



Request for City Council Committee Action

Date: August 18, 2003

To: Council Member Barbara Johnson
Chair, Ways and Means Committee

Referral: none

Prepared or Submitted by: Jacob Cherucheril, Interim Controller Phone 673-2300

Approved by

Patrick P. Born
City Finance Officer

John Moir
City Coordinator

Subject Overview Of 2002 CAFR
Financial Status Report as of second quarter 2003
2003 2nd Quarter Appropriation Adjustments

Presenters in Committee Patrick Born

Recommendation:

Receive and file 2002 CAFR Report and Second quarter 2003 Financial Status Report
Approve the appropriation and revenue changes to the 2003 budget included in
Attachment One

Financial Impact (Check those that apply)

No financial impact (If checked, go directly to Background/Supporting Information)

Action requires an appropriation increase to the Capital Budget

Action requires an appropriation increase to the Operating Budget

Action provides increased revenue for appropriation increase

Action requires use of contingency or reserves

Other financial impact (Explain):

n/a Request provided to the Budget Office when provided to the Committee Coordinator

Background/Supporting Information:

Attached are the necessary appropriation adjustments in the Police Department Budget.

Police Department:

Contract Settlement Related Costs: Some of the unanticipated costs related to the Police Department's Labor contract settlements were not included in their original budget. They include the shift differential, performance pay, Back pay, and a portion of the salary increases budgeted for contract settlement increases, but inadvertently left out in the original budget. The mid-year appropriation request is to reimburse these costs. These costs are as **follows:**

<i>Back Pay (10/2002 – 12/2002):</i>	\$ 449,685
Performance Pay	\$ 735,074
Shift Differential	\$ 44,986
Salary Increase	\$ 615,038

Sub-Total: \$1,844,783

Attachment One
2003 - 2nd Quarter Appropriation Adjustments

Fund	Agency	Agency Name	Expense Appropriation	Revenue	Net Impact	Description
0100	400	Police Department	1,844,783	0	(1,844,783)	Labor Contract Settlement related costs
		Total General Fund	1,844,783	0	(1,844,783)	

CITY OF MINNEAPOLIS
Management's Discussion and Analysis
Required Supplementary Information

This section of the City of Minneapolis' comprehensive annual financial report presents a discussion and analysis of the City's financial performance during the fiscal year ended December 31, 2002. Please read it in conjunction with the transmittal letter at the front of this report and the City's basic financial statements following this section. For the fiscal year ending on December 31, 2002, the City of Minneapolis has prepared the financial statements based on the guidelines provided in Governmental Accounting Standards Board (GASB) Statement No. 34. All dollar amounts are expressed in thousands unless otherwise indicated.

FINANCIAL HIGHLIGHTS

- The assets of the City of Minneapolis exceeded liabilities at the close of the 2002 fiscal year by \$763,300 (*net assets*). Of this amount, a shortage of \$33,705 (*unrestricted net assets*), resulting primarily from prior period losses in the internal service funds exists for the purpose of meeting ongoing obligations to citizens and creditors, \$85,013 is restricted for specific purpose (*restricted net assets*); and \$711,992 is invested in capital assets net of related debt.
- The City's total net assets increased by \$117,714. Governmental activities increased the City's net assets by \$88,522 and increases from business type activities totaled \$29,192.
- The changes in beginning net assets occurred due to the introduction of Governmental Accounting Standards Board (GASB) Statement No. 34 which resulted in changes in accounting principles and prior period adjustments. GASB Statement No. 34 requires government-wide financial results to be reported on a full accrual basis compared to modified accrual basis. Full accrual measures resources on a long-term economic basis, whereas, modified accrual accounting measures near-term changes in resources.
- As of December 31, 2002, the City's governmental funds reported combined fund balances of \$462,584, an increase of \$7,417 compared with the prior year. Approximately 43% of the combined fund balances or \$199,222 were reported as an *unreserved fund balance* and available for the discrete purposes for which these funds are collected.
- As of December 31, 2002, unreserved fund balance for the general fund was \$45,582, or 20% of total general fund expenditure.
- The City's total long-term bond and note liability decreased by \$66,412 from the prior year. Total debt issued in 2002 was \$314,689 and total debt retirement was \$381,101. The net decrease is primarily attributable to the receipt of \$81,527 from a State of Minnesota grant, designed to retire existing debt related to the Minneapolis Convention Center.

