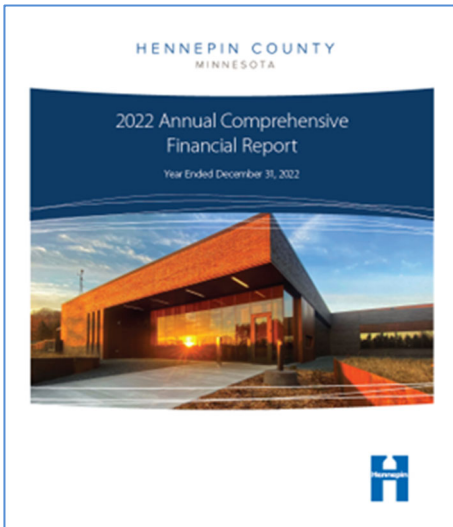
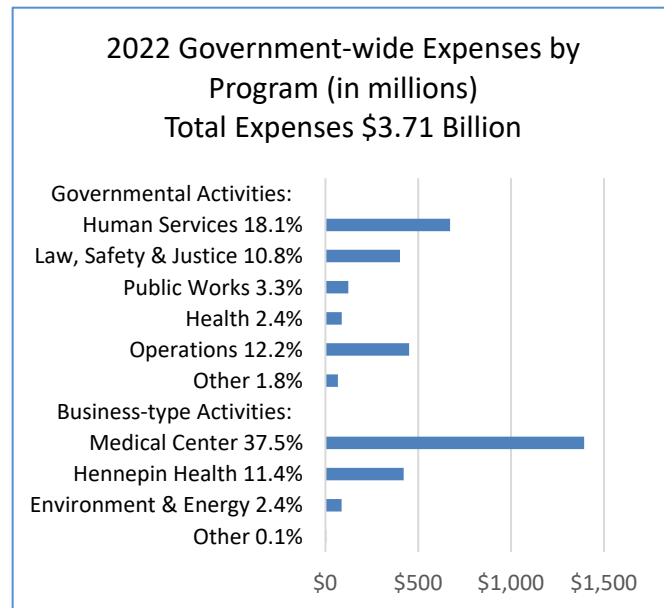
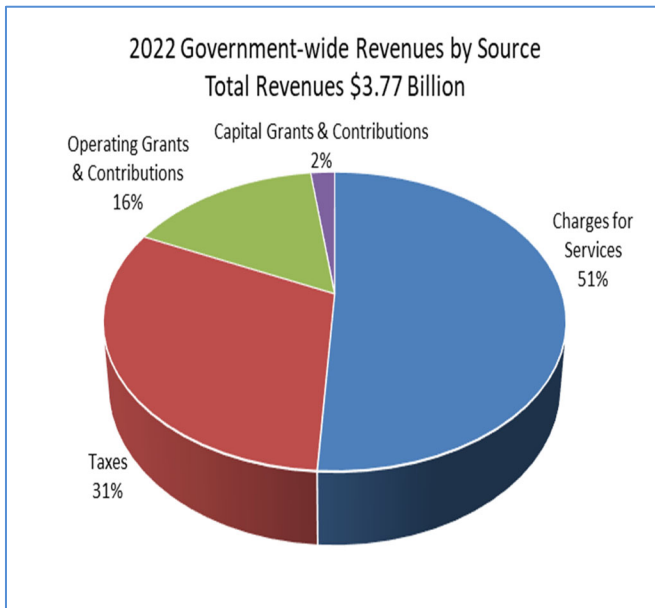


Overview of the 2022 Annual Comprehensive Financial Report



The purpose of this overview is to provide a brief description of how the Annual Comprehensive Financial Report (ACFR) is organized and to provide a guide to users of the report. The ACFR is a thorough, detailed presentation of the County's financial position and activities for the year. The 2022 Report was audited by RSM US LLP, and the County received an unqualified opinion (page 13), the highest obtainable. The County has been awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association for the 1974 through 2021 Reports and expects to receive the award for 2022, as well.

