sales Tax Revenue Bonds</u></b>							
Ballpark: May 15, 2007 Series A	147,500,000	-	1,050,000	146,450,000	1,150,000	123,757,500	7,057,375
Ballpark: April 10, 2008 Series B	107,180,000	-	3,450,000	103,730,000	3,280,000	52,099,325	4,949,025
Ballpark: June 26, 2008 Series C	53,100,000	-	11,800,000	41,300,000	800,000	1,164,232	68,426
<b>Total Sales Tax Revenue Bonds</b>	<b><u>307,780,000</u></b>	<b><u>-</u></b>	<b><u>16,300,000</u></b>	<b><u>291,480,000</u></b>	<b><u>5,230,000</u></b>	<b><u>177,021,057</u></b>	<b><u>12,074,826</u></b>
<b><u>Limited Tax Bonds</u></b>							
<b>Regional Railroad Authority (RRA):</b>							
March 17, 2010 Series A - Refunding Bonds	40,505,000	-	1,395,000	39,110,000	1,435,000	17,179,800	1,427,800
<b>Total Bonds and Notes</b>	<b><u>1,185,775,000</u></b>	<b><u>61,605,000</u></b>	<b><u>139,630,000</u></b>	<b><u>1,107,750,000</u></b>	<b><u>57,880,000</u></b>	<b><u>487,456,096</u></b>	<b><u>44,742,877</u></b>
<b><u>Lease Revenue Certificates of Participation</u></b>							
December 15, 2008 Series F	11,350,000	-	2,700,000	8,650,000	2,785,000	587,656	285,106
<b>Total Certificates of Participation</b>	<b><u>11,350,000</u></b>	<b><u>-</u></b>	<b><u>2,700,000</u></b>	<b><u>8,650,000</u></b>	<b><u>2,785,000</u></b>	<b><u>587,656</u></b>	<b><u>285,106</u></b>
<b>Total Long-Term Debt</b>	<b>\$ <u>1,197,125,000</u></b>	<b>\$ <u>61,605,000</u></b>	<b>\$ <u>142,330,000</u></b>	<b>\$ <u>1,116,400,000</u></b>	<b>\$ <u>60,665,000</u></b>	<b>\$ <u>488,043,752</u></b>	<b>\$ <u>45,027,983</u></b>



**Supplementary Information  
Enterprise Funds**





Hennepin County, Minnesota  
**Schedules of Net Position**  
**Enterprise Funds**  
December 31, 2012 and 2011

	Metropolitan Health Plan		Solid Waste	
	2012	2011	2012	2011
<b>ASSETS</b>				
Current Assets:				
Cash.....	\$ 51,220,164	\$ 40,008,990	\$ 37,062,176	\$ 34,514,529
Delinquent taxes receivable.....	-	-	1,684	2,770
Due from component unit.....	-	-	-	-
Other receivables.....	6,419,748	13,021,333	5,653,436	7,374,173
Inventories.....	-	-	-	-
Prepaid items.....	157,819	453,527	-	1,654
	<u>57,797,731</u>	<u>53,483,850</u>	<u>42,717,296</u>	<u>41,893,126</u>
Total Current Assets				
Noncurrent Assets:				
Restricted cash and investments.....	500,000	500,000	11,211,920	13,056,093
Capital Assets:				
Land.....	-	-	8,179,432	8,179,432
Land improvements.....	-	-	-	-
Buildings.....	-	-	135,673,066	133,828,878
Equipment.....	408,883	2,830,802	5,930,068	6,181,481
Leasehold improvements.....	1,673,332	2,317,221	-	-
Construction in progress.....	-	-	151,901	136,960
	<u>2,082,215</u>	<u>5,148,023</u>	<u>149,934,467</u>	<u>148,326,751</u>
Total capital assets	2,082,215	5,148,023	149,934,467	148,326,751
Less accumulated depreciation and amortization.....	2,082,215	5,073,388	52,062,844	50,528,997
	<u>-</u>	<u>74,635</u>	<u>97,871,623</u>	<u>97,797,754</u>
Net Capital Assets	-	74,635	97,871,623	97,797,754
	<u>500,000</u>	<u>574,635</u>	<u>109,083,543</u>	<u>110,853,847</u>
Total Noncurrent Assets	500,000	574,635	109,083,543	110,853,847
Total Assets	<u>\$ 58,297,731</u>	<u>\$ 54,058,485</u>	<u>\$ 151,800,839</u>	<u>\$ 152,746,973</u>
<b>LIABILITIES</b>				
Current liabilities:				
Interfund payable.....	\$ -	\$ -	\$ -	\$ -
Accounts and contracts payable.....	10,643,454	9,454,315	3,026,503	3,908,833
Accrued interest payable.....	-	-	-	64,063
Accrued expenses.....	19,924,110	22,107,921	245,592	220,468
Current portion of:				
General obligation bonds and notes.....	-	-	-	4,099,772
Compensated absences.....	300,000	300,000	50,000	50,000
	<u>30,867,564</u>	<u>31,862,236</u>	<u>3,322,095</u>	<u>8,343,136</u>
Total Current Liabilities	30,867,564	31,862,236	3,322,095	8,343,136
Noncurrent liabilities, net of current portion:				
General obligation bonds and notes.....	-	-	-	-
Postemployment healthcare benefits.....	1,082,682	1,082,000	656,574	590,000
Compensated absences.....	376,853	676,284	993,915	1,044,610
	<u>1,459,535</u>	<u>1,758,284</u>	<u>1,650,489</u>	<u>1,634,610</u>
Total Noncurrent Liabilities	1,459,535	1,758,284	1,650,489	1,634,610
Total Liabilities	<u>\$ 32,327,099</u>	<u>\$ 33,620,520</u>	<u>\$ 4,972,584</u>	<u>\$ 9,977,746</u>
<b>NET POSITION</b>				
Net investment in capital assets.....	\$ -	\$ 74,635	\$ 97,871,623	\$ 93,697,982
Restricted for:				
Statutory requirements relating to:				
Metropolitan Health Plan.....	500,000	500,000	-	-
Solid waste management.....	-	-	10,172,861	11,993,273
Grants.....	-	-	1,039,059	1,062,820
Unrestricted.....	25,470,632	19,863,330	37,744,712	36,015,152
	<u>25,470,632</u>	<u>19,863,330</u>	<u>37,744,712</u>	<u>36,015,152</u>
Total Net Position	<u>\$ 25,970,632</u>	<u>\$ 20,437,965</u>	<u>\$ 146,828,255</u>	<u>\$ 142,769,227</u>

Glen Lake Golf Course		Radio Communications	
2012	2011	2012	2011
\$ 13,297	\$ 505	\$ 5,621,396	\$ 6,668,842
-	-	-	-
-	-	18,386	17,323
-	-	112,948	110,509
6,274	3,973	-	-
1,330	1,075	-	-
<u>20,901</u>	<u>5,553</u>	<u>5,752,730</u>	<u>6,796,674</u>
-	-	-	-
985,092	985,092	-	-
1,893,908	1,893,908	-	-
843,167	843,167	-	-
188,034	188,034	9,061,695	7,959,946
-	-	-	-
-	-	-	-
<u>3,910,201</u>	<u>3,910,201</u>	<u>9,061,695</u>	<u>7,959,946</u>
<u>1,886,634</u>	<u>1,768,720</u>	<u>6,205,390</u>	<u>6,337,948</u>
<u>2,023,567</u>	<u>2,141,481</u>	<u>2,856,305</u>	<u>1,621,998</u>
<u>2,023,567</u>	<u>2,141,481</u>	<u>2,856,305</u>	<u>1,621,998</u>
<u>\$ 2,044,468</u>	<u>\$ 2,147,034</u>	<u>\$ 8,609,035</u>	<u>\$ 8,418,672</u>
\$ -	\$ 23,000	\$ -	\$ -
10,307	12,266	173,337	146,906
-	-	-	-
-	-	-	-
145,000	215,000	-	-
-	-	-	-
<u>155,307</u>	<u>250,266</u>	<u>173,337</u>	<u>146,906</u>
1,120,000	1,190,000	-	-
-	-	-	-
-	-	-	-
<u>1,120,000</u>	<u>1,190,000</u>	<u>-</u>	<u>-</u>
<u>\$ 1,275,307</u>	<u>\$ 1,440,266</u>	<u>\$ 173,337</u>	<u>\$ 146,906</u>
\$ 758,567	\$ 736,481	\$ 2,856,305	\$ 1,621,998
-	-	-	-
-	-	-	-
-	-	-	-
10,594	(29,713)	5,579,393	6,649,768
<u>\$ 769,161</u>	<u>\$ 706,768</u>	<u>\$ 8,435,698</u>	<u>\$ 8,271,766</u>

Hennepin County, Minnesota  
**Schedules of Revenues, Expenses, and Changes in Fund Net Position - Budget and Actual**  
**Metropolitan Health Plan Fund**  
For the Years Ended December 31, 2012 and 2011

	2012				2011
	Final Budget	Actual	Variance with Final Budget		Actual
<b>OPERATING REVENUES</b>					
Net charges for services. . . . .	\$ 231,391,722	\$ 132,486,554	\$ (98,905,168)		\$ 163,786,371
<b>OPERATING EXPENSES</b>					
Personal services. . . . .	10,776,211	8,490,655	2,285,556		11,901,871
Commodities. . . . .	1,014,733	591,643	423,090		625,358
Contractual services. . . . .	211,315,673	118,190,915	93,124,758		136,247,710
Depreciation and amortization. . . . .	74,638	74,638	-		447,834
Other. . . . .	7,970,500	261,319	7,709,181		6,486,439
<b>Total Operating Expenses</b>	<b>231,151,755</b>	<b>127,609,170</b>	<b>103,542,585</b>		<b>155,709,212</b>
Operating Income (Loss)	239,967	4,877,384	4,637,417		8,077,159
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Investment earnings. . . . .	287,701	794,949	507,248		611,201
Interest expense. . . . .	(84,906)	(139,666)	(54,760)		(85,466)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>202,795</b>	<b>655,283</b>	<b>452,488</b>		<b>525,735</b>
Change in Net Position	442,762	5,532,667	\$ 5,089,905		8,602,894
Total Net Position - Beginning	20,437,965	20,437,965			11,835,071
Total Net Position - Ending	\$ 20,880,727	\$ 25,970,632			\$ 20,437,965

Hennepin County, Minnesota  
**Schedules of Revenues, Expenses, and Changes in Fund Net Position - Budget and Actual**  
**Solid Waste Fund**  
For the Years Ended December 31, 2012 and 2011

	2012		Variance with Final Budget	2011 Actual
	Final Budget	Actual		
<b>OPERATING REVENUES</b>				
Charges for services. . . . .	\$ 46,888,954	\$ 49,858,405	\$ 2,969,451	\$ 49,331,672
<b>OPERATING EXPENSES</b>				
Personal services. . . . .	6,190,553	6,036,092	154,461	6,006,752
Commodities. . . . .	194,360	224,060	(29,700)	177,794
Contractual services. . . . .	39,889,104	37,603,916	2,285,188	36,698,329
Depreciation and amortization. . . . .	5,575,000	5,603,932	(28,932)	5,297,830
Other. . . . .	620,126	684,401	(64,275)	506,777
Total Operating Expenses	<u>52,469,143</u>	<u>50,152,401</u>	<u>2,316,742</u>	<u>48,687,482</u>
Operating Income (Loss)	<u>(5,580,189)</u>	<u>(293,996)</u>	<u>5,286,193</u>	<u>644,190</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Other taxes. . . . .	200,000	66,212	(133,788)	107,175
Intergovernmental. . . . .	4,313,000	4,985,697	672,697	4,194,938
Investment earnings. . . . .	1,280,000	643,556	(636,444)	915,414
Interest expense. . . . .	(12,812)	(12,812)	-	(165,879)
Other revenue. . . . .	3,553,543	2,922,583	(630,960)	1,966,754
Environmental grants awarded. . . . .	<u>(2,000,000)</u>	<u>(4,252,212)</u>	<u>(2,252,212)</u>	<u>(3,134,536)</u>
Total Nonoperating Revenues (Expenses)	<u>7,333,731</u>	<u>4,353,024</u>	<u>(2,980,707)</u>	<u>3,883,866</u>
Income Before Transfers	1,753,542	4,059,028	2,305,486	4,528,056
Transfers out. . . . .	-	-	-	(1,637,007)
Change in Net Position	1,753,542	4,059,028	\$ <u>2,305,486</u>	2,891,049
Total Net Position-Beginning	<u>142,769,227</u>	<u>142,769,227</u>		<u>139,878,178</u>
Total Net Position - Ending	<u>\$ 144,522,769</u>	<u>\$ 146,828,255</u>		<u>\$ 142,769,227</u>

Hennepin County, Minnesota  
**Schedules of Revenues, Expenses, and Changes in Fund Net Position - Budget and Actual**  
**Glen Lake Golf Course Fund**  
For the Years Ended December 31, 2012 and 2011

	2012			2011 Actual
	Final Budget	Actual	Variance with Final Budget	
<b>OPERATING REVENUES</b>				
Charges for services. . . . .	\$ 1,126,785	\$ 893,430	\$ (233,355)	\$ 841,106
<b>OPERATING EXPENSES</b>				
Personal services. . . . .	439,375	451,745	(12,370)	439,080
Commodities. . . . .	100,825	92,529	8,296	92,142
Contractual services. . . . .	136,193	121,650	14,543	118,432
Depreciation and amortization. . . . .	117,914	117,914	-	117,916
Other. . . . .	65,909	19,099	46,810	33,750
 Total Operating Expenses	 860,216	 802,937	 57,279	 801,320
 Operating Income	 266,569	 90,493	 (176,076)	 39,786
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest expense. . . . .	(266,569)	(28,100)	238,469	(62,761)
 Change in Net Position	 -	 62,393	 \$ 62,393	 (22,975)
Total Net Position - Beginning	706,768	706,768		729,743
 Total Net Position - Ending	 \$ 706,768	 \$ 769,161		 \$ 706,768

Hennepin County, Minnesota  
**Schedules of Revenues, Expenses, and Changes in Fund Net Position - Budget and Actual**  
**Radio Communications Fund**  
For the Years Ended December 31, 2012 and 2011

	2012			2011 Actual
	Final Budget	Actual	Variance with Final Budget	
<b>OPERATING REVENUES</b>				
Charges for services. . . . .	\$ 2,161,543	\$ 2,173,897	\$ 12,354	\$ 2,278,739
<b>OPERATING EXPENSES</b>				
Commodities. . . . .	515,000	238,408	276,592	815,572
Contractual services. . . . .	1,443,987	1,307,356	136,631	1,409,601
Depreciation and amortization. . . . .	564,130	617,815	(53,685)	710,876
 Total Operating Expenses	 2,523,117	 2,163,579	 359,538	 2,936,049
 Operating Income (Loss)	 (361,574)	 10,318	 371,892	 (657,310)
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Intergovernmental. . . . .	-	155,075	155,075	-
Gain (Loss) on capital asset disposal. . . . .	-	(1,461)	(1,461)	-
 Change in Net Position	 (361,574)	 163,932	 \$ 525,506	 (657,310)
Total Net Position - Beginning	8,271,766	8,271,766		8,929,076
 Total Net Position - Ending	 \$ 7,910,192	 \$ 8,435,698		 \$ 8,271,766

Hennepin County, Minnesota  
**Schedules of Cash Flows**  
**Enterprise Funds**  
For the Years Ended December 31, 2012 and 2011

	Metropolitan Health Plan	
	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers and users. . . . .	\$ 136,904,328	\$ 167,605,607
Payments to suppliers for goods and services. . . . .	(117,297,714)	(134,113,826)
Payments to employees for services. . . . .	(8,789,404)	(11,532,145)
Other operating disbursements. . . . .	(261,319)	(6,486,439)
	<u>10,555,891</u>	<u>15,473,197</u>
Net Cash Provided by Operating Activities		
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Other taxes. . . . .	-	-
Grants and contributions. . . . .	-	-
Transfers out. . . . .	-	-
Interfund loan. . . . .	-	-
	<u>-</u>	<u>-</u>
Net Cash Provided (Used) by Noncapital Financing Activities		
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase of capital assets. . . . .	-	-
Interest paid. . . . .	(139,666)	(85,466)
Debt issuance cost and principal payments. . . . .	-	-
	<u>(139,666)</u>	<u>(85,466)</u>
Net Cash Used by Capital and Related Financing Activities		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest income. . . . .	794,949	611,201
	<u>794,949</u>	<u>611,201</u>
Net Cash Provided by Investing Activities		
Net Increase (Decrease) in Cash	11,211,174	15,998,932
Cash at Beginning of Year	<u>40,508,990</u>	<u>24,510,058</u>
Cash at End of Year	<u>\$ 51,720,164</u>	<u>\$ 40,508,990</u>
<b>CASH COMPONENTS:</b>		
Cash. . . . .	\$ 51,220,164	\$ 40,008,990
Restricted cash. . . . .	500,000	500,000
	<u>51,720,164</u>	<u>40,508,990</u>
Cash at End of Year		
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating income (loss). . . . .	\$ 4,877,384	\$ 8,077,159
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization. . . . .	74,638	447,834
(Increase) decrease in:		
Receivables and prepaid items. . . . .	6,897,293	(446,663)
Due from component unit. . . . .	-	-
Inventories. . . . .	-	-
Increase (decrease) in:		
Accounts payable and accrued expenses. . . . .	(1,293,424)	7,394,867
	<u>(1,293,424)</u>	<u>7,394,867</u>
Net Cash Provided By Operating Activities	<u>\$ 10,555,891</u>	<u>\$ 15,473,197</u>
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>		
Loss on disposal of capital assets. . . . .	\$ -	\$ -
Increase in fair value of investments. . . . .	213,375	156,257