(All dollar amounts are expressed in thousands unless otherwise indicated.)

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components; 1) **Government-wide** financial statements; 2) **Fund** financial statements; and 3) **Notes** to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. Government-wide financial statements are designed to provide readers with a broad overview of City finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all City assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of these government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or in part a portion of these costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, health and welfare, and community development. The business-type activities of the City include sewer, solid waste and recycling, water works, economic development, and parking.

The government-wide financial statements include not only the City of Minneapolis (known as primary government), but also legally separate entities for which the City is accountable. For the City of Minneapolis, component units are included in the basic financial statements of the City, and consist of legally separate entities for which the City is financially accountable (discretely presented component units) and have substantially the same board as the City or provide services almost entirely to the primary government (blended component units). Examples of blended funds are the Minneapolis Community Development Agency (MCDA) and the Board of Estimate and Taxation (BET). Examples of discretely presented component units include the Minneapolis Library Board (Library Board), Minneapolis Park and Recreation Board (Park Board), and the Municipal Building Commission (MBC).

The government-wide financial statements can be found on pages 30-31 of this report.

Fund financial statements. A fund is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate finance-related legal compliance. All of the funds in the City 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 may be useful in evaluating a government's near-term financing requirements.

Because the focus of *governmental funds* is narrower than that of the government-wide financial statement, it is useful to compare the information presented in *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 financial 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*.

The City of Minneapolis maintains 15 individual governmental funds. 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 the General Fund, the Community Development Agency Special Revenue Fund, the Convention Center Special Revenue Fund, the Permanent Improvement Capital Projects Fund, and the Development Debt Service fund, all of which are considered to be major funds. Data from the other 10 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The governmental funds financial statements can be found on pages 32-35 of this report.

The entity-wide financial statements can be found on pages 30-31 of this report.

Proprietary Funds. The City of Minneapolis maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Minneapolis uses the enterprise funds to account for its Sewer, Solid Waste and Recycling, Water Works, Community Development Agency and Parking activities. *Internal Service Funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its property management services, fleet of vehicles, management information systems, central stores, engineering lab and asphalt plant, city attorney, workers' compensation, and unemployment benefits. Because these services predominately benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statement.

The proprietary funds financial statements can be found on pages 37-39 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the programs of the City.

The fiduciary fund financial statement can be found on page 41 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the information provided in the government-wide financial statements. The notes to the financial statements can be found on pages 45-84 of this report.

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. Required supplementary information can be found on pages 85-87 of this report.

The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 90-130 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

This is the first year the City applied GASB Statement No. 34. The City has not restated prior periods for purposes of providing the comparative data for the Management's Discussion and Analysis (MD&A) because certain prior-year information is unavailable. However, in future years, when prior-year information is available, comparative analysis of government-wide data will be presented.

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$763,300 at the close of the fiscal year ending December 31, 2002.

	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 530,077	\$ 213,795	\$ 743,872
Capital assets	793,705	855,870	1,649,575
Total assets	<u>\$ 1,323,782</u>	<u>\$ 1,069,665</u>	<u>\$2,393,447</u>
Current and other liabilities	210,674	23,922	234,596
Long-term liabilities	908,332	487,219	1,395,551
Total liabilities	<u>\$ 1,119,006</u>	<u>\$ 511,141</u>	<u>\$ 1,630,147</u>
Net assets:			
Invested in capital, net of related debt	246,653	465,339	711,992
Restricted net assets	46,242	38,771	85,013
Unrestricted net assets	(88,119)	54,414	(33,705)
Total net assets	<u>204,776</u>	<u>558,524</u>	<u>763,300</u>
Total liabilities and net assets	<u>\$ 1,323,782</u>	<u>\$ 1,069,665</u>	<u>\$ 2,393,447</u>