The ACFR is a valuable tool that enables County officials and investors to make financial decisions from sound and timely information. The report provides an independently audited accounting of the financial condition of the County. The inside front cover of the ACFR provides **Financial Highlights** in a one-page format (excerpt shown below), while the **Transmittal Letter** and the **Management's Discussion and Analysis** provide in-depth narrative information relating to the year's financial activities.



The Letter of Transmittal shown on pages 1 through 8 is an annual communication from County management to the readers of the ACFR. It begins with a brief profile of the government. The major initiatives & achievements section includes an overview of the County's work with the Minnesota Department of Transportation and City of Independence on several safety improvements where County Road 92 intersects with Highway 12. In addition, it highlights the County's efforts towards disparity reduction, including the Eviction Reduction Project that created/provided 2,400 affordable housing units.

Unlike the **Management's Discussion and Analysis**, the transmittal letter may include subjective information, such as a discussion of long-term financial planning. The transmittal letter concludes with a discussion of economic and financial condition, and an acknowledgements section.



Management's Discussion and Analysis (pages 17 to 30) serves as an executive summary of the ACFR. The first section discusses financial highlights, and it is followed by the overview of the financial statements, the government-wide financial analysis, and the financial analysis of the County's funds. Management's Discussion and Analysis ends with capital asset and debt administration information, an overview of economic factors, and information relating to next year's operating and capital budgets. There are many financial statements, explanatory notes and schedules shown on pages 32 to 157 of the ACFR. **The Government-wide Financial Statements**, titled Statement of Net Position and Statement of Activities, (pages 32 to 35) provide readers with a broad overview of the County from an accounting perspective that is not the same as governmental fund accounting. As required, these statements also report:

- Capital assets (e.g., roads and bridges) as assets, with depreciation expensed over time.
- Long-term debt and related deferred outflows.
- Liabilities, deferred outflows, deferred inflows, and expenses that relate to certain postemployment healthcare and pension benefits. The reported amounts are estimated using prescribed methods, and the resulting reported liabilities are not necessarily the amounts that the County will be required to pay in the future. For example, historically, pension contribution rate increases have been for both employers and employees, and the legislature has at times required special funding from the State. However, accounting requirements result in estimation of the net pension liability as if only employers would bear the burden of a potential future funding shortfall.

The Basic Fund Financial Statements (pages 36 to 47) reflect information by fund or fund type. 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 and the liabilities expected to be paid from those resources. Pages 36-42 report all of the governmental funds' balance sheet categories, as well as their revenues by type and expenditures by function. *Proprietary fund financial statements* provide the same type of information as the business-type activities in the government-wide financial statements, only in more detail. They are divided into two different types of funds: enterprise funds and internal service funds. The County also reports *Fiduciary Funds*, which account for resources held for parties outside the County that are not available to support the County's own programs.

The Notes to the Basic Financial Statements (pages 49 to 98) provide various disclosures to ensure that a complete picture is presented in the financial statements. For example, page 72 shows changes in long-term obligations, and pages 82 to 89 contain information on the County's postemployment healthcare benefit programs.

The statements, schedules, and note disclosures that are shown on pages 99 to 157 as **Supplementary Information** provide additional information for the County's funds, including budgetary information for use in judging compliance with approved budgets. Pages 102-105 show budgetary comparisons for each of the General Fund departments. For example, under the Health program, the Medical Examiner's expenditure comparisons are shown.



The Statistical Section that starts on page 159 provides mostly trend data and nonfinancial information that may be useful in assessing the County's financial condition. For example, Table 27 can be used to review the number of County employees by function/program over the past ten years.

The Annual Comprehensive Financial Reports for 2022 and prior years are available online at hennepin.us/financial-reports. For more information, please contact Cindy Twistol, Hennepin County Controller, at 612-348-3949.