Solid Waste		Glen Lake Golf Course		Radio Communications	
2012	2011	2012	2011	2012	2011
\$ 51,604,266	\$ 49,817,933	\$ 893,430	\$ 841,106	\$ 2,170,395	\$ 2,296,264
(38,708,652)	(35,936,485)	(218,694)	(203,414)	(1,519,333)	(2,121,408)
(6,020,213)	(5,770,640)	(451,745)	(439,080)	-	-
(684,401)	(506,777)	(19,099)	(33,750)	-	-
<u>6,191,000</u>	<u>7,604,031</u>	<u>203,892</u>	<u>164,862</u>	<u>651,062</u>	<u>174,856</u>
67,298	109,316	-	-	-	-
3,656,068	3,027,156	-	-	155,075	-
-	(1,637,007)	-	-	-	-
-	-	(23,000)	23,000	-	-
<u>3,723,366</u>	<u>1,499,465</u>	<u>(23,000)</u>	<u>23,000</u>	<u>155,075</u>	<u>-</u>
(5,677,801)	(2,392,888)	-	-	(1,852,122)	(547,720)
(76,875)	(226,524)	(28,100)	(62,761)	(1,461)	-
(4,099,772)	(4,097,262)	(140,000)	(205,000)	-	-
<u>(9,854,448)</u>	<u>(6,716,674)</u>	<u>(168,100)</u>	<u>(267,761)</u>	<u>(1,853,583)</u>	<u>(547,720)</u>
643,556	915,414	-	-	-	-
<u>643,556</u>	<u>915,414</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
703,474	3,302,236	12,792	(79,899)	(1,047,446)	(372,864)
<u>47,570,622</u>	<u>44,268,386</u>	<u>505</u>	<u>80,404</u>	<u>6,668,842</u>	<u>7,041,706</u>
<u>\$ 48,274,096</u>	<u>\$ 47,570,622</u>	<u>\$ 13,297</u>	<u>\$ 505</u>	<u>\$ 5,621,396</u>	<u>\$ 6,668,842</u>
\$ 37,062,176	\$ 34,514,529	\$ 13,297	\$ 505	\$ 5,621,396	\$ 6,668,842
<u>11,211,920</u>	<u>13,056,093</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 48,274,096</u>	<u>\$ 47,570,622</u>	<u>\$ 13,297</u>	<u>\$ 505</u>	<u>\$ 5,621,396</u>	<u>\$ 6,668,842</u>
\$ (293,996)	\$ 644,190	\$ 90,493	\$ 39,786	\$ 10,318	\$ (657,310)
5,603,932	5,297,830	117,914	117,916	617,815	710,876
1,722,391	286,043	(255)	880	(2,439)	34,848
-	-	-	-	(1,063)	(17,323)
-	-	(2,301)	(209)	-	-
<u>(841,327)</u>	<u>1,375,968</u>	<u>(1,959)</u>	<u>6,489</u>	<u>26,431</u>	<u>103,765</u>
<u>\$ 6,191,000</u>	<u>\$ 7,604,031</u>	<u>\$ 203,892</u>	<u>\$ 164,862</u>	<u>\$ 651,062</u>	<u>\$ 174,856</u>
\$ -	\$ -	\$ -	\$ -	\$ (1,461)	\$ -
215,337	271,224	-	-	-	-



**Supplementary Information  
Other**





Hennepin County, Minnesota  
**Combining Statement of Net Position**  
**Internal Service Funds**  
December 31, 2012  
With Comparative Totals for December 31, 2011

	Central Services	Central Mobile Equipment	Information Technology	Energy Center
<b>ASSETS</b>				
Current Assets:				
Cash .....	\$ 1,986,164	\$ 7,776,399	\$ 38,350,247	\$ 3,438,586
Interfund receivable .....	-	-	-	-
Due from component unit .....	40,972	485,012	4,314	558,592
Receivables from users .....	40,580	101,150	218,664	439,294
Inventories .....	90,313	235,761	-	181,940
Prepaid items .....	67,092	-	4,377,913	1,321
	<u>2,225,121</u>	<u>8,598,322</u>	<u>42,951,138</u>	<u>4,619,733</u>
Total Current Assets				
Capital Assets:				
Land .....	-	-	-	1,040,600
Buildings .....	-	-	-	34,637,576
Equipment .....	8,235,032	44,981,217	39,021,237	282,190
Software .....	-	-	6,997,361	-
Construction in progress .....	-	189,000	-	-
	<u>8,235,032</u>	<u>45,170,217</u>	<u>46,018,598</u>	<u>35,960,366</u>
Total capital assets				
Less accumulated depreciation .....	6,587,594	21,152,675	35,681,400	17,680,567
	<u>1,647,438</u>	<u>24,017,542</u>	<u>10,337,198</u>	<u>18,279,799</u>
Net Capital Assets				
Total Assets	<u>\$ 3,872,559</u>	<u>\$ 32,615,864</u>	<u>\$ 53,288,336</u>	<u>\$ 22,899,532</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts and contracts payable .....	\$ 199,263	\$ 497,664	\$ 8,261,786	\$ 434,319
Accrued interest payable .....	-	-	-	843
Accrued expenses .....	55,762	81,405	944,958	4,737
Unearned revenue .....	-	67,525	-	-
Current portion of:				
Workers' compensation claims .....	-	-	-	-
Lease revenue certificates of participation .....	-	-	-	66,140
General obligation bonds .....	-	-	-	1,255,007
Notes payable .....	-	-	-	-
Compensated absences .....	10,000	10,000	250,000	-
	<u>265,025</u>	<u>656,594</u>	<u>9,456,744</u>	<u>1,761,046</u>
Total Current Liabilities				
Noncurrent Liabilities, Net of Current Portion:				
Advance from other funds .....	-	-	-	-
Workers' compensation claims .....	-	-	-	-
Lease revenue certificates of participation .....	-	-	-	139,230
General obligation bonds .....	-	-	-	15,192,308
Notes payable .....	-	-	-	-
Postemployment healthcare benefits .....	79,989	258,602	687,113	651
Compensated absences .....	178,468	304,344	3,259,140	46,921
	<u>258,457</u>	<u>562,946</u>	<u>3,946,253</u>	<u>15,379,110</u>
Total Noncurrent Liabilities				
Total Liabilities	<u>\$ 523,482</u>	<u>\$ 1,219,540</u>	<u>\$ 13,402,997</u>	<u>\$ 17,140,156</u>
<b>NET POSITION</b>				
Net investment in capital assets	\$ 1,647,438	\$ 24,017,542	\$ 10,337,198	\$ 1,627,114
Unrestricted	1,701,639	7,378,782	29,548,141	4,132,262
	<u>3,349,077</u>	<u>31,396,324</u>	<u>39,885,339</u>	<u>5,759,376</u>
Total Net Position				

Self Insurance	Employee Health Plan Self Insurance	Other Employee Benefits	Totals	
			2012	2011
\$ 20,207,842	\$ 33,265,301	\$ 82,324,712	\$ 187,349,251	\$ 179,273,912
-	-	49,528,176	49,528,176	41,896,804
-	-	-	1,088,890	1,106,036
-	150,441	-	950,129	2,206,847
-	-	-	508,014	603,418
1,999	-	-	4,448,325	5,797,922
<u>20,209,841</u>	<u>33,415,742</u>	<u>131,852,888</u>	<u>243,872,785</u>	<u>230,884,939</u>
-	-	-	1,040,600	1,040,600
-	-	-	34,637,576	33,937,546
65,850	-	-	92,585,526	86,538,591
-	-	-	6,997,361	6,997,361
-	-	-	189,000	473,416
65,850	-	-	135,450,063	128,987,514
<u>65,850</u>	<u>-</u>	<u>-</u>	<u>81,168,086</u>	<u>77,507,608</u>
-	-	-	54,281,977	51,479,906
<u>\$ 20,209,841</u>	<u>\$ 33,415,742</u>	<u>\$ 131,852,888</u>	<u>\$ 298,154,762</u>	<u>\$ 282,364,845</u>
\$ 575,564	\$ 29,869	\$ -	\$ 9,998,465	\$ 12,585,030
4,740	-	-	5,583	9,068
14,487	5,536,540	14,500	6,652,389	8,090,920
-	3,630,408	-	3,697,933	3,641,457
1,500,000	-	-	1,500,000	1,500,000
-	-	-	66,140	64,129
-	-	-	1,255,007	1,190,207
97,987	-	-	97,987	91,381
20,000	-	4,300,000	4,590,000	4,525,000
<u>2,212,778</u>	<u>9,196,817</u>	<u>4,314,500</u>	<u>27,863,504</u>	<u>31,697,192</u>
-	-	-	-	109,416
8,306,058	-	-	8,306,058	7,919,502
-	-	-	139,230	205,371
-	-	-	15,192,308	15,957,924
105,071	-	-	105,071	203,058
60,183	3,889	41,059,125	42,149,552	36,393,000
<u>34,810</u>	<u>22,180</u>	<u>85,660,796</u>	<u>89,506,659</u>	<u>90,003,026</u>
<u>8,506,122</u>	<u>26,069</u>	<u>126,719,921</u>	<u>155,398,878</u>	<u>150,791,297</u>
<u>\$ 10,718,900</u>	<u>\$ 9,222,886</u>	<u>\$ 131,034,421</u>	<u>\$ 183,262,382</u>	<u>\$ 182,488,489</u>
\$ -	\$ -	\$ -	\$ 37,629,292	\$ 15,189,509
<u>9,490,941</u>	<u>24,192,856</u>	<u>818,467</u>	<u>77,263,088</u>	<u>84,686,847</u>
<u>\$ 9,490,941</u>	<u>\$ 24,192,856</u>	<u>\$ 818,467</u>	<u>\$ 114,892,380</u>	<u>\$ 99,876,356</u>

Hennepin County, Minnesota  
**Combining Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Internal Service Funds**  
For the Year Ended December 31, 2012  
With Comparative Totals for December 31, 2011

	Central Services	Central Mobile Equipment	Information Technology	Energy Center
<b>OPERATING REVENUES</b>				
Charges for services.....	\$ 6,630,817	\$ 13,964,345	\$ 48,734,387	\$ 7,647,008
<b>OPERATING EXPENSES</b>				
Personal services.....	1,349,146	2,041,449	23,465,874	113,981
Commodities.....	436,841	3,493,384	5,620,890	3,651,412
Contractual services.....	3,974,179	1,083,017	13,957,760	1,903,056
Depreciation.....	539,430	5,539,710	4,518,221	1,152,133
Other charges.....	138,671	175,915	785,898	103,554
 Total Operating Expenses	 6,438,267	 12,333,475	 48,348,643	 6,924,136
 Operating Income (Loss)	 192,550	 1,630,870	 385,744	 722,872
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Intergovernmental.....	-	-	-	-
Interest expense.....	-	-	-	(672,685)
Gain (Loss) on capital asset disposal.....	(2,212)	565,767	(7,207)	-
 Total Nonoperating Revenues (Expenses)	 (2,212)	 565,767	 (7,207)	 (672,685)
 Income (Loss) Before Contributions and Transfers	 190,338	 2,196,637	 378,537	 50,187
Capital contributions.....	-	1,224,378	153,589	-
Transfers in.....	875,041	-	-	-
Transfers out.....	-	-	(875,041)	-
 Net Contributions and Transfers	 875,041	 1,224,378	 (721,452)	 -
 Change in Net Position	 1,065,379	 3,421,015	 (342,915)	 50,187
Total Net Position - Beginning	2,283,698	27,975,309	40,228,254	5,709,189
 Total Net Position-Ending	 \$ 3,349,077	 \$ 31,396,324	 \$ 39,885,339	 \$ 5,759,376

Self Insurance	Employee Health Plan Self Insurance	Other Employee Benefits	Totals	
			2012	2011
\$ 5,411,005	\$ 93,354,762	\$ 18,557,204	\$ 194,299,528	\$ 176,082,274
4,865,533	79,295,710	18,585,006	129,716,699	124,764,817
13,507	1,640	-	13,217,674	9,635,894
255,847	3,238,413	-	24,412,272	17,831,078
-	-	-	11,749,494	12,454,009
206,467	27,360	-	1,437,865	1,493,746
<u>5,341,354</u>	<u>82,563,123</u>	<u>18,585,006</u>	<u>180,534,004</u>	<u>166,179,544</u>
69,651	10,791,639	(27,802)	13,765,524	9,902,730
-	-	-	-	584,010
(11,130)	-	-	(683,815)	(695,461)
-	-	-	556,348	351,231
<u>(11,130)</u>	<u>-</u>	<u>-</u>	<u>(127,467)</u>	<u>239,780</u>
<u>58,521</u>	<u>10,791,639</u>	<u>(27,802)</u>	<u>13,638,057</u>	<u>10,142,510</u>
-	-	-	1,377,967	1,266,538
-	-	-	875,041	1,800,000
-	-	-	(875,041)	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,377,967</u>	<u>3,066,538</u>
58,521	10,791,639	(27,802)	15,016,024	13,209,048
<u>9,432,420</u>	<u>13,401,217</u>	<u>846,269</u>	<u>99,876,356</u>	<u>86,667,308</u>
\$ <u>9,490,941</u>	\$ <u>24,192,856</u>	\$ <u>818,467</u>	\$ <u>114,892,380</u>	\$ <u>99,876,356</u>

Hennepin County, Minnesota  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
For the Year Ended December 31, 2012

	Central Services	Central Mobile Equipment	Information Technology
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers and users. . . . .	\$ 6,777,876	\$ 13,952,026	\$ 49,225,701
Payments to suppliers for goods and services. . . . .	(4,338,929)	(4,516,443)	(20,215,521)
Payments to employees for services. . . . .	(1,423,238)	(1,979,758)	(23,211,160)
Other operating disbursements. . . . .	(138,671)	(175,915)	(785,898)
Net Cash Provided (Used) by Operating Activities	877,038	7,279,910	5,013,122
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers in. . . . .	875,041	-	-
Transfers out. . . . .	-	-	(875,041)
Noncapital debt payments. . . . .	-	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	875,041	-	(875,041)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchase of capital assets. . . . .	(1,770,267)	(8,441,046)	(1,689,332)
Interest paid. . . . .	-	-	-
Proceeds from issuance of debt. . . . .	-	-	-
Debt issuance cost and principal payments. . . . .	-	-	-
Net Cash Used by Capital and Related Financing Activities	(1,770,267)	(8,441,046)	(1,689,332)
Net Increase (Decrease) in Cash	(18,188)	(1,161,136)	2,448,749
Cash at Beginning of Year	2,004,352	8,937,535	35,901,498
Cash at End of Year	\$ 1,986,164	\$ 7,776,399	\$ 38,350,247
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating income (loss). . . . .	\$ 192,550	\$ 1,630,870	\$ 385,744
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization. . . . .	539,430	5,539,710	4,518,221
(Increase) decrease in:			
Receivables and prepaid items. . . . .	120,717	23,601	1,701,978
Due from component unit. . . . .	(6,692)	(18,598)	13,108
Inventories. . . . .	65,101	(6,493)	-
Increase (decrease) in:			
Accounts payable and accrued expenses. . . . .	(34,068)	134,795	(1,605,929)
Unearned revenue. . . . .	-	(23,975)	-
Advance from other funds. . . . .	-	-	-
Net Cash Provided (Used) By Operating Activities	\$ 877,038	\$ 7,279,910	\$ 5,013,122
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>			
Capital asset additions through increase in debt. . . . .	-	-	-
Contributions of capital assets. . . . .	-	1,224,378	153,589
Loss on disposal of capital assets. . . . .	(2,212)	(21,733)	(7,207)

Energy Center	Self Insurance	Employee Health Self-Insurance	Other Employee Benefits	Total
\$ 8,003,281	\$ 5,410,598	\$ 92,250,151	\$ 10,940,332	\$ 186,559,965
(5,753,043)	(298,129)	(3,636,245)	-	(38,758,310)
(114,073)	(4,548,540)	(79,269,641)	(13,471,748)	(124,018,158)
<u>(212,970)</u>	<u>(206,467)</u>	<u>(27,360)</u>	<u>-</u>	<u>(1,547,281)</u>
1,923,195	357,462	9,316,905	(2,531,416)	22,236,216
-	-	-	-	875,041
-	-	-	-	(875,041)
<u>-</u>	<u>(91,381)</u>	<u>-</u>	<u>-</u>	<u>(91,381)</u>
-	(91,381)	-	-	(91,381)
(716,605)	-	-	-	(12,617,250)
(672,925)	(14,375)	-	-	(687,300)
489,390	-	-	-	489,390
<u>(1,254,336)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,254,336)</u>
<u>(2,154,476)</u>	<u>(14,375)</u>	<u>-</u>	<u>-</u>	<u>(14,069,496)</u>
(231,281)	251,706	9,316,905	(2,531,416)	8,075,339
<u>3,669,867</u>	<u>19,956,136</u>	<u>23,948,396</u>	<u>84,856,128</u>	<u>179,273,912</u>
\$ <u>3,438,586</u>	\$ <u>20,207,842</u>	\$ <u>33,265,301</u>	\$ <u>82,324,712</u>	\$ <u>187,349,251</u>
\$ 722,872	\$ 69,651	\$ 10,791,639	\$ (27,802)	\$ 13,765,524
1,152,133	-	-	-	11,749,494
327,009	1,060	431,950	(7,631,372)	(5,025,057)
29,328	-	-	-	17,146
36,796	-	-	-	95,404
(235,527)	286,751	(1,987,135)	5,127,758	1,686,645
-	-	80,451	-	56,476
<u>(109,416)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(109,416)</u>
\$ <u>1,923,195</u>	\$ <u>357,462</u>	\$ <u>9,316,905</u>	\$ <u>(2,531,416)</u>	\$ <u>22,236,216</u>
\$ 489,390	\$ -	\$ -	\$ -	\$ 489,390
-	-	-	-	1,377,967
-	-	-	-	(31,152)

Hennepin County, Minnesota  
**Schedules of Net Position**  
**Internal Service Funds**  
For the Years Ended December 31, 2012 and 2011