The largest portion of Minneapolis' net assets, 93%, reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investments in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The City is responsible for issuing and reporting all debt related to the Park Board, Library Board, and MBC. Conversely, the capital assets financed by debt proceeds are reported by the Park Board, Library Board, and MBC. As a result, for the year ended December 31, 2002, the City's unrestricted net assets are reduced by \$38,520 of discrete component unit debt for which the City does not own or report the underlying asset.

Another portion of the City's net assets, (3 %), represents unrestricted net assets of (\$33,705), which, if positive, would be used for meeting the City's short and long-term obligations. The negative unrestricted net assets balance is a result of prior period losses within the internal service funds and debt obligations without offsetting capital assets. The nature of this debt relates to discrete component debt and tax increment issued for the MCDA.

The remaining balance of the City's net assets of \$85,013 (10%) represents resources that are subject to external restrictions on how they may be used.

(All dollar amounts are expressed in thousands unless otherwise indicated.)

At the end of the current fiscal year, the City has positive balances in two categories of net assets for the City as a whole. For governmental activities, two of three categories are positive, whereas business-type activities report positive balances in all three categories.

Governmental activities. Governmental activities increased the City's net assets by \$88,522.

The following table indicates the changes in net assets for governmental and business-type activities:

	Governmental Activities	Business-type Activities	Total
Revenues			
Program revenues:			
Charges for services	\$ 58,113	\$ 203,193	\$ 261,306
Operating grants and contributions	157,051	2,504	159,555
Capital grants and contributions	22,647	156	22,803
General revenues:			
Property taxes	94,048		94,048
Property tax increment	59,895		59,895
Franchise fees	21,861		21,861
Convention center taxes	47,562		47,562
Other taxes	374		374
Local government aid	98,992		98,992
Grants and contributions not restricted	2,808		2,808
Unrestricted interest and investment earnings	11,758	9,574	21,332
Miscellaneous	13,101	4,778	17,879
Total revenues	<u>\$ 588,210</u>	<u>\$ 220,205</u>	<u>\$ 808,415</u>
Expenses			
General government	\$ 95,382		\$ 95,382
Public Safety	175,087		175,087
Public Works	61,072		61,072
Health and welfare	24,630		24,630
Community development	106,996		106,996
Interest on long-term debt	44,473		44,473
Sewer		44,183	44,183
Solid waste and recycling		22,479	22,479
Water works		43,850	43,850
Economic development		18,734	18,734
Municipal parking		53,815	53,815
Total expenses	<u>\$ 507,640</u>	<u>\$ 183,061</u>	<u>\$ 690,701</u>
Excess (deficiency) before transfers	80,570	37,144	117,714
Transfers	7,952	(7,952)	-
Change in net assets	<u>88,522</u>	<u>29,192</u>	<u>117,714</u>
Net assets - January 1, 2002	<u>116,254</u>	<u>529,332</u>	<u>645,586</u>
Net assets - December 31, 2002	<u>\$ 204,776</u>	<u>\$ 558,524</u>	<u>\$ 763,300</u>

(All dollar amounts are expressed in thousands unless otherwise indicated.)

Key elements of the increase of the increase for governmental activities include:

- In 2002, the City received the final grant amount of \$81,527 from the State of Minnesota to be used for payment of principal on the original debt associated with the Minneapolis Convention Center.

Governmental activities are supported by charges for service and grant/contributions. Additionally, general revenues cover any net expense after program specific revenues are applied. In 2002, the City primarily relied upon local government aid and property taxes for funding governmental activities. Specifically, property tax increment revenues supported economic development activities.

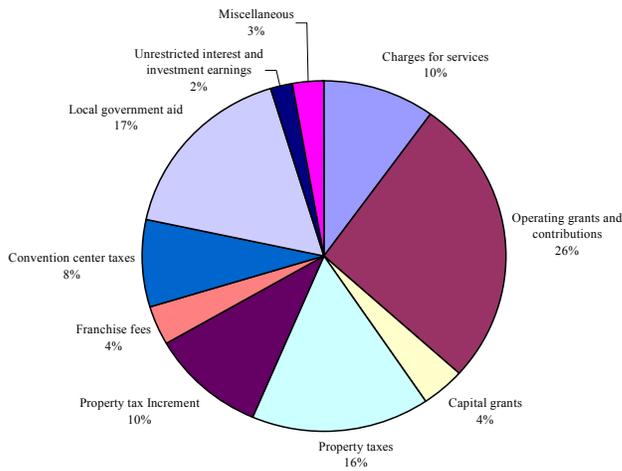
A significant expense in the statement of activities compared to fund statements is depreciation. Current year depreciation for governmental activities equaled \$26,050.

**Summary of expenses and program revenues - Governmental Activities
For the Year ended December 31, 2002**

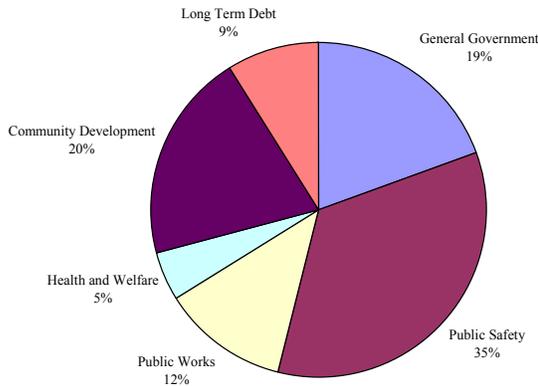
Functions/Programs	Expenses	Program revenues	Net (Expense) Revenue by Program
General Government	\$ 95,382	\$ 142,146	\$ 46,764 ¹
Public Safety	175,087	34,858	(140,229)
Public Works	61,072	23,181	(37,891)
Health and Welfare	24,630	15,190	(9,440)
Community Development	106,996	22,436	(84,560)
Long Term Debt	44,473	-	(44,473)
	<u>\$ 507,640</u>	<u>\$ 237,811</u>	<u>\$ (269,829)</u>
General Revenues Supporting Governmental Activities			<u>358,351</u>
Change in net assets			88,522
Net assets - January 1, 2002			116,254
Net assets - December 31, 2002			<u>\$ 204,776</u>

1) The net revenue for General Government is primarily due to receipt of the final grant amount from the State of Minnesota in the amount of \$81,527 as discussed previously.

Revenues by source - Governmental Activities



Expenses by Function



Business-type activities. Business-type activities increased the City's net assets by \$29,192, 25%, of the growth in the City's net assets.

Key elements of this increase are as follows:

- Business-type activities' revenues increased in 2002 compared to 2001 due to increases in the utility rates structure. An 18 cent rate per cubic feet (9.9%) increase was implemented for water, 12 cent rate per cubic feet (3.9%) increase for sewer, and 75 cent rate per month per dwelling unit (4.2%) increase for solid waste and recycling.