	Central Services		Central Mobile Equipment		Information Technology	
	2012	2011	2012	2011	2012	2011
<b>ASSETS</b>						
Current Assets:						
Cash.....	\$ 1,986,164	\$ 2,004,352	\$ 7,776,399	\$ 8,937,535	\$ 38,350,247	\$ 35,901,498
Interfund receivable.....	-	-	-	-	-	-
Due from component unit.....	40,972	34,280	485,012	466,414	4,314	17,422
Receivables from users.....	40,580	185,769	101,150	124,751	218,664	545,034
Inventories.....	90,313	155,414	235,761	229,268	-	-
Prepaid items.....	67,092	42,620	-	-	4,377,913	5,753,521
<b>Total Current Assets</b>	<b>2,225,121</b>	<b>2,422,435</b>	<b>8,598,322</b>	<b>9,757,968</b>	<b>42,951,138</b>	<b>42,217,475</b>
Capital Assets:						
Land.....	-	-	-	-	-	-
Buildings.....	-	-	-	-	-	-
Equipment.....	8,235,032	2,391,448	44,981,217	41,497,340	39,021,237	42,318,338
Software.....	-	-	-	-	6,997,361	6,997,361
Construction in progress.....	-	-	189,000	473,416	-	-
<b>Total capital assets</b>	<b>8,235,032</b>	<b>2,391,448</b>	<b>45,170,217</b>	<b>41,970,756</b>	<b>46,018,598</b>	<b>49,315,699</b>
Less accumulated depreciation.....	6,587,594	1,972,635	21,152,675	22,644,695	35,681,400	36,295,994
<b>Net Capital Assets</b>	<b>1,647,438</b>	<b>418,813</b>	<b>24,017,542</b>	<b>19,326,061</b>	<b>10,337,198</b>	<b>13,019,705</b>
<b>Total Assets</b>	<b>\$ 3,872,559</b>	<b>\$ 2,841,248</b>	<b>\$ 32,615,864</b>	<b>\$ 29,084,029</b>	<b>\$ 53,288,336</b>	<b>\$ 55,237,180</b>
<b>LIABILITIES</b>						
Current Liabilities:						
Accounts and contracts payable.....	\$ 199,263	\$ 167,801	\$ 497,664	\$ 431,213	\$ 8,261,786	\$ 10,274,265
Accrued interest payable.....	-	-	-	-	-	-
Accrued expenses.....	55,762	47,200	81,405	74,752	944,958	793,122
Unearned revenue.....	-	-	67,525	91,500	-	-
Current portion of:						
Workers' compensation claims.....	-	-	-	-	-	-
Lease revenue certificates of participation.....	-	-	-	-	-	-
General obligation bonds.....	-	-	-	-	-	-
Notes payable.....	-	-	-	-	-	-
Compensated absences.....	10,000	10,000	10,000	10,000	250,000	200,000
<b>Total Current Liabilities</b>	<b>265,025</b>	<b>225,001</b>	<b>656,594</b>	<b>607,465</b>	<b>9,456,744</b>	<b>11,267,387</b>
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.....	79,989	123,000	258,602	221,000	687,113	540,000
Compensated absences.....	178,468	209,549	304,344	280,255	3,259,140	3,201,539
<b>Total Noncurrent Liabilities</b>	<b>258,457</b>	<b>332,549</b>	<b>562,946</b>	<b>501,255</b>	<b>3,946,253</b>	<b>3,741,539</b>
<b>Total Liabilities</b>	<b>\$ 523,482</b>	<b>\$ 557,550</b>	<b>\$ 1,219,540</b>	<b>\$ 1,108,720</b>	<b>\$ 13,402,997</b>	<b>\$ 15,008,926</b>
<b>Net Position</b>						
Net investment in capital assets	\$ 1,647,438	\$ 418,813	\$ 24,017,542	\$ 19,326,061	\$ 10,337,198	\$ 13,019,705
Unrestricted	1,701,639	1,864,885	7,378,782	8,649,248	29,548,141	27,208,549
<b>Total Net Position</b>	<b>\$ 3,349,077</b>	<b>\$ 2,283,698</b>	<b>\$ 31,396,324</b>	<b>\$ 27,975,309</b>	<b>\$ 39,885,339</b>	<b>\$ 40,228,254</b>

Energy Center		Self Insurance		Employee Health Plan Self Insurance		Other Employee Benefits	
2012	2011	2012	2011	2012	2011	2012	2011
\$ 3,438,586	\$ 3,669,867	\$ 20,207,842	\$ 19,956,136	\$ 33,265,301	\$ 23,948,396	\$ 82,324,712	\$ 84,856,128
-	-	-	-	-	-	49,528,176	41,896,804
558,592	587,920	-	-	-	-	-	-
439,294	765,843	-	3,059	150,441	582,391	-	-
181,940	218,736	-	-	-	-	-	-
1,321	1,781	1,999	-	-	-	-	-
<u>4,619,733</u>	<u>5,244,147</u>	<u>20,209,841</u>	<u>19,959,195</u>	<u>33,415,742</u>	<u>24,530,787</u>	<u>131,852,888</u>	<u>126,752,932</u>
1,040,600	1,040,600	-	-	-	-	-	-
34,637,576	33,937,546	-	-	-	-	-	-
282,190	265,615	65,850	65,850	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
35,960,366	35,243,761	65,850	65,850	-	-	-	-
<u>17,680,567</u>	<u>16,528,434</u>	<u>65,850</u>	<u>65,850</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
18,279,799	18,715,327	-	-	-	-	-	-
<u>\$ 22,899,532</u>	<u>\$ 23,959,474</u>	<u>\$ 20,209,841</u>	<u>\$ 19,959,195</u>	<u>\$ 33,415,742</u>	<u>\$ 24,530,787</u>	<u>\$ 131,852,888</u>	<u>\$ 126,752,932</u>
\$ 434,319	\$ 670,150	\$ 575,564	\$ 602,340	\$ 29,869	\$ 426,061	\$ -	\$ 13,200
843	1,083	4,740	7,985	-	-	-	-
4,737	4,341	14,487	17,953	5,536,540	7,153,552	14,500	-
-	-	-	-	3,630,408	3,549,957	-	-
-	-	1,500,000	1,500,000	-	-	-	-
66,140	64,129	-	-	-	-	-	-
1,255,007	1,190,207	-	-	-	-	-	-
-	-	97,987	91,381	-	-	-	-
-	-	20,000	5,000	-	-	4,300,000	4,300,000
<u>1,761,046</u>	<u>1,929,910</u>	<u>2,212,778</u>	<u>2,224,659</u>	<u>9,196,817</u>	<u>11,129,570</u>	<u>4,314,500</u>	<u>4,313,200</u>
-	109,416	-	-	-	-	-	-
-	-	8,306,058	7,919,502	-	-	-	-
139,230	205,371	-	-	-	-	-	-
15,192,308	15,957,924	-	-	-	-	-	-
-	-	105,071	203,058	-	-	-	-
651	-	60,183	56,000	3,889	-	41,059,125	35,453,000
<u>46,921</u>	<u>47,664</u>	<u>34,810</u>	<u>123,556</u>	<u>22,180</u>	<u>-</u>	<u>85,660,796</u>	<u>86,140,463</u>
<u>15,379,110</u>	<u>16,320,375</u>	<u>8,506,122</u>	<u>8,302,116</u>	<u>26,069</u>	<u>-</u>	<u>126,719,921</u>	<u>121,593,463</u>
<u>\$ 17,140,156</u>	<u>\$ 18,250,285</u>	<u>\$ 10,718,900</u>	<u>\$ 10,526,775</u>	<u>\$ 9,222,886</u>	<u>\$ 11,129,570</u>	<u>\$ 131,034,421</u>	<u>\$ 125,906,663</u>
\$ 1,627,114	\$ 1,297,696	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>4,132,262</u>	<u>4,411,493</u>	<u>9,490,941</u>	<u>9,432,420</u>	<u>24,192,856</u>	<u>13,401,217</u>	<u>818,467</u>	<u>846,269</u>
<u>\$ 5,759,376</u>	<u>\$ 5,709,189</u>	<u>\$ 9,490,941</u>	<u>\$ 9,432,420</u>	<u>\$ 24,192,856</u>	<u>\$ 13,401,217</u>	<u>\$ 818,467</u>	<u>\$ 846,269</u>

Hennepin County, Minnesota  
**Schedules of Revenues, Expenses, and Changes in Fund Net Position**  
**Internal Service Funds**  
For the Years Ended December 31, 2012 and 2011

	Central Services		Central Mobile Equipment		Information Technology	
	2012	2011	2012	2011	2012	2011
<b>OPERATING REVENUES</b>						
Charges for services. . . . .	\$ 6,630,817	\$ 4,653,486	\$ 13,964,345	\$ 11,891,439	\$ 48,734,387	\$ 36,577,639
<b>OPERATING EXPENSES</b>						
Personal services. . . . .	1,349,146	1,311,759	2,041,449	2,010,650	23,465,874	22,822,640
Commodities. . . . .	436,841	209,120	3,493,384	3,388,910	5,620,890	1,804,264
Contractual services. . . . .	3,974,179	3,173,968	1,083,017	1,454,741	13,957,760	8,432,921
Depreciation. . . . .	539,430	80,603	5,539,710	4,709,630	4,518,221	6,524,654
Other charges. . . . .	138,671	142,078	175,915	234,847	785,898	735,108
Total Operating Expenses	<u>6,438,267</u>	<u>4,917,528</u>	<u>12,333,475</u>	<u>11,798,778</u>	<u>48,348,643</u>	<u>40,319,587</u>
Operating Income (Loss)	<u>192,550</u>	<u>(264,042)</u>	<u>1,630,870</u>	<u>92,661</u>	<u>385,744</u>	<u>(3,741,948)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Intergovernmental. . . . .	-	-	-	-	-	-
Interest expense. . . . .	-	-	-	-	-	-
Gain (Loss) on capital asset disposal. . . . .	<u>(2,212)</u>	<u>-</u>	<u>565,767</u>	<u>351,231</u>	<u>(7,207)</u>	<u>-</u>
Total Nonoperating Revenues (Expenses)	<u>(2,212)</u>	<u>-</u>	<u>565,767</u>	<u>351,231</u>	<u>(7,207)</u>	<u>-</u>
Income (Loss) Before Contributions and Transfers	<u>190,338</u>	<u>(264,042)</u>	<u>2,196,637</u>	<u>443,892</u>	<u>378,537</u>	<u>(3,741,948)</u>
Capital contributions. . . . .	-	-	1,224,378	1,000,503	153,589	266,035
Transfers in. . . . .	875,041	-	-	-	-	-
Transfers out. . . . .	-	-	-	-	<u>(875,041)</u>	-
Net Contributions and Transfers	<u>875,041</u>	<u>-</u>	<u>1,224,378</u>	<u>1,000,503</u>	<u>(721,452)</u>	<u>266,035</u>
Change in Net Position	1,065,379	(264,042)	3,421,015	1,444,395	(342,915)	(3,475,913)
Total Net Position - Beginning	<u>2,283,698</u>	<u>2,547,740</u>	<u>27,975,309</u>	<u>26,530,914</u>	<u>40,228,254</u>	<u>43,704,167</u>
Total Net Position-Ending	<u>\$ 3,349,077</u>	<u>\$ 2,283,698</u>	<u>\$ 31,396,324</u>	<u>\$ 27,975,309</u>	<u>\$ 39,885,339</u>	<u>\$ 40,228,254</u>

Energy Center		Self Insurance		Employee Health Plan Self Insurance		Other Employee Benefits	
2012	2011	2012	2011	2012	2011	2012	2011
\$ 7,647,008	\$ 8,363,011	\$ 5,411,005	\$ 4,691,626	\$ 93,354,762	\$ 94,422,414	\$ 18,557,204	\$ 15,482,659
113,981	119,702	4,865,533	3,884,980	79,295,710	79,060,414	18,585,006	15,554,672
3,651,412	4,228,468	13,507	2,547	1,640	2,585	-	-
1,903,056	1,935,166	255,847	296,038	3,238,413	2,538,244	-	-
1,152,133	1,112,988	-	26,134	-	-	-	-
103,554	90,026	206,467	287,723	27,360	3,964	-	-
<u>6,924,136</u>	<u>7,486,350</u>	<u>5,341,354</u>	<u>4,497,422</u>	<u>82,563,123</u>	<u>81,605,207</u>	<u>18,585,006</u>	<u>15,554,672</u>
<u>722,872</u>	<u>876,661</u>	<u>69,651</u>	<u>194,204</u>	<u>10,791,639</u>	<u>12,817,207</u>	<u>(27,802)</u>	<u>(72,013)</u>
-	-	-	-	-	584,010	-	-
(672,685)	(677,951)	(11,130)	(17,510)	-	-	-	-
-	-	-	-	-	-	-	-
<u>(672,685)</u>	<u>(677,951)</u>	<u>(11,130)</u>	<u>(17,510)</u>	<u>-</u>	<u>584,010</u>	<u>-</u>	<u>-</u>
<u>50,187</u>	<u>198,710</u>	<u>58,521</u>	<u>176,694</u>	<u>10,791,639</u>	<u>13,401,217</u>	<u>(27,802)</u>	<u>(72,013)</u>
-	-	-	-	-	-	-	-
-	-	-	1,800,000	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	1,800,000	-	-	-	-
50,187	198,710	58,521	1,976,694	10,791,639	13,401,217	(27,802)	(72,013)
5,709,189	5,510,479	9,432,420	7,455,726	13,401,217	-	846,269	918,282
<u>\$ 5,759,376</u>	<u>\$ 5,709,189</u>	<u>\$ 9,490,941</u>	<u>\$ 9,432,420</u>	<u>\$ 24,192,856</u>	<u>\$ 13,401,217</u>	<u>\$ 818,467</u>	<u>\$ 846,269</u>

**Detail of the County's Equity Interest in Component Unit**  
(Included in the County's Statement of Net Assets as a Governmental Activities Noncurrent Asset)  
December 31, 2012

	HCMC Component Units				Reclassifications and Eliminations	Total
	HCMC	Hennepin Health Foundation	The Minneapolis Medical Research Foundation			
<b>ASSETS</b>						
<b>Current Assets:</b>						
Cash and investments . . . . .	\$ 68,252,631	\$ 1,387,573	\$ 3,207,088	\$ -	\$ -	\$ 72,847,292
Receivables, net . . . . .	177,340,048	990,281	5,016,799	(446,094)	-	182,901,034
Due from component unit or primary government . . . . .	-	-	-	4,064,132	-	4,064,132
Prepaid items . . . . .	4,467,465	4,839	1,210,645	-	-	5,682,949
Inventories . . . . .	3,680,911	107,292	-	-	-	3,788,203
	<u>253,741,055</u>	<u>2,489,985</u>	<u>9,434,532</u>	<u>3,618,038</u>	<u>-</u>	<u>269,283,610</u>
<b>Total Current Assets</b>						
<b>Noncurrent Assets:</b>						
Cash and investments . . . . .	3,052,567	-	23,888,691	-	-	26,941,258
Equity interest in component unit . . . . .	35,074,846	-	-	(35,074,846)	-	-
<b>Capital assets:</b>						
Land . . . . .	19,320,000	-	-	-	-	19,320,000
Buildings . . . . .	337,857,000	-	6,998,120	-	-	344,855,120
Construction in progress-buildings . . . . .	5,913,000	-	-	-	-	5,913,000
Equipment . . . . .	181,817,000	306,358	3,917,046	-	-	186,040,404
Software . . . . .	64,439,000	-	-	-	-	64,439,000
Leasehold improvements . . . . .	8,976,000	-	-	-	-	8,976,000
	<u>618,322,000</u>	<u>306,358</u>	<u>10,915,166</u>	<u>-</u>	<u>-</u>	<u>629,543,524</u>
Less accumulated depreciation and amortization . . . . .	(387,157,613)	(237,629)	(8,946,943)	-	-	(396,342,185)
	<u>231,164,387</u>	<u>68,729</u>	<u>1,968,223</u>	<u>-</u>	<u>-</u>	<u>233,201,339</u>
<b>Total Capital Assets</b>						
<b>Total Noncurrent Assets</b>						
	<u>269,291,800</u>	<u>68,729</u>	<u>25,856,914</u>	<u>(35,074,846)</u>	<u>-</u>	<u>260,142,597</u>
<b>Total Assets</b>						
	<u>523,032,855</u>	<u>2,558,714</u>	<u>35,291,446</u>	<u>(31,456,808)</u>	<u>-</u>	<u>529,426,207</u>
<b>LIABILITIES</b>						
<b>Current Liabilities:</b>						
Accounts and contracts payable . . . . .	17,076,507	274,055	798,307	(946,242)	-	17,202,627
Accrued liabilities . . . . .	52,179,192	51,414	1,651,538	-	-	53,882,144
Due to component unit or primary government . . . . .	7,089,681	-	-	4,564,280	-	11,653,961
Workers' compensation claims . . . . .	2,400,000	-	-	-	-	2,400,000
Lease due to primary government . . . . .	2,719,110	-	-	-	-	2,719,110
Compensated absences . . . . .	1,900,000	-	-	-	-	1,900,000
	<u>83,364,490</u>	<u>325,469</u>	<u>2,449,845</u>	<u>3,618,038</u>	<u>-</u>	<u>89,757,842</u>
<b>Total Current Liabilities</b>						
<b>Noncurrent Liabilities:</b>						
Workers' compensation claims . . . . .	8,600,000	-	-	-	-	8,600,000
Lease due to primary government . . . . .	5,406,368	-	-	-	-	5,406,368
Postemployment healthcare benefits . . . . .	34,429,803	-	-	-	-	34,429,803
Compensated absences . . . . .	36,528,439	-	-	-	-	36,528,439
	<u>84,964,610</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>84,964,610</u>
<b>Total Noncurrent Liabilities</b>						
<b>Total Liabilities</b>						
	<u>168,329,100</u>	<u>325,469</u>	<u>2,449,845</u>	<u>3,618,038</u>	<u>-</u>	<u>174,722,452</u>
<b>NET POSITION</b>						
Net investment in capital assets . . . . .	222,201,242	-	1,968,223	-	-	224,169,465
Restricted for Grant and donor restrictions . . . . .	3,052,567	1,415,334	19,196,146	-	-	23,664,047
Unrestricted . . . . .	129,449,946	817,911	11,677,232	(35,074,846)	-	106,870,243
	<u>\$ 354,703,755</u>	<u>\$ 2,233,245</u>	<u>\$ 32,841,601</u>	<u>\$ (35,074,846)</u>	<u>\$ -</u>	<u>\$ 354,703,755</u>
<b>Total Net Position</b>						
Equity Interest in Component Unit - Beginning						\$ 352,402,702
Net Change in Equity Interest in Component Unit						<u>2,301,053</u>
Equity Interest in Component Unit - Ending						<u>\$ 354,703,755</u>

Hennepin County, Minnesota  
**Statement of Changes in Assets and Liabilities**  
**Agency Fund**  
For the Year Ended December 31, 2012

	<u>Balance</u>		<u>Additions</u>		<u>Deductions</u>		<u>Balance</u>
	<u>January 1, 2012</u>						<u>December 31, 2012</u>
<b>ASSETS</b>							
Cash and investments . . . . .	\$ 97,660,998	\$	3,006,227,075	\$	2,982,947,239	\$	120,940,834
Delinquent taxes receivable, net . . . . .	<u>47,772,289</u>		<u>4,815,936</u>		<u>7,093,829</u>		<u>45,494,396</u>
Total Assets	<u>\$ 145,433,287</u>	<u>\$</u>	<u>3,011,043,011</u>	<u>\$</u>	<u>2,990,041,068</u>	<u>\$</u>	<u>166,435,230</u>
<b>LIABILITIES</b>							
Amounts held or due as agent	<u>\$ 145,433,287</u>	<u>\$</u>	<u>3,743,393,384</u>	<u>\$</u>	<u>3,722,391,441</u>	<u>\$</u>	<u>166,435,230</u>



# **Statistical Section**



**STATISTICAL SECTION**

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Hennepin County, Minnesota  
**Government-wide Net Position**  
 Last Ten Years

	Governmental Activities Net Position <sup>3</sup>				Business-type	
	Net Investment in Capital Assets	Restricted	Unrestricted	Total	Net Investment in Capital Assets	Restricted
2003	\$ 791,937,624 72.6 %	31,460,991 2.9	267,186,949 24.5	\$ 1,090,585,564 100.0 %	\$ 114,084,535 57.4 %	63,908,646 32.1
2004	\$ 825,360,165 72.5 %	24,161,301 2.1	289,706,628 25.4	\$ 1,139,228,094 100.0 %	\$ 114,729,850 53.6 %	60,014,704 28.0
2005	\$ 903,789,063 76.2 %	18,676,966 1.6	262,636,738 22.2	\$ 1,185,102,767 100.0 %	\$ 151,886,123 59.9 %	56,409,402 22.3
2006	\$ 930,117,158 77.7 %	66,685,568 5.6	200,304,446 16.7	\$ 1,197,107,172 100.0 %	\$ 196,596,404 68.3 %	49,157,579 17.1
2007 <sup>1,2</sup>	\$ 942,960,829 90.5 %	72,540,669 7.0	25,649,617 2.5	\$ 1,041,151,115 100.0 %	\$ 67,287,699 52.6 %	55,254,227 43.2
2008 <sup>2</sup>	\$ 927,912,158 77.5 %	65,004,528 5.4	204,190,486 17.1	\$ 1,197,107,172 100.0 %	\$ 75,260,560 54.1 %	57,623,581 41.5
2009	\$ 900,266,414 100.0 %	46,719,328 5.2	(46,472,797) (5.2)	\$ 900,512,945 100.0 %	\$ 85,306,608 55.3 %	62,218,479 40.3
2010	\$ 898,211,927 94.7 %	50,119,533 5.3	50,423 -	\$ 948,381,883 100.0 %	\$ 95,462,682 59.1 %	58,685,118 36.4
2011	\$ 916,329,293 66.2 %	39,712,366 2.9	426,570,581 30.9	\$ 1,382,612,240 100.0 %	\$ 96,131,096 55.9 %	69,434,575 40.3
2012	\$ 964,510,097 64.9 %	39,587,431 2.7	480,512,309 32.4	\$ 1,484,609,837 100.0 %	\$ 101,486,495 55.7 %	74,927,264 41.2

<sup>1</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).