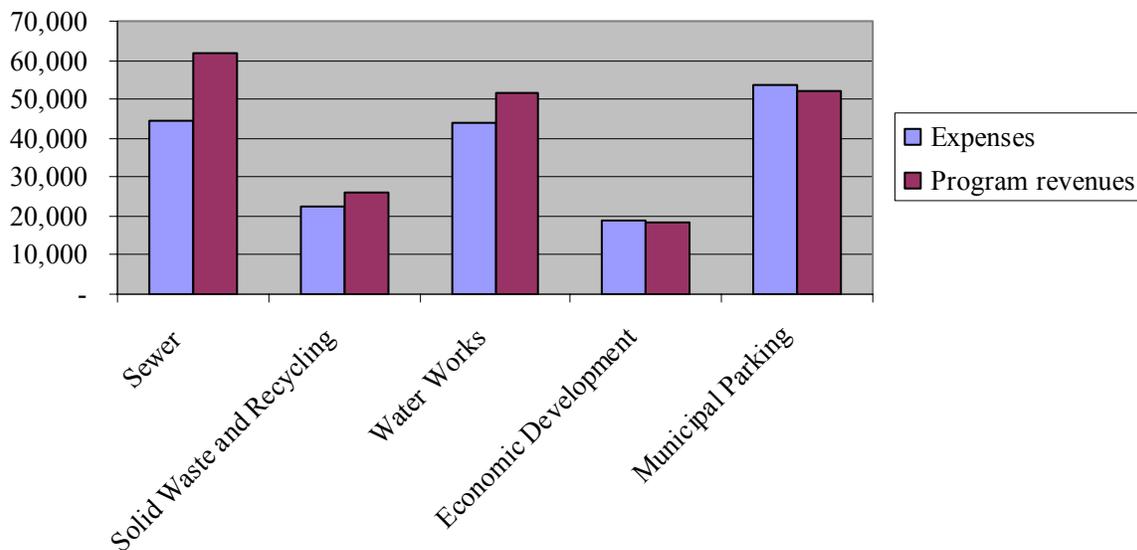
(All dollar amounts are expressed in thousands unless otherwise indicated.)

- Offsetting these increases were decreased revenues in municipal parking and economic development.

**Summary of expenses and program revenues - Business-Type Activities
For the Year ended December 31, 2002**

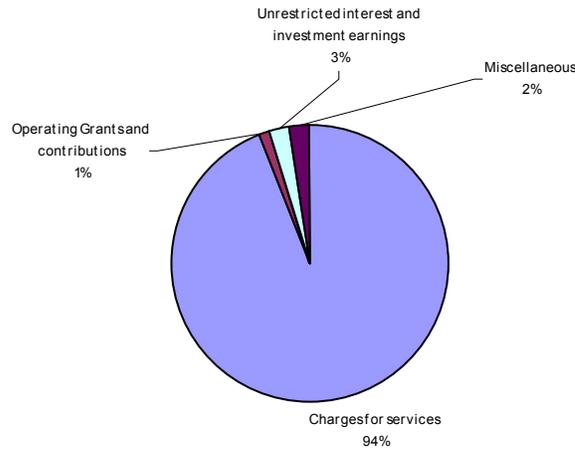
Functions/Programs	Expenses	Program revenues	Net (Expense) Revenue by Program
Sewer	\$ 44,183	\$ 61,658	\$ 17,475
Solid waste and recycling	22,479	26,155	3,676
Water works	43,850	51,464	7,614
Economic development	18,734	14,356	(4,378)
Municipal parking	53,815	52,220	(1,595)
	<u>\$ 183,061</u>	<u>\$ 205,853</u>	<u>\$ 22,792</u>
General Revenues Supporting Business-type Activities			<u>6,400</u>
Change in net assets			<u>29,192</u>
Net assets - January 1, 2002			<u>529,332</u>
Net assets - December 31, 2002			<u>\$ 558,524</u>

Expenses and program revenues - Business type activities



(All dollar amounts are expressed in thousands unless otherwise indicated.)

Revenue by source - Business Type Activity



FINANCIAL ANALYSIS OF THE CITY’S FUNDS

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

Governmental Funds. The general government functions are contained in the General, Special Revenue, Debt Service, and Capital Project Funds. The focus of the City’s *governmental funds* is to provide information on near term inflows, outflows, and balances of *spendable resources*. Such information is useful in assessing the City’s financial requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

At December 31, 2002, the City’s governmental funds reported combined ending fund balances of \$462,584, an increase of \$7,417 in comparison with the prior year. Approximately 43 percent of this total amount (\$199,222) constitutes *unreserved fund balance*, which is available for discrete purposes which these funds are collected.

General Fund	\$ 45,582
Special Revenue Funds	79,392
Debt Service Funds	46,119
Capital Projects	28,129
Total	\$199,222

The remainder of the fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period (\$51,216), 2) to pay for land development and specific projects (\$199,220), or 3) for a variety of other restricted purposes (\$12,925).

(All dollar amounts are expressed in thousands unless otherwise indicated.)

The following tables provide an overview of revenues by source and expenditures by function for all governmental funds:

**Revenues by Source
Governmental Funds**

Revenue by Source	FY 2002		FY 2001		Increase/ (Decrease) Amount
	Amount	Percent of Total	Amount	Percent of Total	
Taxes	\$ 225,127	37.06	\$ 236,098	44.45	\$ (10,971)
Licenses and permits	21,395	3.52	21,110	3.98	285
Intergovernmental revenues	269,293	44.34	166,576	31.36	102,717
Charges for services and sales	34,602	5.70	37,442	7.05	(2,840)
Fines and forfeits	7,748	1.27	8,663	1.63	(915)
Special assessments	11,085	1.83	9,996	1.88	1,089
Interest	11,668	1.92	14,654	2.76	(2,986)
Miscellaneous revenue	26,465	4.36	36,577	6.89	(10,112)
Total	\$ 607,383	100.00	\$ 531,116	100.00	\$ 76,267

**Expenditures by Function
Governmental Funds**

Expenditure by Source	FY 2002		FY 2001		Increase/ (Decrease) Amount
	Amount	Percent of Total	Amount	Percent of Total	
General government	\$ 56,488	8.47	\$ 56,601	8.26	\$ (113)
Public safety	164,060	24.58	153,530	22.40	10,530
Highways and streets	35,904	5.38	38,320	5.59	(2,416)
Health and welfare	24,051	3.60	22,359	3.26	1,692
Economic development	109,579	16.42	122,619	17.89	(13,039)
Capital outlay	67,169	10.07	154,616	22.56	(87,447)
Debt service - principal retirement	161,831	24.25	93,265	13.61	68,565
Debt service - interest and fiscal charges	48,246	7.23	44,017	6.43	4,228
Total	\$ 667,328	100.00	\$ 685,327	100.00	\$ (18,000)

The following sections of this financial analysis provide highlights of each major governmental fund.

General Fund Highlights

The General Fund is the general operating fund of the City. As of December 31, 2002, unreserved fund balance in the General Fund was \$45,582 while total fund balance reached \$46,089. The City's General Fund fund balance increased by \$6,465 during the current fiscal year. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 20% of total fund expenditures, while total fund balance also represents 20% of the same amount. Thus, the year-end fund balance is in compliance with the City's policy of maintaining a minimum fund balance of 10% of current expenditures for the General Fund.

(All dollar amounts are expressed in thousands unless otherwise indicated.)

The following provides an explanation of revenues by source that changed significantly from the prior year:

Revenues Classified by Source
General Fund - Revenues By Source

Revenues by Source	FY 2002		FY 2001		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
Taxes	\$ 76,469	30.19	\$ 88,842	35.53	\$ (12,373)	(13.93)
Licenses and permits	20,684	8.17	20,697	8.28	(13)	(0.06)
Intergovernmental revenues	106,106	41.89	91,731	36.69	14,375	15.67
Charges for services and sales	17,198	6.79	16,289	6.52	909	5.58
Fines and forfeits	7,125	2.81	7,974	3.19	(849)	(10.64)
Special assessments	2,820	1.11	2,637	1.05	183	6.93
Interest	2,722	1.07	2,322	0.93	400	17.22
Miscellaneous revenues	775	0.31	808	0.32	(33)	(4.08)
Total revenues	\$ 233,899	92.34	\$ 231,300	92.51	\$ 2,599	1.12
Transfers in	19,400	7.66	18,733	7.49	667	3.56
Total revenues and other financing sources	\$ 253,299	100.00	\$ 250,033	100.00	\$ 3,266	1.31