<sup>2</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.

<sup>3</sup> The 2012 implementation of GASB 61 required the inclusion of an asset for the County's investment in component unit (the Medical Center) in governmental activities, which is also reflected above for 2011 for comparative purposes. On January 1, 2012, Hennepin Faculty Associates became fully integrated with the Medical Center. The County's investment in component unit is not reflected prior to 2011 because information for the integrated entity is not available for those years.

Unaudited

Table 1

Activities Net Position		Total Primary Government Net Position			
Unrestricted	Total	Net Investment in Capital Assets	Restricted	Unrestricted	Total
20,855,651 10.5	\$ 198,848,832 100.0 %	\$ 906,022,159 70.3 %	95,369,637 7.4	288,042,600 22.3	\$ 1,289,434,396 100.0 %
39,284,819 18.4	\$ 214,029,373 100.0 %	\$ 940,090,015 69.5 %	84,176,005 6.2	328,991,447 24.3	\$ 1,353,257,467 100.0 %
44,954,696 17.8	\$ 253,250,221 100.0 %	\$ 1,055,675,186 73.4 %	75,086,368 5.2	307,591,434 21.4	\$ 1,438,352,988 100.0 %
41,962,707 14.6	\$ 287,716,690 100.0 %	\$ 1,126,713,562 75.9 %	115,843,147 7.8	242,267,153 16.3	\$ 1,484,823,862 100.0 %
5,356,962 4.2	\$ 127,898,888 100.0 %	\$ 1,010,248,528 86.4 %	127,794,896 10.9	31,006,579 2.7	\$ 1,169,050,003 100.0 %
6,123,790 4.4	\$ 139,007,931 100.0 %	\$ 1,003,172,718 75.1 %	122,628,109 9.2	210,314,276 15.7	\$ 1,336,115,103 100.0 %
6,828,085 4.4	\$ 154,353,172 100.0 %	\$ 985,573,022 93.4 %	108,937,807 10.3	(39,644,712) (3.7)	\$ 1,054,866,117 100.0 %
7,224,268 4.5	\$ 161,372,068 100.0 %	\$ 993,674,609 89.5 %	108,804,651 9.8	7,274,691 0.7	\$ 1,109,753,951 100.0 %
6,620,055 3.8	\$ 172,185,726 100.0 %	\$ 1,012,460,389 65.1 %	109,146,941 7.0	433,190,636 27.9	\$ 1,554,797,966 100.0 %
5,589,987 3.1	\$ 182,003,746 100.0 %	\$ 1,065,996,592 63.9 %	114,514,695 6.9	486,102,296 29.2	\$ 1,666,613,583 100.0 %

Hennepin County, Minnesota  
**Government-wide Change in Net Position**  
 Last Ten Years

Governmental Activities Change in Net Position <sup>3</sup>					
	Net Program Expense	General Revenue	Transfers In (Out)	Change Due to Creation of H.H.S.	Total
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	\$ (836,085,919) <sup>1</sup>	687,412,376	(8,681,291)	3,593,016 <sup>2</sup>	(153,761,817)
2008	\$ (917,787,928) <sup>1</sup>	701,193,882	(692,082)	-	(217,286,127)
2009	\$ (653,158,848)	729,866,662	(59,855)	-	76,647,959
2010	\$ (689,695,831)	737,659,888	(95,120)	-	47,868,937
2011	\$ (658,870,142)	769,264,740	1,637,007	-	112,031,605
2012	\$ (653,557,888)	755,555,485	-	-	101,997,597

<sup>1</sup> In 2007 and 2008, net program expense included \$150 million and \$191.8 million, respectively, for amounts granted to the Minnesota Ballpark Authority for ballpark construction.

<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).

<sup>3</sup> Governmental Accounting Standards Board Statement 61 was implemented in 2012, resulting in increased general revenue relating to the change in the investment in component unit. 2011 was restated for comparison purposes, but data was not available for prior years.

Unaudited

Table 2

Business-type Activities Change in Net Position					
Net Program Revenue (Expense)	General Revenue	Transfers In (Out)	Change Due to Creation of H.H.S.	Total	Total Change in Net Position
(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 <sup>2</sup>	4,634,579	8,681,291	(177,121,984)	(159,817,800)	\$ (313,579,617)
6,729,151	3,687,810	692,082	-	11,109,043	\$ (206,177,084)
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
10,376,736	2,073,929	(1,637,007)	-	10,813,658	\$ 122,845,263
6,829,225	2,988,795	-	-	9,818,020	\$ 111,815,617

Hennepin County, Minnesota  
**Government-wide Expenses by Function**  
 Last Ten Years

Year	Governmental Activities							Housing and Redevelopment Authority
	General Government <sup>1</sup>	Human Services	Health	Public Safety	Public Works	Libraries		
2003	\$ 80,372,865 5.1 %	537,913,796 33.9	18,427,210 1.2	241,947,639 15.3	53,609,536 3.4	63,674,157 4.0	4,931,119 0.3	
2004	\$ 75,131,370 4.9 %	494,072,989 32.3	18,013,707 1.2	221,141,750 14.5	51,963,406 3.4	63,754,031 4.2	7,297,001 0.5	
2005	\$ 81,412,732 5.0 %	512,129,212 31.8	24,412,677 1.5	237,621,848 14.7	63,921,761 4.0	60,472,230 3.7	4,401,851 0.3	
2006	\$ 99,566,561 5.7 %	502,953,393 28.7	35,549,645 2.0	250,651,337 14.4	71,203,613 4.1	71,210,259 4.1	9,467,195 0.5	
2007 <sup>2</sup>	\$ 280,992,186 18.3 %	524,976,731 34.2	71,846,714 4.7	262,031,271 17.1	71,525,626 4.7	76,518,477 5.0	6,613,528 0.4	
2008 <sup>2</sup>	\$ 328,277,518 19.7 %	534,345,333 32.0	86,420,439 5.2	277,362,008 16.6	75,248,428 4.5	77,414,346 4.6	5,605,255 0.3	
2009	\$ 121,836,010 9.1 %	461,256,233 34.3	80,622,430 6.0	276,375,503 20.6	71,020,290 5.3	76,241,294 5.7	6,889,284 0.5	
2010	\$ 128,309,692 9.2 %	435,888,867 31.5	131,696,244 9.5	273,935,001 19.7	91,300,335 6.6	74,157,373 5.3	9,756,809 0.7	
2011	\$ 120,791,386 8.7 %	437,165,051 31.7	102,721,560 7.4	264,592,410 19.2	104,124,189 7.5	73,245,163 5.3	7,551,223 0.5	
2012	\$ 124,907,148 9.4 %	435,730,208 32.5	95,492,517 7.2	265,149,071 19.9	84,420,313 6.3	74,410,790 5.6	9,604,847 0.7	

<sup>1</sup> Note that the Government-wide presentation of General Government expenses is very different from the Table 7 governmental fund presentation. For example, Table 3 differs from Table 7 in that Table 3 does not include certain expenses such as those for capital assets and debt principal payments due to the different measurement focus.

<sup>2</sup> See footnotes 1 and 2 on Table 2 for information regarding 2007 and 2008.

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			
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	\$ 1,580,976,081 100.0 %	
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	\$ 1,527,073,931 100.0 %	
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	\$ 1,615,029,054 100.0 %	
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	\$ 1,746,382,800 100.0 %	
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	\$ 1,535,397,669 100.0 %	
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	\$ 1,668,201,045 100.0 %	
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	\$ 1,342,513,440 100.0 %	
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	\$ 1,388,663,643 100.0 %	
12,332,871 0.9	46,766,669 3.4	- -	155,794,678 11.3	51,987,897 3.8	864,081 0.1	2,936,049 0.2	\$ 1,380,873,226 100.0 %	
16,485,333 1.2	43,094,396 3.2	- -	127,748,836 9.6	54,417,425 4.1	831,037 0.1	2,165,040 0.2	\$ 1,334,456,961 100.0 %	

Hennepin County, Minnesota  
**Government-wide Revenues**  
 Last Ten Years

Program Revenues								
Year	Charges for Services						Operating Grants and Contributions	Capital Grants and Contributions
	General Government	Human Services	Medical Center	Metropolitan Health Plan	Environmental Services	Other		
2003	\$ 32,805,367 2.1 %	79,342,577 5.0	364,503,987 22.9	99,204,577 6.2	64,952,876 4.1	38,731,411 2.4	359,218,164 22.6	53,561,995 3.4
2004	\$ 27,467,627 1.7 %	70,163,149 4.4	384,346,477 24.2	97,589,364 6.1	66,379,678 4.2	36,903,225 2.3	312,802,001 19.7	63,108,522 4.0
2005	\$ 32,062,914 1.9 %	65,931,495 3.9	415,153,465 24.4	107,224,133 6.3	67,261,096 4.0	35,865,530 2.1	312,243,370 18.4	79,693,478 4.7
2006	\$ 34,940,775 1.9 %	57,814,147 3.2	464,497,986 25.8	115,142,431 6.4	66,662,624 3.7	45,825,137 2.5	310,439,148 17.2	82,848,141 4.6
2007 <sup>2</sup>	\$ 34,199,765 2.4 %	52,556,422 3.7	- -	125,215,654 8.9	71,744,444 5.1	42,128,650 3.0	330,308,471 23.6	47,146,656 3.4
2008	\$ 34,987,173 2.4 %	48,198,564 3.3	- -	153,838,000 10.5	73,703,294 5.0	50,042,966 3.4	373,702,824 25.6	22,669,447 1.6
2009	\$ 35,657,783 2.5 %	58,659,362 4.1	- -	139,916,491 9.8	63,960,606 4.5	56,113,126 3.9	295,452,704 20.4	49,767,713 3.5
2010	\$ 31,722,088 2.2 %	49,709,455 3.4	- -	141,575,359 9.8	47,130,731 3.3	48,759,933 3.4	332,050,286 23.0	52,308,808 3.6
2011	\$ 36,423,133 2.4 %	50,827,501 3.4	- -	163,786,371 10.9	49,331,672 3.3	51,603,037 3.4	328,469,773 21.8	51,938,333 3.5
2012	\$ 35,965,791 2.5 %	48,239,660 3.3	- -	132,486,554 9.2	49,858,405 3.4	55,595,280 3.8	319,419,317 22.1	46,163,291 3.2

<sup>1</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>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. (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

General Revenues							
Property Taxes	Sales Tax	Other Taxes	Grants and Contributions	Unrestricted Investment Earnings	Gain (Loss) on Disposal of Capital Assets	Gain (Loss) in Investment in Component Unit	Total Revenues
463,446,932 29.1	- -	8,690,169 0.5	41,220,517 2.6	12,477,873 0.8	(26,625,239) <sup>1</sup> (1.7)	- -	\$ 1,591,531,207 100.0 %
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 %
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 %
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 %
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 %
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 %
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 %
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 %
670,718,384 44.6	30,094,848 2.0	4,047,276 0.3	22,463,157 1.5	13,811,054 0.9	- -	30,203,950 2.0	\$ 1,503,718,489 100.0 %
690,356,320 47.7	31,601,050 2.2	5,923,149 0.4	18,868,727 1.3	9,493,981 0.7	- -	2,301,053 0.20	\$ 1,446,272,578 100.0 %

Hennepin County, Minnesota  
**Fund Balances - Governmental Funds** <sup>1</sup>  
 Last Ten Years

General Fund							
Year	Reserved	Unreserved	Nonspendable	Restricted	Assigned	Unassigned	Total
2003	\$ 11,474,266 7.9%	133,383,400 92.1%	-	-	-	-	144,857,666 100.0%
2004	\$ 15,846,335 10.0%	142,414,494 90.0%	-	-	-	-	158,260,829 100.0%
2005	\$ 17,027,170 10.0%	153,185,977 90.0%	-	-	-	-	170,213,147 100.0%
2006	\$ 22,847,946 13.3%	148,315,944 86.7%	-	-	-	-	171,163,890 100.0%
2007	\$ 29,347,142 18.6%	128,617,879 81.4%	-	-	-	-	157,965,021 100.0%
2008	\$ 28,408,587 19.3%	118,901,366 80.7%	-	-	-	-	147,309,953 100.0%
2009	\$ 24,897,832 15.8%	132,674,829 84.2%	-	-	-	-	157,572,661 100.0%
2010	\$ -	-	9,569,544 6.9%	18,762,937 13.5%	28,685,391 20.7%	81,507,843 58.8%	138,525,715 100.0%
2011	\$ -	-	10,389,781 6.7%	16,031,074 10.4%	21,257,943 13.7%	106,965,647 69.2%	154,644,445 100.0%
2012	\$ -	-	12,483,267 7.1%	16,251,456 9.3%	24,461,198 14.0%	121,504,946 69.6%	174,700,867 100.0%

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

Unaudited

Table 5

All Other Governmental Funds							
Reserved	Unreserved, Reported in Fund Type			Nonspendable	Restricted	Committed	Total
	Special Revenue	Debt Service	Capital Projects				
66,082,268	149,962,204	-	(16,863,161)	-	-	-	\$ 199,181,311
78,593,578	145,865,306	-	(50,331,401)	-	-	-	\$ 174,127,483
113,865,337	143,949,436	-	(95,027,145)	-	-	-	\$ 162,787,628
166,547,322	142,237,827	2,898,097	(118,012,691)	-	-	-	\$ 193,670,555
136,943,926	152,620,765	1,711,746	(102,265,885)	-	-	-	\$ 189,010,552
127,356,067	158,640,843	3,730,427	(94,324,776)	-	-	-	\$ 195,402,561
131,373,498	229,830,077	5,958,620	(79,684,999)	-	-	-	\$ 287,477,196
-	-	-	-	4,630,576 1.4%	142,576,354 44.4%	173,928,767 54.2%	\$ 321,135,697 100.0%
-	-	-	-	20,224,677 6.3%	129,320,678 40.5%	169,814,896 53.2%	\$ 319,360,251 100.0%
-	-	-	-	18,863,616 6.8%	87,621,459 31.8%	169,132,402 61.4%	\$ 275,617,477 100.0%

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

	Deficiency of Revenues Over Expenditures	Other Financing Sources (Uses)			Sale of Capital Assets
		Bond Proceeds Net of Payments to Refund Bonds	Transfers In	Transfers Out	
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>1</sup>	\$ (46,775,138)	101,415,000	8,868,441	(39,295,573)	2,840,727
2007 <sup>2</sup>	\$ (221,142,196)	207,410,000	27,619,655	(38,854,470)	222,899
2008 <sup>2</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
2011	\$ (49,233,555)	60,000,000	137,599,217	(137,762,210)	541,836
2012	\$ (25,770,131)	(3,274,334)	64,182,162	(64,182,162)	1,487,416

<sup>1</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>2</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.

<sup>3</sup> In years when the County made optional payments for early redemption of outstanding bond issues, the optional amounts were removed for the calculation of the debt service percentage. Optional payments included \$4,100,000 in 2008, \$5,700,000 in 2009, \$4,000,000 in 2010, \$19,200,000 in 2011, and \$21,400,000 in 2012.

Unaudited

Table 6

Bond and Note Premiums	Total	Net Change in Fund Balances	Debt Service as a Percentage of Noncapital Expenditures <sup>3</sup>
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)	7.7 %
14,475,857	\$ 144,323,873	\$ 102,337,343	6.7 %
12,965,515	\$ 240,519,926	\$ 14,611,555	6.1 %
3,197,996	\$ 63,576,839	\$ 14,343,284	7.9 %
3,870,697	\$ 2,083,779	\$ (23,686,352)	8.6 %

Hennepin County, Minnesota  
**Governmental Fund Expenditures by Function**  
 Last Ten Years

<u>Year</u>	<u>General Government</u> <sup>1</sup>	<u>Human Services</u>	<u>Health</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Libraries</u>
2003	\$ 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>2</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>2</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
2011	\$ 131,590,360 9.9 %	443,134,270 33.5	87,401,937 6.6	247,456,814 18.7	63,471,437 4.8	65,935,700 5.0
2012	\$ 137,679,061 10.6 %	441,096,724 34.0	89,233,679 6.9	247,225,055 19.0	61,652,098 4.7	66,648,516 5.1

<sup>1</sup> Note that the General Fund presentation of General Government expenses is very different from the Table 3 government-wide presentation. For example, Table 7 differs from Table 3 in that Table 7 includes certain expenses, such as those for capital assets and debt principal payments, due to the different measurement focus.