- Taxes decreased by \$12,373 or 14%. This decrease was primarily due to a new homestead credit for property taxes payable, which became effective for taxes payable in 2002. Also, franchise fees for natural gas received by the City decreased by \$3,389 or 34%.
- Intergovernmental revenues increased by \$14,375 or 16%. The majority of this increase was accounted for as follows:
 - Over the year, local government aid increased by \$27,597 or 44%. Offsetting this increase was a reduction in Homestead and Agricultural Credit Aid by \$18,164.
 - Offsetting the reduction in tax revenues resulting from the homestead credit for property taxes payable, other state aid increased by \$3,245 or 57%.
 - Municipal state aid for streets, bridges, traffic and street lighting increased by \$1,190 or 33%.

The following provides an explanation of expenditures by function that changed significantly from the prior year:

Expenditures by Function
General Fund - Expenditures by Function

Expenditures by Function	FY 2002		FY 2001		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
General government	\$ 37,692	15.27	\$ 36,905	14.86	\$ 787	2.13
Public safety	149,877	60.72	143,479	57.75	6,398	4.46
Public works	35,186	14.25	38,812	15.62	(3,626)	(9.34)
Health and family support	3,815	1.55	3,885	1.56	(70)	(1.80)
Total expenditures	\$ 226,570	91.79	\$ 223,081	89.79	\$ 3,489	1.56
Transfers out	20,264	8.21	25,369	10.21	(5,105)	(20.12)
Total expenditures and other financing uses	\$ 246,834	100.00	\$ 248,450	100.00	\$ (1,616)	(0.65)

(All dollar amounts are expressed in thousands unless otherwise indicated.)

- General government expenditures increased by \$787 or 2%. Most of this increase was due to increases in spending for personal services in the Contingency and Information Technology agencies, and for contractual services in the Assessor and Finance agencies, in order to improve operational efficiency and meet higher demand for services.
- Public safety expenditures increased by \$6,398 or 4%. Key factors accounting for this increase were as follows:
 - Fire Department expenditures increased by \$2,599 or 7%. Departmental expenditures for personal services increased by \$1,269 or 4%. Departmental contractual services expenditures, primarily for mobile equipment rental, increased by \$974 or 24%, and capital outlay expenditures, primarily for equipment, increased by \$366.
 - Police Department expenditures increased by \$3,777 or 4%. Departmental expenditures for personal services increased by \$1,893 or 2%. Departmental contractual services expenditures, primarily for mobile equipment rental, increased by \$1,042 or 12%, and other miscellaneous expenditures increased by \$869 or 18%.

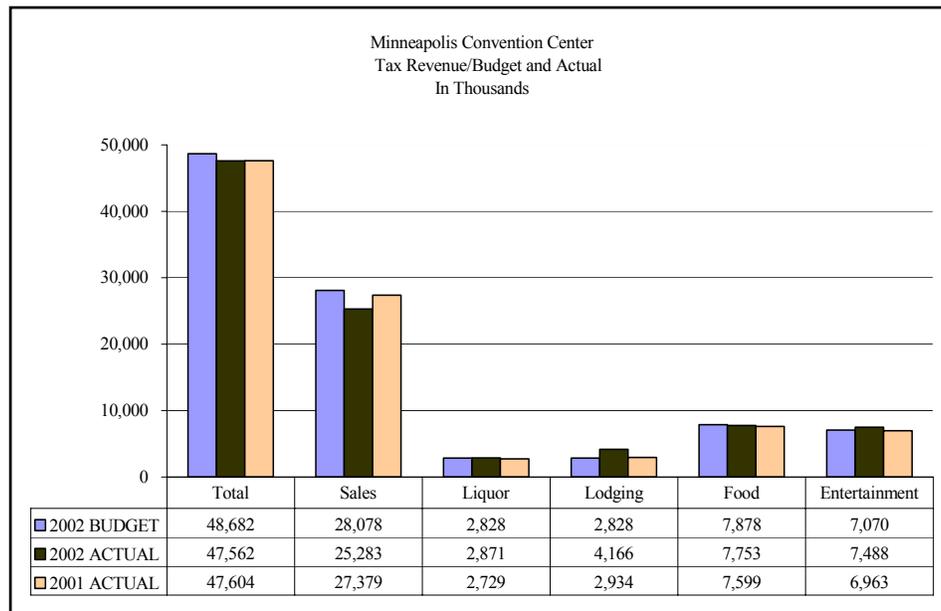
Overall, expenditures for the General Fund are consistent with inflationary measures.