<sup>2</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>
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 %
6,864,613 0.5	12,056,194 0.9	144,434,094 10.9	68,463,497 5.2	48,118,335 3.6	4,715,000 0.4	\$ 1,323,642,251 100 %
8,914,176 0.7	18,829,460 1.4	104,290,650 8.0	78,545,914 6.0	47,146,561 3.6	- -	\$ 1,301,261,894 100 %

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
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>1</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
2011	\$ 675,091,343 53.0 %	30,094,848 2.4	1,973,347 0.2	392,952,707 30.8	121,632,254 9.4
2012	\$ 696,125,253 54.6 %	31,601,050 2.5	2,934,354 0.2	376,050,675 29.5	122,054,205 9.6

<sup>1</sup> In 2007, the State began collecting a 0.15% 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>
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 %
1,932,048 0.2	6,407,791 0.5	14,370,838 1.1	29,953,520 2.4	\$ 1,274,408,696 100 %
1,742,784 0.1	6,499,196 0.5	9,911,877 0.8	28,572,369 2.2	\$ 1,275,491,763 100 %

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
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
2011	\$ 92,367,575 61.8 %	8,141,313 5.5	25,566,334 17.1	667,293 0.4	32,528 0.0	21,249,594 14.2
2012	\$ 87,386,034 60.4 %	8,465,660 5.8	25,628,865 17.7	645,946 0.4	31,188 0.0	21,249,594 14.7

<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 Estimated Market Value Including Exempt Property</u>	<u>Total Estimated Market Value</u>	<u>Total Direct Tax Rate</u>
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 %
148,024,637 99.1	1,333,422 0.9	\$ 149,358,059 100 %	\$ 128,108,465	46 %
143,407,287 99.0	1,449,118 1.0	\$ 144,856,405 100 %	\$ 123,606,811	48 %

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

Payable Year	Hennepin County Direct Taxes				Tax Levies
	General Fund Rate	G.O. Debt Service Rate	Other	Total Direct Rates	
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
2011	22.37	4.38	19.09	45.84	2,586,972,956
2012	23.37	5.17	19.13	47.67	2,578,977,362

<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>
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
1.539	21,333,915	0.885	12,917,499	0.525	7,648,210
1.607	21,217,262	0.940	13,046,142	0.537	7,481,049

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

Taxpayer	2012			2003		
	Tax Capacity	Rank	Percentage of Total Tax Capacity	Tax Capacity	Rank	Percentage of Total Tax Capacity
MOA Mall Holdings LLC	\$ 11,143,890	1	0.81 %	\$ 8,599,250	1	0.82 %
Xcel Energy (NSP)	4,265,608	2	0.31			
MB Minneapolis 8th St LLC	3,425,250	3	0.25			
Minneapolis 225 Holdings LLC	3,275,250	4	0.24			
NWC Limited Partnership	3,179,250	5	0.23	3,091,250	2	0.29
Wells REIT	2,633,250	6	0.19	2,427,250	5	0.23
US Bank N.A.	2,609,250	7	0.19			
Best Buy Co Inc	2,369,250	8	0.17			
Ridgedale Joint Venture	2,359,250	9	0.17	2,072,750	9	0.20
Hilton Hotels Corporation	2,289,250	10	0.17			
Flanagan-AMEX				2,471,100	3	0.24
Flanagan-AMEX				2,465,250	4	0.24
RREEF Funds/IDS				2,297,250	6	0.22
First Minneapolis-Hines Co				2,199,250	7	0.21
601 Second Ave Ltd Partnership				2,099,250	8	0.20
Target Corporation				1,965,600	10	0.19
<b>Total</b>	<b>\$ 37,549,498</b>		<b>2.73 %</b>	<b>\$ 29,688,200</b>		<b>2.84 %</b>

<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>County</u>	<u>All Other Taxing Districts/Special Assessments</u>	<u>Current Year Adjustments<sup>1</sup></u>	<u>Total</u>	<u>Current Tax Collections Net of Refunds</u>	<u>Percent of Levy Collected</u>
2003	\$ 516,117,755	\$ 1,299,675,982	\$ (13,021,987)	\$ 1,802,771,750	\$ 1,771,099,661	98.24 %
2004	509,579,176	1,346,282,265	(10,334,481)	1,845,526,960	1,826,321,505	98.96
2005	554,556,185	1,389,798,970	(6,842,478)	1,937,512,677	1,915,836,595	98.88
2006	574,358,310	1,511,876,384	(4,836,831)	2,081,397,863	2,053,284,818	98.65
2007	608,323,524	1,629,101,934	(6,222,596)	2,231,202,862	2,195,690,251	98.41
2008	634,304,268	1,743,593,908	(9,273,676)	2,368,624,500	2,326,158,966	98.21
2009	684,646,270	1,868,975,826	(11,051,864)	2,542,570,232	2,487,064,241	97.82
2010	725,906,127	1,847,810,295	(14,156,757)	2,559,559,665	2,503,659,872	97.82
2011	716,809,208	1,885,286,295	(15,122,547)	2,586,972,956	2,543,273,613	98.31
2012	704,763,947	1,885,464,012	(11,250,597)	2,578,977,362	2,551,959,374	98.95

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

Unaudited

Table 12

<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>
\$ 6,963,873	\$ 1,778,063,534	\$ 31,672,089	1.76 %
(2,333,139)	1,823,988,366	19,205,455	1.04
6,138,386	1,921,974,981	21,676,082	1.12
11,046,119	2,064,330,937	28,113,045	1.35
17,911,682	2,213,601,933	35,512,611	1.59
25,923,452	2,352,082,418	42,465,534	1.79
28,971,428	2,516,035,669	55,505,991	2.18
27,483,337	2,531,143,209	55,899,793	2.18
7,102,887	2,550,376,500	43,699,343	1.69
7,145,515	2,559,104,889	27,017,988	1.05

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

Assessment Year	Property Outside the City of Minneapolis		Minneapolis	
	Net Tax Capacity	Taxable Market Value	Net Tax Capacity	Taxable Market Value
2003	\$ 803,641,255	\$ 73,794,631,700	\$ 267,042,122	\$ 23,986,068,475
2004	898,456,710	82,465,834,300	295,462,012	26,782,389,175
2005	998,443,572	91,616,386,899	336,041,511	30,650,991,657
2006	1,105,871,333	101,073,571,600	374,841,727	34,714,631,405
2007	1,192,261,639	108,130,892,500	410,535,647	37,851,513,805
2008	1,198,620,162	108,958,626,067	413,935,332	37,930,415,840
2009	1,161,337,991	104,631,351,200	439,141,541	36,953,274,630
2010	1,082,056,515	97,304,713,300	394,912,341	34,860,700,280
2011	1,025,993,612	90,736,199,171	371,615,754	32,064,749,581
2012	995,764,628	87,086,742,774	372,793,650	31,019,695,820

Note: This table was restated in 2012 to use taxable market value for all years, rather than estimated market value.

Unaudited

Table 13

Net Tax Capacity	Total		Net Tax Capacity to Taxable Market Value	Percentage of Total County Net Tax Capacity	
	Taxable Market Value			Outside Minneapolis	Minneapolis
\$ 1,070,683,377	\$ 97,780,700,175		1.1 %	75.1 %	24.9 %
1,193,918,722	109,248,223,475		1.1	75.3	24.7
1,334,485,083	122,267,378,556		1.1	74.8	25.2
1,480,713,060	135,788,203,005		1.1	74.7	25.3
1,602,797,286	145,982,406,305		1.1	74.4	25.6
1,612,555,494	146,889,041,907		1.1	74.3	25.7
1,600,479,532	141,584,625,830		1.1	72.6	27.4
1,476,968,856	132,165,413,580		1.1	73.3	26.7
1,397,609,366	122,800,948,752		1.1	73.4	26.6
1,368,558,278	118,106,438,594		1.2	72.8	27.2

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	\$ 130,325,289	\$ 1,213,616	\$ 131,538,905	\$ (18,610,390)	\$ (9,889,757)	\$ 103,038,758	128 %
Brooklyn Center	17,129,016	358,867	17,487,883	4,508,727	(2,169,035)	19,827,575	157
Brooklyn Park	55,084,507	902,667	55,987,174	5,772,462	(1,773,849)	59,985,787	141
Champlin	16,786,875	230,881	17,017,756	2,086,883	(248,727)	18,855,912	124
Chanhassen (part)	1,305,960	4,542	1,310,502	(551,913)	-	758,589	114
Corcoran	6,240,002	341,176	6,581,178	48,500	(201,558)	6,428,120	126
Crystal	12,970,967	230,964	13,201,931	2,962,546	(298,492)	15,865,985	144
Dayton (part)	4,621,084	154,288	4,775,372	25,925	(97,441)	4,703,856	145
Deephaven	10,327,976	45,583	10,373,559	(29,775)	-	10,343,784	100
Eden Prairie	102,318,703	1,480,936	103,799,639	(9,561,362)	(2,990,202)	91,248,075	120
Edina	106,050,523	479,460	106,529,983	(6,216,381)	(4,194,083)	96,119,519	113
Excelsior	3,949,333	45,194	3,994,527	(337,094)	(77,600)	3,579,833	118
Fort Snelling	-	15,279	15,279	-	-	15,279	88
Golden Valley	35,693,380	416,456	36,109,836	(3,646,778)	(3,275,801)	29,187,257	144
Greenfield	3,867,788	138,112	4,005,900	(65,971)	(101,923)	3,838,006	123
Greenwood	3,120,892	11,300	3,132,192	(46,730)	-	3,085,462	103
Hanover (part)	631,463	8,674	640,137	66,242	-	706,379	140
Hopkins	19,032,348	216,778	19,249,126	(839,398)	(1,769,103)	16,640,625	147
Independence	5,996,953	142,588	6,139,541	23,429	-	6,162,970	116
International Airport	-	7,858,942	7,858,942	-	-	7,858,942	58
Long Lake	2,581,838	35,869	2,617,707	(262,891)	(78,483)	2,276,333	124
Loretto	559,281	9,586	568,867	8,549	(13,310)	564,106	137
Maple Grove	79,531,651	1,406,974	80,938,625	(5,165,822)	(315,387)	75,457,416	126
Maple Plain	1,724,997	27,200	1,752,197	(117,568)	-	1,634,629	146
Medicine Lake	733,857	3,594	737,451	5,829	-	743,280	120
Medina	14,125,870	296,097	14,421,967	(792,007)	(416,740)	13,213,220	103
Minneapolis	388,195,905	7,786,750	395,982,655	3,974,586	(26,241,688)	373,715,553	151
Minnnetonka	91,746,541	767,166	92,513,707	(9,625,039)	(1,839,866)	81,048,802	121
Minnnetonka Beach	2,911,789	9,316	2,921,105	(22,517)	-	2,898,588	104
Minnetrissa	12,732,540	168,869	12,901,409	192,716	-	13,094,125	115
Mound	9,822,668	94,794	9,917,462	600,649	(327,557)	10,190,554	126
New Hope	15,476,014	188,654	15,664,668	1,192,870	(366,752)	16,490,786	146
Orono	26,790,406	155,718	26,946,124	(256,577)	(54,813)	26,634,734	97
Osseo	2,256,381	50,112	2,306,493	(119,855)	(391,066)	1,795,572	147
Plymouth	103,541,748	1,218,867	104,760,615	(7,451,140)	(926,735)	96,382,740	115
Richfield	28,559,786	258,585	28,818,371	2,076,245	(2,926,590)	27,968,026	150
Robbinsdale	8,085,336	161,374	8,246,710	2,021,371	(238,045)	10,030,036	141
Rockford	243,428	120,016	363,444	1,694	-	365,138	149
Rogers <sup>3</sup>	18,072,249	311,240	18,383,489	(2,733,629)	(258,878)	15,390,982	133
St. Anthony (part)	4,733,416	60,125	4,793,541	304,800	-	5,098,341	167
St. Bonifacius	1,674,921	30,074	1,704,995	161,411	-	1,866,406	127
St. Louis Park	61,348,576	559,718	61,908,294	(2,940,678)	(5,587,609)	53,380,007	132
Shorewood	15,025,751	113,130	15,138,881	(24,754)	-	15,114,127	111
Spring Park	2,505,237	21,425	2,526,662	(95,856)	(70,853)	2,359,953	116
Tonka Bay	5,565,705	23,586	5,589,291	(34,908)	-	5,554,383	100
Wayzata	17,839,841	112,134	17,951,975	(2,121,734)	(424,544)	15,405,697	106
Woodland	3,038,376	6,270	3,044,646	-	-	3,044,646	92
<b>Total</b>	<b>\$ 1,454,877,167</b>	<b>\$ 28,293,546</b>	<b>\$ 1,483,170,713</b>	<b>\$ (45,635,333)</b>	<b>\$ (67,566,487)</b>	<b>\$ 1,369,968,893</b>	

<sup>1</sup> Tax capacity is for the 2012 assessment year, for taxes payable in 2013. 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.

<sup>3</sup> Hassan Township was annexed by the City of Rogers in 2012.



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

Fiscal Year <sup>1</sup>	Governmental Activities				
	General Obligation Bonds	General Obligation Notes	Revenue Bonds	Lease Revenue Certificates of Participation	Notes Payable
2005	\$ 417,406,176	\$ -	\$ -	\$ 905,000	\$ 18,250,628
2006 <sup>3</sup>	489,773,252	-	-	455,000	23,261,518
2007 <sup>3,4</sup>	517,929,133	-	156,804,517	19,964,418	19,628,936
2008	555,687,615	14,669,381	346,423,286	18,290,586	19,007,564
2009	663,901,487	13,966,378	339,451,067	15,852,849	18,729,815
2010 <sup>5</sup>	850,726,971	25,164,681	335,228,848	13,423,829	8,285,886
2011	866,800,700	22,326,626	316,236,629	10,919,839	7,747,727
2012	803,505,792	21,958,282	299,564,410	8,330,848	7,138,254

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

<sup>2</sup> See Table 22 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

<sup>3</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>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

Table 15

Business-type Activities					Total Primary Government		
General Obligation Bonds	Revenue Bonds	Capital Lease	Lease Revenue Certificates of Participation	Notes Payable	Total Outstanding Debt	Total Debt as a Percentage of Personal Income <sup>2</sup>	Total Debt Per Capita <sup>2</sup>
\$ 21,764,656	\$ 67,515,000	\$ 937,707	\$ 23,415,579	\$ 19,491	\$ 550,214,237	1.02%	\$ 491
20,265,910	55,525,000	723,944	21,744,493	12,808	611,761,925	1.08%	547
2,205,000	45,611,350	-	-	-	762,143,354	1.28%	679
2,020,000	33,253,625	-	-	-	989,352,057	1.55%	870
1,820,000	20,625,895	-	-	-	1,074,347,491	1.66%	942
1,610,000	8,197,034	-	-	-	1,242,637,249	1.99%	1,075
1,405,000	4,099,772	-	-	-	1,229,536,293	1.94%	1,067
1,265,000	-	-	-	-	1,141,762,586	1.70%	977

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					
2003	\$ 501,405,000	\$ 106,495,000	\$ 6,810,263	\$ 388,099,737	107,759,072,000	1,121,035	0.36 %	\$ 346.20
2004	495,140,000	92,565,000	5,645,313	396,929,687	117,114,058,000	1,120,897	0.34	354.12
2005	439,170,832	79,160,000	5,901,196	354,109,636	128,984,637,000	1,119,364	0.27	316.35
2006 <sup>4</sup>	510,039,162	65,620,000	52,690,825	391,728,337	140,297,496,000	1,122,093	0.28	349.11
2007 <sup>4</sup>	520,134,133	45,370,000	42,960,914	431,803,219	148,192,547,000	1,136,599	0.29	379.91
2008	572,376,996	33,585,000	5,391,807	533,400,189	147,706,183,000	1,140,988	0.36	467.49
2009	679,687,865	21,525,000	7,688,195	650,474,670	141,853,595,000	1,156,212	0.46	562.59
2010	877,501,652	112,295,000	7,256,597	757,950,055	132,425,360,000	1,152,425	0.57	657.70
2011	890,532,326	108,060,000	6,621,844	775,850,482	128,108,465,000	1,168,431	0.61	664.01
2012	826,729,074	100,275,000	5,817,703	720,636,371	123,606,811,000	1,184,576	0.58	608.35

<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. This table was restated in 2012 to include unamortized debt premiums and deferred amounts on refundings. 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 and is 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, 2012

Governmental Unit	Debt <sup>1</sup>		Percent Applicable To County <sup>2</sup>	Amount Applicable to County
	Total	Net		
<b>Direct:</b>				
Hennepin County	\$ 777,160,000	\$ 671,419,299	100.00 %	\$ 671,419,299
Hennepin County Regional Railroad	39,110,000	38,757,998	100.00	38,757,998
Total Direct Debt	<u>816,270,000</u>	<u>710,177,297</u>		<u>710,177,297</u>
<b>Overlapping:</b>				
Metropolitan Council <sup>3</sup>	1,724,988,995	193,377,711	46.34	89,611,231
Metropolitan Airport Commission	1,511,915,000	-	-	-
Total Overlapping Debt	<u>3,236,903,995</u>	<u>193,377,711</u>		<u>89,611,231</u>
<b>Underlying:</b>				
School Districts	1,539,375,548	1,106,720,959	100.00	1,106,720,959
Municipalities	1,673,394,874	561,285,087	100.00	561,285,087
Three Rivers Park District	96,005,000	72,840,200	100.00	72,840,200
Miscellaneous (Watersheds, HRAs, EDAs, etc.) - Excludes RRA	98,412,000	41,033,900	100.00	41,033,900
Total Underlying Debt	<u>3,407,187,422</u>	<u>1,781,880,146</u>		<u>1,781,880,146</u>
<b>Total</b>	<b>\$ <u>7,460,361,417</u></b>	<b>\$ <u>2,685,435,154</u></b>		<b>\$ <u>2,581,668,674</u></b>

<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. Debt premiums and deferred amounts on refundings are not included in the amounts shown.

<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  
**Direct, Overlapping, and Underlying Governmental Activities Debt**  
 December 31, 2012

<u>Governmental Unit</u>	<u>Debt Outstanding<sup>1</sup></u>	<u>Estimated Percentage Applicable</u>	<u>Amount Applicable to County</u>
<b>Direct:</b>			
Hennepin County	\$ 1,101,853,518	100.00 %	\$ 1,101,853,518
Hennepin County Regional Railroad	<u>38,644,068</u>	100.00	<u>38,644,068</u>
<b>Total Direct Debt</b>	<u><b>1,140,497,586</b></u>		<u><b>1,140,497,586</b></u>
<b>Overlapping:</b>			
Metropolitan Council	1,724,988,995	46.34	799,359,900
Metropolitan Airport Commission	<u>1,511,915,000</u>	46.34	<u>700,621,411</u>
<b>Total Overlapping Debt</b>	<u><b>3,236,903,995</b></u>		<u><b>1,499,981,311</b></u>
<b>Underlying:</b>			
School Districts	1,539,375,548	100.00	1,539,375,548
Municipalities	1,673,394,874	100.00	1,673,394,874
Three Rivers Park District	96,005,000	100.00	96,005,000
Miscellaneous (Watersheds,HRAs, EDAs,etc.) - Excludes RRA	<u>98,412,000</u>	100.00	<u>98,412,000</u>
<b>Total Underlying Debt</b>	<u><b>3,407,187,422</b></u>		<u><b>3,407,187,422</b></u>
<b>Total</b>	<u><b>\$ 7,784,589,003</b></u>		<u><b>\$ 6,047,666,319</b></u>

<sup>1</sup> Debt premiums and deferred amounts on refundings are included in the amounts shown.

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>
2003	\$ 1,955,614,004	\$ 388,099,737	\$ 1,567,514,267	19.85%
2004	2,184,964,470	396,929,687	1,788,034,783	18.17%
2005	2,445,347,571	417,123,804	2,028,223,767	17.06%
2006	2,715,764,060	439,724,175	2,276,039,885	16.19%
2007	2,919,648,126	470,344,086	2,449,304,040	16.11%
2008	2,937,780,838	560,343,193	2,377,437,645	19.07%
2009	2,831,692,517	657,521,805	2,174,170,712	23.22%
2010	3,964,962,407	751,148,403	3,213,814,004	18.94%
2011	3,684,028,463	763,313,156	2,920,715,307	20.72%
2012	3,543,193,158	710,177,297	2,833,015,861	20.04%

**Computation of 2012 Legal Debt Margin**

2012 market value of taxable property		<u>\$ 118,106,438,594</u>
Debt limit, 3% of taxable market value		\$ 3,543,193,158
Amount of levy supported debt	\$ 715,995,000	
Less amount available for debt service	<u>5,817,703</u>	<u>710,177,297</u>
Legal Debt Margin		<u>\$ 2,833,015,861</u>

<sup>1</sup> The debt limit was 2% of market value until 2010, when it became 3% of market value. See MN Statute 475.53.  
 Note: This table was restated in 2012 to use taxable market value for all years, rather than estimated 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>
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
2011	54,549,199	43,389,652	-	43,389,652	11,159,547
2012	55,553,870	44,548,469	-	44,548,469	11,005,401

<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 2002, this reduces operating expenses by the portion of the service fee payment to HERC that covers the debt service.

Unaudited

Table 20

<u>Debt Service Requirements<sup>3</sup></u>			
<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Coverage</u>
\$ 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
4,100,000	165,879	4,265,879	2.62
4,100,000	12,812	4,112,812	2.68

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

	2007	2008	2009	2010
Net revenues <sup>2</sup>	\$ 26,816,733	\$ 27,541,171	\$ 26,737,760	\$ 27,745,206
First Lien Revenue Bond Coverage:				
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	<u>\$ 3,918,891</u>	<u>\$ 7,584,875</u>	<u>\$ 7,717,375</u>	<u>\$ 7,942,375</u>
First lien coverage	6.84	3.63	3.46	3.49
Second Lien Revenue Bond Coverage:				
Total first lien debt service	\$ 3,918,891	\$ 7,584,875	\$ 7,717,375	\$ 7,942,375
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
Total first and second lien debt service	<u>\$ 3,918,891</u>	<u>\$ 13,897,690</u>	<u>\$ 15,119,550</u>	<u>\$ 15,569,550</u>
Second lien coverage	6.84	1.98	1.77	1.78
Third Lien Revenue Bond Coverage:				
Total first and second lien debt service	\$ 3,918,891	\$ 13,897,690	\$ 15,119,550	\$ 15,569,550
Third lien principal	-	-	400,000	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	-	899,297	872,258	1,198,503
Total first, second and third lien debt service	<u>\$ 3,918,891</u>	<u>\$ 14,796,987</u>	<u>\$ 15,991,808</u>	<u>\$ 16,768,053</u>
Third lien coverage	0.00	1.86	1.67	1.65
<i>Third lien principal optionals redeemed</i>	\$ -	\$ 2,000,000	\$ 3,700,000	\$ -
Total Sales Tax Revenue Bond Coverage:				
Sales tax revenue bond principal	\$ -	\$ 2,925,000	\$ 2,900,000	\$ 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	<u>\$ 3,918,891</u>	<u>\$ 14,796,987</u>	<u>\$ 15,991,808</u>	<u>\$ 16,768,053</u>
Total coverage	6.84	1.86	1.67	1.65
<i>Third lien principal optionals redeemed</i>	\$ -	\$ 2,000,000	\$ 3,700,000	\$ -

<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> Net revenues equals revenues received from the State less Admin fees on a modified accrual basis. The State remits sales tax to the County in the second month after the tax is initially collected (e.g., amounts received in January and February are properly reported as revenues for November and December of the prior year).

Unaudited

Table 21

<u>2011</u>	<u>2012</u>
<u>\$ 29,589,411</u>	<u>\$ 31,093,416</u>
\$ 900,000	\$ 1,050,000
<u>7,154,875</u>	<u>7,109,875</u>
<u>\$ 8,054,875</u>	<u>\$ 8,159,875</u>
3.67	3.81
<u>\$ 8,054,875</u>	<u>\$ 8,159,875</u>
<u>2,720,000</u>	<u>3,450,000</u>
<u>5,212,175</u>	<u>5,087,025</u>
<u>7,932,175</u>	<u>8,537,025</u>
<u>\$ 15,987,050</u>	<u>\$ 16,696,900</u>
1.85	1.86
<u>\$ 15,987,050</u>	<u>\$ 16,696,900</u>
<u>800,000</u>	<u>400,000</u>
<u>123,963</u>	<u>87,976</u>
<u>264,128</u>	<u>271,463</u>
<u>1,188,091</u>	<u>759,439</u>
<u>\$ 17,175,141</u>	<u>\$ 17,456,339</u>
1.72	1.78
\$ 14,200,000	\$ 11,400,000
\$ 4,420,000	\$ 4,900,000
12,491,013	12,284,876
264,128	271,463
<u>\$ 17,175,141</u>	<u>\$ 17,456,339</u>
1.72	1.78
\$ 14,200,000	\$ 11,400,000

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		
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	71,466,294	24,878,737	96,345,031	1,553,834,721	6.20
2009	35,460,987	24,622,112	60,083,099	1,273,346,992	4.72
2010	41,150,152	27,169,336	68,319,488	1,497,289,609	4.56
2011	44,708,497	30,895,111	75,603,608	1,323,642,251	5.71
2012	48,560,914	29,771,868	78,332,782	1,301,261,894	6.02

<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.

<sup>3</sup> In years when the County made optional payments for early redemption of outstanding bond issues, the optional amounts were removed for the calculation of the debt service percentage. Optional principal payments included \$2,100,000 in 2008, \$2,000,000 in 2009, \$4,000,000 in 2010, \$5,000,000 in 2011, and \$10,000,000 in 2012.

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>	
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	54,949	63,324,601,325	35.9	92.1	157,170	6.6	
2011	1,168,431	57,476	67,156,740,156	35.9	92.1	158,431	6.1	
2012	1,184,576	N/A <sup>5</sup>	N/A <sup>5</sup>	35.9	92.1	161,409	5.3	

## 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
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
2011	660,986	6.1	1,850,365	6.4	2,977,919	6.4	153,624,000	8.9
2012	660,668	5.3	1,857,894	5.1	2,969,366	5.7	154,974,583	8.0

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 Ten Years

<u>Industry</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>	<u>2010</u>	<u>2011</u>
Health care and social assistance	1	1	1	1	1	1	1	1	1	1
Professional and technical services	5	4	4	3	3	2	2	2	2	2
Government and government enterprises	2	2	2	2	2	3	3	3	3	3
Finance and insurance	6	6	6	6	6	6	5	4	4	4
Retail trade	3	3	3	4	4	4	4	5	5	5
Manufacturing	4	5	5	5	5	5	6	6	6	6
Administrative and waste services	7	7	7	7	7	7	7	8	7	7
Accommodation and food services	8	8	8	8	8	8	8	7	8	8
Wholesale trade	9	9	9	9	9	10	9	9	9	9
Real estate	14	14	12	12	11	11	10	11	11	10
Other services, except public administration	10	10	10	10	10	9	11	10	10	11
Management of companies and enterprises	13	13	13	14	13	13	12	12	12	12
Transportation and warehousing	12	12	14	13	14	14	14	13	13	13
Construction	11	11	11	11	12	12	13	14	14	14
Educational services	17	17	17	17	17	17	17	16	16	15
Arts, entertainment, and recreation	16	16	16	16	15	15	15	15	15	16
Information	15	15	15	15	16	16	16	17	17	17
Utilities	18	18	18	18	18	18	18	18	18	18
Forestry, fishing, mining, other	20	20	20	19	19	19	19	19	19	19
Farm	19	19	19	20	20	20	20	20	20	20

Note: 2012 information is not yet available.

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

Unaudited

Hennepin County, Minnesota  
**Principal Employers** <sup>2</sup>  
 Current Year and Seven Years Ago

<u>Employer</u>	2012 <sup>2</sup>			2005 <sup>1</sup>		
	Employees <sup>2</sup> (rounded to nearest 1,000)	Rank	Percentage of Total State Employment	Employees (rounded to nearest 1,000)	Rank	Percentage of Total County Employment
State of Minnesota	40,000	1	1.35%	25,000	1	3.70%
United States Federal Government	34,000	2	1.15%	7,000	4	1.04%
Mayo Foundation	33,000	3	1.11%	8,000	3	1.19%
Target Corporation	31,000	4	1.04%	12,000	2	1.78%
Allina Health Systems	23,000	5	0.77%			
Wal-Mart Stores, Inc.	20,400	6	0.69%			
Fairview Health Services	20,200	7	0.68%			
Wells Fargo Bank Minnesota	20,000	8	0.67%	6,000	5	0.89%
University of Minnesota	19,200	9	0.65%	5,000	9	0.74%
Minnesota State Colleges and Universities	19,000	10	0.64%			
Abbott Northwestern Hospital				5,000	7	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%
	259,800		8.75%	82,900		12.29%

<sup>1</sup> Data not available prior to 2005. Source for 2005: iSeek Solutions (iseek.org)

<sup>2</sup> Statewide information from the US Department of Labor (acinet.org) is provided beginning in 2012 because data specific to the County is no longer available from the State of MN.

Unaudited



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

	2003	2004	2005	2006
<b><u>Employees by Function/Program</u></b>				
General Government	1,031	1,028	1,042	1,066
Human Services and Public Health	2,963	2,938	2,957	2,993
Health <sup>1</sup>	4,387	4,371	4,542	4,720
Public Safety	2,297	2,308	2,337	2,450
Public Works	433	453	462	415
Libraries	944	848	860	864
	12,055	11,946	12,200	12,508
 Unionized Employees	 6,610	 6,509	 6,525	 8,184
Full-Time Equivalent	10,960	11,072	11,090	11,189

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

Unaudited

Table 27

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
1,090	1,070	1,036	1,045	1,034	1,078
3,029	2,910	2,861	2,909	2,878	2,896
426	368	357	330	311	320
2,502	2,441	2,351	2,321	2,224	2,224
435	435	421	432	427	427
844	832	773	759	735	727
<u>8,326</u>	<u>8,056</u>	<u>7,799</u>	<u>7,796</u>	<u>7,609</u>	<u>7,672</u>
5,713	5,538	5,631	5,311	5,242	5,237
7,667	7,474	7,431	7,314	7,197	7,256

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>
<b><u>Governmental Activities Operating Indicators by Function/Program</u></b>			
<b><u>General Government</u></b>			
Property Services - operating cost per square foot .....	\$4.38	\$4.76	\$4.27
<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
<b><u>Health</u></b>			
NorthPoint Health & Wellness Center patient statistics:			
Medical & Dental Visits .....	N/A	50,197	52,257
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 pavement serviceability rating (portion rated good or better) .....	N/A	N/A	47%
Percent of bridges with sufficiency rating less than 50 .....	12%	10%	11%
<b><u>Libraries</u></b>			
Items circulated (millions) .....	14.3	14.0	15.7
eLibrary visits (millions) .....	4.0	5.3	7.4
Number of volunteer hours supplementing service .....	N/A	N/A	50,000
<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 <sup>1</sup> .....	N/A	N/A	N/A
<b><u>Environmental Services</u></b>			
Tons of waste received at Hennepin facilities .....	N/A	N/A	549,043

<sup>1</sup> Effective 2012, MHP no longer offering Medical Assistance or Minnesota Care.

Sources: Various County departments

Unaudited

Table 28

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012 Estimate</u>
\$4.53	\$5.15	\$5.24	\$6.38	\$5.33	\$5.94	\$5.37
N/A	1,817	1,524	1,236	1,161	2,402	2,401
N/A	23,602	24,441	24,380	23,775	36,653	37,380
N/A	50,802	50,312	53,372	55,406	83,991	84,406
N/A	123,677	126,962	137,982	145,470	171,654	178,902
56,710	64,749	64,198	77,873	77,072	77,026	84,412
N/A	N/A	102,649	123,499	130,788	132,142	135,000
N/A	N/A	N/A	5,657	5,985	4,957	4,132
N/A	N/A	N/A	36,500	35,413	34,503	35,857
N/A	N/A	N/A	20.4%	21.0%	23.4%	22.8%
49%	52%	48%	47%	54%	53%	53%
10%	8%	9%	8%	7%	7%	5%
15.8	16.2	16.5	16.7	17.5	18.4	16.6
10.0	12.0	16.0	15.0	19.9	21.5	21.1
50,868	50,000	53,813	86,766	91,779	99,862	101,924
20.4%	23.0%	20.0%	17.8%	14.5%	13.6%	15.4%
N/A	N/A	N/A	18,662	18,113	19,009	10,106
579,128	605,023	561,990	573,000	466,571	447,275	450,000

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>
<u>General Government</u> <sup>2</sup>			
Building square footage occupied by General Government	317,189	298,850	286,227
<u>Human Services</u> <sup>2</sup>			
Building square footage occupied by Human Services	731,707	749,767	664,656
<u>Health</u> <sup>2</sup>			
Building square footage - NorthPoint Health & Wellness	N/A	54,401	63,057
Building square footage - Medical Examiner	34,655	37,170	37,170
<u>Public Safety</u> <sup>2</sup>			
Building square footage - Public Safety Facility Cells/Sheriff's Jail	476,433	431,506	457,564
Building square footage occupied by the Corrections Department	581,231	573,597	570,777
Building square footage occupied by the Sheriff's Office (w/o Jail)	284,339	294,298	293,062
<u>Public Works</u>			
County roads and highways (miles)	568	562	562
Number of bridges	137	137	137
<u>Libraries</u> <sup>1</sup>			
Building square footage occupied by the Libraries <sup>2</sup>	457,840	522,964	547,256
Size of Library collection (copies)	2,061,102	1,974,629	1,985,790
Size of Library collection (titles)	332,432	334,637	306,830
<u>Regional Railroad Authority</u>			
Rail miles	-	12	12
Light rail stations	-	17	17
<u>Metropolitan Health Plan (MHP)</u>			
Building square footage occupied by MHP	36,860	35,583	59,749

<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 excludes common areas.

Sources: Various County departments

Unaudited

Table 29

2006	2007	2008	2009	2010	2011	2012
301,547	297,825	295,982	228,114	233,053	232,709	233,053
666,386	687,616	638,781	452,095	452,108	452,108	452,108
63,057	63,057	59,724	39,964	39,964	39,964	39,964
37,170	37,178	37,175	29,430	29,430	29,430	29,430
460,213	429,559	429,559	360,510	360,510	360,510	359,083
679,488	657,170	669,849	606,382	605,225	605,225	605,225
293,435	170,412	170,452	152,366	152,621	152,621	152,621
561	561	561	567	572	570	570
137	132	130	130	130	130	130
546,176	546,127	1,329,621	993,939	997,735	997,735	1,006,021
1,930,773	1,941,712	4,997,402	4,770,977	5,030,570	4,910,846	4,910,846
307,041	307,255	1,552,628	1,358,502	2,143,174	1,451,121	1,451,121
12	12	12	12	12	12	12
17	17	17	17	17	17	17
58,939	59,106	59,106	59,106	59,106	59,106	32,957

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>
<b>PROPERTY TAX LEVY</b>			
County <sup>1</sup> .....	\$ 460	455	495
% Change	2.5	(1.2)	8.8
County and other <sup>2</sup> .....	\$ 1,608	1,646	1,731
% Change	6.2	2.4	5.2
<b>REVENUES</b>			
Total governmental funds <sup>3</sup> .....	\$ 934	896	965
% Change	0.1	(4.1)	7.7
Intergovernmental .....	\$ 376	338	388
% Change	(1.6)	(10.0)	14.8
<b>EXPENSES<sup>3</sup></b>			
Total governmental funds .....	\$ 983	942	996
% Change	(3.0)	(4.2)	5.8
Capital projects .....	\$ 107	114	133
% Change	26.5	6.8	16.3
<b>GENERAL OBLIGATION DEBT</b>			
Net direct <sup>4</sup> .....	\$ 346	354	316
% Change	5.4	2.3	(10.7)
Net direct, overlapping, and underlying G.O. ....	\$ 2,152	2,340	2,612
% Change	(1.8)	8.7	11.6
PROPERTY ESTIMATED MARKET VALUE .....	\$ 96,125	104,482	115,230
% Change	9.9	8.7	10.3
EMPLOYEES PER 10,000 CAPITA <sup>5</sup> .....	107.5	106.6	109.0
% Change	(9.6)	(0.9)	2.3

<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 30

2006	2007	2008	2009	2010	2011	2012
512	535	556	592	630	622	595
3.4	4.5	3.9	6.5	6.4	(1.3)	(4.3)
1,707	1,932	2,039	2,151	2,173	2,207	2,154
(1.4)	13.2	5.5	5.5	1.0	1.6	(2.4)
1,013	1,053	1,079	1,065	1,103	1,106	1,077
5.0	3.9	2.5	(1.3)	3.6	0.3	(2.6)
385	356	367	327	345	341	317
(0.7)	(7.7)	3.2	(10.9)	5.5	(1.2)	(6.9)
1,055	1,247	1,362	1,101	1,299	1,149	1,099
5.9	18.2	9.2	(19.2)	18.0	(11.5)	(4.4)
133	109	120	135	114	125	88
0.1	(18.2)	10.4	12.5	(15.6)	9.6	(29.6)
349	380	467	563	658	664	608
10.4	8.8	23.1	20.3	16.9	1.0	(8.4)
2,596	2,497	2,469	2,412	2,474	2,397	2,179
(0.6)	(3.8)	(1.1)	(2.3)	2.6	(3.1)	(9.1)
125,032	130,382	129,455	122,688	114,910	109,641	104,347
8.5	4.3	(0.7)	(5.2)	(6.3)	(4.6)	(4.8)
111.5	73.3	66.9	64.3	63.5	62.5	61.3
2.3	(34.3)	(8.7)	(3.9)	(1.2)	(1.6)	(2.0)

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Debt service expenditures for property tax supported bonds to: <sup>1</sup>				
County property tax levy .....	8.1 %	8.9 %	8.8 %	9.4 %
Governmental fund expenditures .....	3.8	4.3	4.4	4.8
Net general obligation debt to:				
Property taxable market value .....	0.40	0.36	0.29	0.29
Legal debt margin .....	24.8	22.2	17.5	17.2
Direct, overlapping, and underlying net G.O. debt .....	15.6	14.7	13.7	16.5
Governmental fund revenues .....	37.1	39.5	32.8	34.5
General obligation debt due within ten years				
To total general obligation debt .....	63.8	63.6	64.2	68.3
Unassigned General Fund fund balance <sup>2</sup>				
To general fund expenditures .....	29.5	33.2	32.6	27.6

<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. In years when the County made optional payments for early redemption of outstanding bond issues, the optional amounts were removed for the calculation of the debt service ratios.

<sup>2</sup> Governmental Accounting Standards Board Statement 54 was effective for 2011, resulting in new fund balance categories where undesignated is most comparable to unassigned. Undesignated fund balance is used for the ratios for 2009 and prior.

Unaudited

Table 31

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
14.1 % 6.1	15.2 % 6.2	8.8 % 4.7	9.4 % 4.6	10.5 % 5.7	11.1 % 6.0
0.30	0.36	0.46	0.57	0.63	0.61
17.6	22.4	29.9	23.6	26.6	25.4
16.6	19.9	23.6	23.1	27.6	11.9
36.1	43.3	52.8	59.6	60.9	56.5
68.4	55.4	54.5	63.0	56.5	58.5
16.5	15.6	22.9	13.3	20.3	32.8







# Hennepin County, Minnesota

Single Audit Report  
December 31, 2012

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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  
Minneapolis, Minnesota

We have audited, in accordance with the 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, the financial statements, the governmental activities, the business-type activities, the 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, 2012, and the related notes to the financial statements, which collectively comprise Hennepin County's basic financial statements, and have issued our report thereon dated May 31, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

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. A significant deficiency is a deficiency or a 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.

Our consideration of internal control 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 material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item IC 12-1, that we consider to be a significant deficiency.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the County's financial statements are free from 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 Response to Findings**

The County's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Minneapolis, Minnesota  
May 31, 2013



**Independent Auditor's Report on Compliance for Each Major  
Federal Program; Report on Internal Control Over Compliance; and  
Report on the Schedule of Expenditures of Federal Awards  
Required by OMB Circular A-133**

To the Board of County Commissioners  
Hennepin County, Minnesota  
Minneapolis, Minnesota

**Report on Compliance for Each Major Federal Program**

We have audited Hennepin County, Minnesota's (the County) compliance 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 the County's major federal programs for the year ended December 31, 2012. Our audit did not include the federal programs of Minneapolis Medical Research Foundation (MMRF), a subsidiary of Hennepin Healthcare System, Inc. d/b/a Hennepin County Medical Center (HCMC). 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.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

**Opinion on Compliance for Each Major Federal Program**

In our opinion, the County complied, in all material respects, with the types of compliance 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, 2012.

### **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which 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 12-1 through CF 12-3. Our opinion on each major federal program is not modified with respect to these matters.

The County's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

### **Report on Internal Control Over Compliance**

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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.

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 material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items IC 12-2 through IC 12-6, that we consider to be significant deficiencies.

The County's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The County's responses were not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

**Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of the County as of and for the year ended December 31, 2012, and have issued our report thereon dated May 31, 2013, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the OMB Circular A-133, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

*McGladrey LLP*

Minneapolis, Minnesota  
May 31, 2013

**Hennepin County, Minnesota**

**Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2012**

Administering Agency and Federal Funding Source	Federal Domestic Assistance Number	Grant Name	Total Expenditures	Passed Through to Subrecipients
U.S. Department of Agriculture pass-through programs:				
Minnesota Department of Agriculture	10.572	WIC Farmers' Market Nutrition Program (FMNP)	\$ 8,000	\$ -
Minnesota Department of Education				
	10.553	Child Nutrition Cluster: School Breakfast Program	56,408	-
	10.555	National School Lunch Program	95,525	-
Minnesota Department of Health				
	10.557	Special Supplemental Nutrition Program for Women, Infants and Children	4,232,904	83,781
Minnesota Department of Human Services				
	10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10,752,956	-
University of Minnesota				
	10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	41,348	-
<b>Total U.S. Department of Agriculture pass-through programs</b>			<b>15,187,141</b>	<b>83,781</b>
U.S. Department of Commerce direct programs:				
Direct Grant				
	11.307	Economic Adjustment Assistance	4,579	-
<b>Total U.S. Department of Commerce direct programs</b>			<b>4,579</b>	<b>-</b>
U.S. Department of Education pass-through programs:				
Hopkins Public Schools				
	84.002	Adult Education—Basic Grants to States	11,109	-
<b>Total U.S. Department of Education pass-through programs</b>			<b>11,109</b>	<b>-</b>
U.S. Department of Energy direct programs:				
Direct Grant				
	81.128	ARRA—Energy Efficiency and Conservation Block Grant Program (EECBG)	745,527	-
U.S. Department of Energy pass-through programs:				
City of Minneapolis				
	81.128	ARRA—Energy Efficiency and Conservation Block Grant Program (EECBG)	117,732	-
<b>Total U.S. Department of Energy direct and pass-through programs</b>			<b>863,259</b>	<b>-</b>
U.S. Department of Health and Human Services direct programs:				
Direct Grant				
	93.069	Public Health Emergency Preparedness	51,271	-
	93.134	Grants to Increase Organ Donations	29,647	-
	93.224	Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, Public Housing Primary Care and School Based Health Centers)	2,136,336	-
	93.253	Poison Center Support and Enhancement Grant Program	445,957	-
	93.297	Teenage Pregnancy Prevention Program	4,247,206	1,795,800
	93.510	Affordable Care Act (ACA) Primary Care Residency Expansion Program	152,096	-
	93.531	PPHF 2012: Community Transformation Grants and National Dissemination and Support for Community Transformation Grants—financed solely by 2012 Prevention and Public Health Funds	857,698	283,527
	93.887	Health Care and Other Facilities	188,100	-
	93.914	HIV Emergency Relief Project Grants	6,228,644	3,664,244
	93.924	Ryan White HIV/AIDS Dental Reimbursement and Community Based Dental Partnership Grants	74,639	-

(Continued)

Hennepin County, Minnesota

Schedule of Expenditures of Federal Awards (Continued)  
For the Year Ended December 31, 2012

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 pass-through programs:				
Minnesota Department of Employment and Economic Development				
		TANF Cluster:		
	93.558	Temporary Assistance for Needy Families	10,000	10,000
Minnesota Department of Health				
	93.016	Postal Model for Medical Countermeasures Delivery and Distribution	9,125	-
	93.069	Public Health Emergency Preparedness	693,689	-
	93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	29,075	-
	93.251	Universal Newborn Hearing Screening	38,800	-
	93.268	Immunization Cooperative Agreements	251,178	-
	93.283	Centers for Disease Control and Prevention—Investigations and Technical Assistance	241,744	-
	93.505	Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	129,591	114,018
		TANF Cluster:		
	93.558	Temporary Assistance for Needy Families	833,759	447,348
	93.576	Refugee and Entrant Assistance—Discretionary Grants	9,539	-
	93.889	National Bioterrorism Hospital Preparedness Program	1,363,747	502,298
	93.940	HIV Prevention Activities—Health Department Based	326,306	-
	93.977	Preventive Health Services—Sexually Transmitted Diseases Control Grants	159,820	-
	93.994	Maternal and Child Health Services Block Grant to the States	583,015	443,744
Minnesota Department of Human Services				
	93.090	Guardianship Assistance	235,766	-
	93.150	Projects for Assistance in Transition from Homelessness (PATH)	311,456	-
	93.556	Promoting Safe and Stable Families	721,248	-
		TANF Cluster:		
	93.558	Temporary Assistance for Needy Families	20,119,272	-
	93.714	ARRA—Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Program	960,475	-
	93.563	Child Support Enforcement	21,523,978	-
	93.564	Child Support Enforcement Research	78,566	-
	93.566	Refugee and Entrant Assistance—State Administered Programs	57,790	-
	93.575	Child Care and Development Block Grant	2,322,333	-
	93.584	Refugee and Entrant Assistance—Targeted Assistance Grants	4,109	-
	93.599	Chafee Education and Training Vouchers Program (ETV)	108,385	-
	93.645	Stephanie Tubbs Jones Child Welfare Services Program	253,996	-
	93.658	Foster Care—Title IV-E	6,297,658	-
	93.659	Adoption Assistance	459,584	-
	93.667	Social Services Block Grant	7,645,739	-
	93.669	Child Abuse and Neglect State Grants	3,000	-
	93.674	Chafee Foster Care Independence Program	133,710	-
	93.767	Children's Health Insurance Program	14,731	-
	93.778	Medical Assistance Program	33,639,056	35,972
	93.917	HIV Care Formula Grants	1,192,391	977,854
	93.958	Block Grants for Community Mental Health Services	690,000	-
City of Minneapolis				
	93.283	Centers for Disease Control and Prevention—Investigations and Technical Assistance	90,000	-
		TANF Cluster:		
	93.558	Temporary Assistance for Needy Families	95,173	-
	93.926	Healthy Start Initiative	63,700	-
National Association of City and County Health Organizations				
	93.008	Medical Reserve Corps Small Grant Program	5,000	-
University of Minnesota				
	93.715	Recovery Act—Comparative Effectiveness Research—AHRQ	18,642	-
<b>Total U.S. Department of Health and Human Services pass-through programs</b>			<b>116,136,740</b>	<b>8,274,805</b>

(Continued)

**Hennepin County, Minnesota**

**Schedule of Expenditures of Federal Awards (Continued)  
For the Year Ended December 31, 2012**

Administering Agency and Federal Funding Source	Federal Domestic Assistance Number	Grant Name	Total Expenditures	Passed Through to Subrecipients
U.S. Department of Homeland Security pass-through programs:				
Minnesota Department of Health	97.067	Homeland Security Grant Program	28,444	-
Minnesota Department of Natural Resources	97.012	Boating Safety Financial Assistance	27,225	-
Minnesota Department of Public Safety	97.042	Emergency Management Performance Grants	563,233	63,807
	97.056	Port Security Grant Program	562,705	-
	97.067	Homeland Security Grant Program	999,717	42,960
<b>Total U.S. Department of Homeland Security pass-through programs</b>			<b>2,181,324</b>	<b>106,767</b>
U.S. Department of Housing and Urban Development direct programs:				
Direct Grant				
	14.218	Community Development Block Grants/Entitlement Grants	3,715,807	2,664,046
	14.231	Emergency Solutions Grant Program	134,857	121,762
	14.235	Supportive Housing Program	774,205	496,654
	14.238	Shelter Plus Care	799,491	799,491
	14.239	Home Investment Partnerships Program	2,937,103	-
	14.257	ARRA—Homelessness Prevention and Rapid Re-Housing Program (Recovery Act Funded)	166,323	166,323
	14.900	Lead-Based Paint Hazard Control in Privately-Owned Housing	1,279,022	824,354
	14.905	Lead Hazard Reduction Demonstration Grant Program	1,967,103	909,778
	14.913	Healthy Homes Production Grant Program	172,578	68,136
U.S. Department of Housing and Urban Development pass-through programs:				
Minnesota Housing Finance Agency				
	14.228	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	188,726	188,726
City of Minneapolis				
	14.256	ARRA—Neighborhood Stabilization Program (Recovery Act Funded)	741,154	-
	14.257	ARRA—Homelessness Prevention and Rapid Re-Housing Program (Recovery Act Funded)	768,697	647,700
Metropolitan Council				
	14.703	Sustainable Communities Regional Planning Grant Program	189,696	-
<b>Total U.S. Department of Housing and Urban Development direct and pass-through programs</b>			<b>13,834,762</b>	<b>6,886,970</b>
U.S. Department of Justice direct programs:				
Direct Grant				
	16.541	Part E—Developing, Testing and Demonstrating Promising New Programs	44,011	-
	16.560	National Institute of Justice Research, Evaluation, and Development Project Grants	29,277	-
	16.585	Drug Court Discretionary Grant Program	104,412	-
	16.606	State Criminal Alien Assistance Program	193,260	-
	JAG Cluster:			
	16.738	Edward Byrne Memorial Justice Assistance Grant Program	1,314,945	664,987
	16.804	ARRA—Recovery Act—Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government	122,812	122,812
	16.741	DNA Backlog Reduction Program	74,471	-
	16.753	Congressionally Recommended Awards	88,208	-
	16.808	ARRA—Recovery Act—Edward Byrne Memorial Competitive Grant Program	196,003	-
U.S. Department of Justice pass-through programs:				
Minnesota Department of Public Safety				
	16.523	Juvenile Accountability Block Grants	194,223	-
	16.548	Title V Delinquency Prevention Program	39,507	-
	16.742	Paul Coverdell Forensic Sciences Improvement Grant Program	46,390	-
Housing Preservation Project				
	16.808	ARRA—Recovery Act—Edward Byrne Memorial Competitive Grant Program	613,227	143,086
<b>Total U.S. Department of Justice direct and pass-through programs</b>			<b>3,060,746</b>	<b>930,885</b>

(Continued)

**Hennepin County, Minnesota**

**Schedule of Expenditures of Federal Awards (Continued)  
For the Year Ended December 31, 2012**

Administering Agency and Federal Funding Source	Federal Domestic Assistance Number	Grant Name	Total Expenditures	Passed Through to Subrecipients
U.S. Department of Labor pass-through programs:				
Minnesota Department of Employment and Economic Development				
	WIA Cluster:			
	17.258	WIA Adult Program	533,434	466,203
	17.259	WIA Youth Activities	610,967	582,456
	17.278	WIA Dislocated Worker Formula Grants	1,379,441	1,253,102
	17.267	Incentive Grants—WIA Section 503	4,226	2,064
<b>Total U.S. Department of Labor pass-through programs</b>			<b>2,528,068</b>	<b>2,303,825</b>
U.S. Department of Transportation direct programs:				
Direct Grant				
	20.514	Public Transportation Research	151,208	-
U.S. Department of Transportation pass-through programs:				
Minnesota Department of Public Safety				
	20.609	Safety Belt Performance Grants	27,389	-
Minnesota Department of Transportation				
	20.205	Highway Planning and Construction	8,043,248	-
Minnesota Judicial Branch				
	20.608	Minimum Penalties for Repeat Offenders for Driving While Intoxicated	220,023	-
City of Brooklyn Park				
	20.608	Minimum Penalties for Repeat Offenders for Driving While Intoxicated	11,858	-
Metropolitan Council				
	20.500	Federal Transit—Capital Investment Grants	47,320	-
	20.522	Alternatives Analysis	230,806	-
	20.933	National Infrastructure Investments	2,556,665	-
<b>Total U.S. Department of Transportation direct and pass-through programs</b>			<b>11,288,517</b>	<b>-</b>
U.S. Environmental Protection Agency direct programs:				
Direct Grant				
	66.035	Community Action for a Renewed Environment (CARE) Program	28,818	13,621
	66.818	Brownfields Assessment and Cleanup Cooperative Agreements	12,741	-
	66.818	ARRA—Brownfields Assessment and Cleanup Cooperative Agreements	1,375,207	1,066,373
<b>Total U.S. Environmental Protection Agency direct programs</b>			<b>1,416,766</b>	<b>1,079,994</b>
U.S. Institute of Museum and Library Services pass-through programs:				
Minnesota Department of Education				
	45.310	Grants to States	42,612	-
<b>Total U.S. Institute of Museum and Library Services pass-through programs</b>			<b>42,612</b>	<b>-</b>
<b>Total federal awards</b>			<b>\$ 166,555,623</b>	<b>\$ 19,667,027</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 accompanying schedule of expenditures of federal awards includes the federal grant activity of Hennepin County, Minnesota (the County). The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from the amounts presented in, or used in the preparation of, the basic financial statements. 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 of 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. The schedule excludes the federal programs of Minneapolis Medical Research Foundation (MMRF), a component unit of Hennepin Healthcare System, Inc. MMRF issued a separate audit report in accordance with OMB Circular A-133.

#### **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 (\$56,408) and the National School Lunch Program (\$95,525). 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, 2012**

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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      X   No
- Significant deficiency(ies) identified that are not considered to be material weaknesses?   X   Yes    \_\_\_\_\_ None reported
- Noncompliance material to financial statements identified? \_\_\_\_\_ Yes      X   No

**B. Federal Awards**

1. Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ Yes      X   No
- Significant deficiency(ies) identified that are not considered to be material weaknesses?   X   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?   X   Yes    \_\_\_\_\_ No

3. Identification of major programs:

CFDA Number	Name of Federal Program
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
JAG cluster:	
16.738	Edward Byrne Memorial Justice Assistance Grant Program
16.804	ARRA—Recovery Act—Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government
16.808	ARRA—Recovery Act—Edward Byrne Memorial Competitive Grant Program
20.205	Highway Planning and Construction
81.128	ARRA—Energy Efficiency and Conservation Block Grant Program (EECBG)
93.297	Teenage Pregnancy Prevention Program
TANF cluster:	
93.558	Temporary Assistance for Needy Families
93.714	ARRA—Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Program
93.563	Child Support Enforcement
93.914	HIV Emergency Relief Project Grants

(Continued)

**Hennepin County, Minnesota**

**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended December 31, 2012**

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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 12-1—Inadequate Access Controls**

**Condition**

Access controls related to one application and portions of the County's networks were found to be inadequate or ineffective.

**Cause**

Monitoring controls are not consistently enabled to detect, log and report instances of inappropriate access or manipulation of sensitive/critical data. Formalized network and application user reviews are not performed or documented on a regular basis to ensure users are properly authenticated and authorized to have minimum access necessary to perform daily job functions.

**Effect**

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

**Recommendation**

We recommend that formal user reviews be performed at least annually by designated network and application owners/designees to verify that users and permissions are appropriate. The result of these reviews, including corrective actions taken, should be documented within a ticket or completion form that is signed and dated.

**Auditee Response to Finding**

The auditee agrees with the finding. See corrective action plan issued under separate cover.

B. Compliance Findings

None.

(Continued)

**Hennepin County, Minnesota**

**Schedule of Findings and Questioned Costs (Continued)  
Year Ended December 31, 2012**

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III. FINDINGS AND QUESTIONED COSTS RELATING TO FEDERAL AWARDS

A. Internal Control

**Finding IC 12-2—Inadequate Controls Over Eligibility Requirements**

**Program**

Department of Health and Human Services—CFDA No. 93.914, HIV Emergency Relief Project Grants

**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.

Per review of the Notice of Grant Award (Award #:2 H89HA00050-17-00 and Grant #:H89HA00050) from HRSA dated 2/23/2012, the award states, “client eligibility recertification is required every six months and must include verification of low income status, residency, medical necessity, and that the Ryan White HIV/AIDS Program is the payer of last resort.”

**Condition**

There were seven instances of the 40 cases tested where the County did not maintain sufficient evidence of income verification on file. Six of the seven instances involved inreach services provided via telephone. In the other instance, dietary services were provided.

**Cause**

For these instances, program personnel did not perform procedures to obtain and maintain proof of eligibility.

**Effect**

Grant funds may have been spent for unallowable activities.

**Questioned Costs**

Failure to comply with eligibility requirements does not impact eligible costs under the program and therefore no questioned costs.

**Recommendation**

We recommend the Eligibility Coordinator train staff and that program personnel follow policies and procedures to ensure certifications are being performed.

(Continued)

**Hennepin County, Minnesota**

**Schedule of Findings and Questioned Costs (Continued)  
Year Ended December 31, 2012**

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**Auditee Response to Finding**

The auditee agrees with the finding. See corrective action plan issued under separate cover.

**Finding IC 12-3—Inadequate Controls Over Eligibility Requirements**

**Program**

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

**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.32, “A county agency shall verify the following at application: relationship of a minor child to caregivers in the assistance unit.”
- Per 42 USC 608(a)(1), “A State to which a grant is made under section 603 of this title shall not use any part of the grant to provide assistance to a family, unless the family includes a minor child who resides with the family (consistent with paragraph (10)) or a pregnant individual.”
- Per Minnesota Statute 256J.626, “Families with a minor child, a pregnant woman, or a noncustodial parent of a minor child receiving assistance, with incomes below 200 percent of the federal poverty guideline for a family of the applicable size, are eligible for services funded under the consolidated fund.”

**Condition**

Documentation required for the determination of benefits was not obtained and maintained in its entirety. Specific instances noted in our sample of 60 cases tested are as follows:

- Five cases had no documentation of the relationship of a minor child to caregiver(s) in the assistance unit.
- Two cases had no children within the assistance unit.
- One case had two eligible individuals within the assistance unit that were improperly determined to be ineligible.

(Continued)

**Hennepin County, Minnesota**

**Schedule of Findings and Questioned Costs (Continued)  
Year Ended December 31, 2012**

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**Cause**

For these instances, program personnel did not follow eligibility policies and procedures related to file documentation.

**Effect**

Grant funds may have been spent for unallowable activities.

**Questioned Costs**

Not applicable. The County only receives reimbursement for administrative costs of the program. All benefits paid to participants in the program are paid directly by the State of Minnesota.

**Recommendation**

We recommend that the County review each file to provide 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.

**Auditee Response to Finding**

The auditee agrees with the finding. See corrective action plan issued under separate cover.

**Finding IC 12-4—Inadequate Controls Over Special Tests**

**Program**

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

**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.”

(Continued)

## Hennepin County, Minnesota

### Schedule of Findings and Questioned Costs (Continued) Year Ended December 31, 2012

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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.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."

#### Condition

Of the 60 cases tested:

- Shelter costs were not paid via vendor pay directly to the shelter vendor, as required for sanctions two through six, for 11 cases.
- 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 nine 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 three cases, the sanction occurring in the month selected for testing 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.
- For three cases, the vendor payment was not correctly incorporated into the benefit calculation.
- For one case in its second sanction, the caretaker was improperly allowed to opt out of the cash portion of the benefits.
- For two cases, a sanction was applied after the household cured the sanction.

#### 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 and controls were not adequate to monitor compliance.

#### Effect

Grant funds may have been spent for unallowable activities.

#### Questioned Costs

Not applicable. The County only receives reimbursement for administrative costs of the program. All benefits paid to participants in the program are paid directly by the State of Minnesota.

(Continued)

**Hennepin County, Minnesota**

**Schedule of Findings and Questioned Costs (Continued)  
Year Ended December 31, 2012**

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**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.

**Auditee Response to Finding**

The auditee agrees with the finding. See corrective action plan issued under separate cover.

**Finding IC 12-5—Inadequate Controls Over Subrecipient Monitoring**

**Program**

Department of Justice—CFDA No. 16.738, Edward Byrne Memorial Justice Assistance Grant Program, and CFDA No.16.804, ARRA—Recovery Act—Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government

**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.

Per 31 USC 7502(f)(2)(C), “each pass-through entity shall review the audit of a subrecipient as necessary to determine whether prompt and appropriate corrective action has been taken with respect to audit findings, as defined by the Director, pertaining to Federal awards provided to the subrecipient by the pass-through entity.”

**Condition**

While grant personnel had requested and obtained the audited financial statements, there was no evidence that the audited financial statements had been reviewed or that appropriate follow-up action had been taken with respect to deficiencies noted in a subrecipient audit.

**Cause**

Program personnel did not follow all policies and procedures in place for subrecipient monitoring.

**Effect**

The County may have received reimbursement for unallowable costs.

**Questioned Costs**

None.

(Continued)

**Hennepin County, Minnesota**

**Schedule of Findings and Questioned Costs (Continued)  
Year Ended December 31, 2012**

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**Recommendation**

We recommend that all control procedures be followed for effective subrecipient monitoring.

**Auditee Response to Finding**

The auditee agrees with the finding. See corrective action plan issued under separate cover.

**Finding IC 12-6—Inadequate Controls Over Reporting**

**Program**

Department of Justice—CFDA No. 16.738, Edward Byrne Memorial Justice Assistance Grant Program, and CFDA No.16.804, ARRA—Recovery Act—Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government

**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.

**Condition**

The program manager is responsible for approving and submitting Section 1512 and FFATA program reports. The program manager has indicated that there is no review of underlying financial information for these reports prior to submitting the reports. As a result, there is no control in place to ensure that reports are accurate.

**Cause**

Program personnel did not follow policies and procedures related to reviewing underlying financial information for these reports.

**Effect**

Future funding of the grant could be impacted.

**Questioned Costs**

None.

**Recommendation**

We recommend that control procedures be followed to ensure effective reporting.

**Auditee Response to Finding**

The auditee agrees with the finding. See corrective action plan issued under separate cover.

(Continued)

**Hennepin County, Minnesota**

**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended December 31, 2012**

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B. Compliance Findings

**Finding CF 12-1—Noncompliance With Eligibility Requirements**

See Finding IC 12-2.

**Finding CF 12-2—Noncompliance With Eligibility Requirements**

See Finding IC 12-3.

**Finding CF 12-3—Noncompliance With Special Tests**

See Finding IC 12-4.

Hennepin County, Minnesota

**Summary Schedule of Prior Audit Findings  
Year Ended December 31, 2012**

Finding Number	Name of Program	Description of Condition	Status of Corrective Action
IC 11-1	Inadequate Access and Change Management Controls Over the APEX Application	Inadequate access controls at the privileged user level exist over the APEX architecture. In addition, adequate change management procedures were not in place throughout 2011. 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.	Corrective action taken regarding change management and access controls over APEX architecture. See Finding IC 12-1 for access control.
IC 11-2 & CF 11-1	Inadequate Controls Over and Noncompliance With Eligibility Requirements	<p>While periodic supervisory reviews are preformed 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:</p> <ul style="list-style-type: none"> <li>• Program personnel were unable to locate the application for benefits for three applicants. Questions included in the application indicate compliance with the requirements of 42 U.S.C. 608(a).</li> <li>• One case 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.</li> <li>• Five cases had no documentation of the relationship of a minor child to caregivers in the assistance unit.</li> <li>• Program personnel were unable to locate documentation for four applicants showing proof of residency in Minnesota in accordance with Minnesota Statute 256J.12.</li> <li>• One case did not have documentation available supporting the calculation of benefits as specified in Minnesota Statute 256J.24.</li> </ul>	Corrective action taken.

(Continued)

Hennepin County, Minnesota

Summary Schedule of Prior Audit Findings (Continued)  
Year Ended December 31, 2012

Finding Number	Name of Program	Description of Condition	Status of Corrective Action
IC 11-2 & CF 11-1	Inadequate Controls Over and Noncompliance With Eligibility Requirements (Continued)	<ul style="list-style-type: none"> <li>• One child-only assistance case had documentation that a child receiving benefits may have been absent from the home for a period of 45 consecutive days.</li> <li>• One case had documentation that a child receiving benefits may have been absent from the home for a period of 45 consecutive days. In addition, assistance was provided for an adult in this case who did not notify the County of the absence of a minor child from the home.</li> <li>• One case did not have documentation supporting an extension of benefits for an adult who had reached 60 months.</li> </ul>	
IC 11-3 & CF 11-2	Inadequate Controls Over and Noncompliance With Special Tests	<p>Of the 60 cases tested:</p> <ul style="list-style-type: none"> <li>• Shelter costs were not paid via vendor pay directly to the shelter vendor, as required for sanctions two through six, for 14 cases. In addition, for one case, the cash benefit was 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 to the shelter vendors 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 nine 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 four cases, the sanction occurring in the month selected for testing 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>	Corrective action taken.

(Continued)

**Hennepin County, Minnesota**

**Summary Schedule of Prior Audit Findings (Continued)  
Year Ended December 31, 2012**

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Finding Number	Name of Program	Description of Condition	Status of Corrective Action
IC 11-4 & CF 11-3	Inadequate Controls Over and Noncompliance With Reporting Requirements	Within two annual reports tested, select nonfinancial metrics did not reconcile to records maintained by program personnel or to the Minnesota CAREWare system, which is the software program administered by the Minnesota Department of Health for managing and monitoring Ryan White-funded HIV clinical care, core services and support services.	Corrective action taken.
IC 11-5	Inadequate Controls Over Reporting Requirements	The SF-425 report is prepared and submitted without being reviewed.	Corrective action taken.



# Hennepin County

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**Internal Audit Department**  
Karen Marquardt, Director  
A2102 Hennepin County Government Center

**DATE:** May 31, 2013

**SUBJECT:** Hennepin County's 2012 Corrective Action Plans

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## **Finding IC 12-1—Inadequate Access Controls**

*Hennepin County's Corrective Action Planned in Response to Finding:*

Preventative and Detective access controls continue to mature as departments work with Internal Audit to prevent inappropriate access to applications and networks and to improve access monitoring methods and documentation.

*Hennepin County Employee Responsible for the CAP:*

Hennepin County IT Audit Manager

*Planned Completion Dates for CAP:*

December 31, 2013

## **Finding IC 12-2— Inadequate Controls Over Eligibility Requirements**

*Program:*

HIV Emergency Relief Project Grants (CFDA # 93.914)

*Hennepin County's Corrective Action Planned in Response to Finding:*

Hennepin County Medical Center (HCMC)'s Ryan White Program has frequently been a model for other programs statewide. Checking eligibility twice a year and retaining proof of verification has been a burden on most providers of Ryan White services. This was apparent to HCMC prior to the 2012 A-133 Single Audit and was addressed with the hire of an Eligibility Coordinator in September 2012. The coordinator has verified over 900 patients through February 2013. HCMC's Provide system, which tracks Ryan White patients, has been modified to retain scanned proof of eligibility, making it easier for all staff to verify documentation has been collected twice a year.

Long term, the Program Manager is working with HCMC's Electronic Health Record (EHR) group to add eligibility documentation to the EPIC EHR record, thereby reducing the number of times the same information must be collected and stored.

Also long term, the Program Manager and the Eligibility Coordinator are working with State of Minnesota Department of Health to develop a state centralized eligibility database which would capture the proof of eligibility for each patient. Providers and agencies would be able to access the

database to verify eligibility prior to providing services. Patients would only need to prove eligibility twice a year, not twice a year at every provider of service they visited.

*Hennepin County Employees Responsible for the CAP:*

- HCMC HIV Emergency Relief Project Grants Program Manager
- HCMC HIV Emergency Relief Project Grants Eligibility Coordinator

*Planned Completion Dates for CAP:*

- Hire Eligibility Coordinator – Completed September 2012
- Add Eligibility Media Storage to Provide – Completed September 2012
- Add Eligibility Media Storage to EPIC EHR – December 2013
- Participate in State of MN Eligibility Database – As soon as available

**Finding IC 12-3—Inadequate Controls Over Eligibility Requirements**

*Program:*

Temporary Assistance for Needy Families (TANF) (CFDA # 93.558) and ARRA—Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Program (CFDA # 93.714 ARRA)

*Hennepin County's Corrective Action Planned in Response to Finding:*

The Quality Improvement (QI) team has followed up with the Eligibility teams/staff to update cases where deficiencies were found within this audit.

While it would be ideal to review each file, Hennepin County does not have the resources to review each file. Instead, the TANF CAP committee, in conjunction with the QI team as appropriate, will put the following in place to address the errors found in this year's audit:

- Review the current TANF case review audit tool and make adjustments so it covers error prone areas but will be more user friendly for Supervisors. This will enable reviews to be completed more quickly, allowing Supervisors' time to complete the necessary number of reviews per staff per month. Anticipated completion date is April 1, 2013.
- Create an E-Learning training that will focus on household composition. This training will be mandatory for all staff who works with TANF. Anticipated completion date is June 1, 2013
- Focus on the initial application and recertification interviews to ensure staff is adequately addressing all issues related to the case while the client is in the office. We will standardize the interview process, create an interview review tool and conduct Supervisory reviews of client interviews done by staff. Anticipated completion date is July 1, 2013
- Train Supervisors on how to review data and reports to help mentor staff on processing cash applications. Anticipated completion date is May 1, 2013.

*Hennepin County Employee Responsible for the CAP:*

Minnesota Family Investment Program (MFIP) Eligibility Determination and Maintenance Program Manager

*Planned Completion Dates for CAP:*

- Please see above for planned completion dates for CAP.

### **Finding IC 12-4—Inadequate Controls Over Special Tests**

*Program:*

Temporary Assistance for Needy Families (TANF) (CFDA # 93.558) and ARRA—Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Program (CFDA # 93.714 ARRA)

*Hennepin County's Corrective Action Planned in Response to Finding:*

The Quality Improvement (QI) team has followed up with the Eligibility teams/staff to update cases where deficiencies were found within this audit.

The TANF CAP committee, in conjunction with the QI team as appropriate, will put the following in place to address the errors found in this year's audit:

- Staff have been identified as Sanction Experts and all cases involving sanctions are to be sent to these experts for processing (19 out of the 23 errors in this area were processed by staff not designated as a Sanction Expert). We will take steps to ensure that all staff is aware of the Sanction Expert's role and that this procedure is being followed. This will address errors in vendor payments, seventh month sanctions not being closed and other sanctions not being removed. Anticipated completion date is March 31, 2013.
- Sanction Experts will map out the sanction process and will identify best practices. Anticipated completion date is March 31, 2013.
- The TANF CAP committee will review and possibly revise the audit tool used to review cases where child support sanctions are involved. Anticipated completion date is June 30, 2013.
- Representatives from the Good Cause committee are meeting with teams/staff to explain the Good Cause form and the procedures involved to ensure compliance with Good Cause requirements. Anticipated completion date is March 31, 2013

*Hennepin County Employee Responsible for the CAP:*

Minnesota Family Investment Program (MFIP) Eligibility Determination and Maintenance Program Manager

*Planned Completion Dates for CAP:*

- Please see above for planned completion dates for CAP.

### **Finding IC 12-5—Inadequate Controls Over Subrecipient Monitoring**

*Program:*

Edward Byrne Memorial Justice Assistance Grant Program (CFDA # 16.738) and Edward Byrne Memorial Justice Assistance Grant (JAG) Program / Grants to Units of Local Governments (CFDA # 16.804 ARRA)

*Hennepin County's Corrective Action Planned in Response to Finding:*

The grant manager will develop and actively manage a subrecipient list for the JAG Grants. By tracking the subrecipient audit reports in a detailed manner, issuance of management decisions for audit findings within six months of the receipt date of the audit report will be ensured. The list will include:

- Grant Name
- CFDA Number
- Subrecipient Name
- Amount of Subaward
- Contract Begin and End Dates
- Fiscal Year-End of the Subrecipient
- Summary of Findings for the Subrecipient
- Date of Receipt of the A-133 Audit Report
- Date of Management Decision

*Hennepin County Employee Responsible for the CAP:*

JAG Grant Manager

*Planned Completion Date for CAP:*

Completed March 19, 2013

**Finding IC 12-6—Inadequate Controls Over Reporting**

*Program:*

Edward Byrne Memorial Justice Assistance Grant Program (CFDA # 16.738) and Edward Byrne Memorial Justice Assistance Grant (JAG) Program / Grants to Units of Local Governments (CFDA # 16.804 ARRA)

*Hennepin County's Corrective Action Planned in Response to Finding:*

The grant manager will have a co-worker, who is familiar with grant reporting, review the Section 1512 and Federal Funding and Accountability and Transparency Act (FFATA) reports prior to submitting the reports. A physical signature will be obtained on a hard copy of the submission and kept with the annual grant workpapers.

*Hennepin County Employee Responsible for the CAP:*

JAG Grant Manager

*Planned Completion Date for CAP:*

September 30, 2013

**Finding CF 12-1—Noncompliance With Eligibility Requirements**

*Program:*

HIV Emergency Relief Project Grants (CFDA # 93.914)

*Hennepin County's Corrective Action Planned in Response to Finding:*

See Finding IC 12-2.

**Finding CF 12-2—Noncompliance With Eligibility Requirements**

*Program:*

Temporary Assistance for Needy Families (TANF) (CFDA # 93.558) and ARRA—Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Program (CFDA # 93.714 ARRA)

*Hennepin County's Corrective Action Planned in Response to Finding:*

See Finding IC 12-3.

**Finding CF 12-3—Noncompliance With Special Tests**

*Program:*

Temporary Assistance for Needy Families (TANF) (CFDA # 93.558) and ARRA—Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Program (CFDA # 93.714 ARRA)

*Hennepin County's Corrective Action Planned in Response to Finding:*

See Finding IC 12-4.