Minneapolis Convention Center Fund Highlights

The operations of the Minneapolis Convention Center are reported as a Special Revenue Fund in the fund statements. The Convention Center activity is funded from local tax receipts and Convention Center operating revenue. Tax receipts for convention center activities include:

- .5% citywide sales tax;
- 3% food and liquor tax applied to core downtown establishments;
- 3% citywide entertainment tax; and
- 3% citywide lodging tax for motels and hotels with 50 units or more.

Sales tax proceeds were 8% lower than 2001 levels with the reduction attributed to the lingering affects of the national tragedy and the recession. However, overall 2002 tax proceeds approximated their 2001 totals, in part due to the increase in the lodging tax rate from 2.0% to 3.0% that went into effect in April 2002.



In April 2002, the Convention Center expansion area opened to the public resulting in a \$2,057 or 22% increase in operating revenue for the fund, although this increase was lower than budgeted by approximately 24%. Again, the lower than expected increase was due to event booking shortfalls caused by the recession and national tragedy. The revenue shortfall was partially offset by expenditure savings resulting from the lower than anticipated bookings.

The Convention Center also benefited from a \$10,300 savings in debt service payments for the year due to the low interest rate on variable debt and converting the Convention Center's variable rate bonds to fixed rate bonds. The net effect of the revenue shortfall and expenditure savings was a \$229 reduction in the Convention Center fund balance.

(All dollar amounts are expressed in thousands unless otherwise indicated.)

Community Development Special Revenue Fund Highlights

The Community Development Special Revenue Fund accounts for governmental fund proceeds that are legally restricted to expenditures for specific purposes in a series of housing and economic development programs at the Minneapolis Community Development Agency, a blended component unit of the City of Minneapolis. The range of programs operated within this fund are created to increase the City's economic competitiveness, to ensure an array of attractive housing choices, to support strong and diverse neighborhoods, and to preserve the City's historic structures. These programs are financed primarily through federal, state, and local grants, tax increment financing, and administrative fees collected for the issuance of housing and economic revenue bonds. The development account program provides loans and grants to outside organizations within the City to assist commercial and housing development. The program is capitalized with residual equities from development projects and City UDAG repayments.

The total revenues of the fund in 2002 were \$101,959. Sixty percent of the fund's revenues were derived from property tax increment. An additional 12% of the revenue was from intergovernmental grants. The remaining revenue was derived from a variety of sources. The fund's revenue declined 8.7% in 2002. The primary reason for the change is recent changes in State law that have resulted in a reduction in property tax increment collections. The expenditures for the fund in 2002 were \$83,354; a decline of 17%. The fund's expenditures are primarily for contractual service for the housing and economic programs operated within the fund and for the staff costs to monitor and deliver these programs.

In 2002, notes payable in the amount of \$13,915 were issued to support the tax increment financing activities of the fund. Operating transfers into the fund during 2002 equaled \$14,056. Nearly all the transfers were pass-through grant proceeds from the City of Minneapolis. The fund's transfers-out of \$67,252 were to the City of Minneapolis to provide resources for the debt service of obligations issued by the City for Community Development programs, and to transfer funds to pay for neighborhood revitalization projects.

At year-end, the fund balance was \$280,901, a decline of 6.8% from the prior year. The unreserved portion of the fund balance at December 31, 2002 was \$60,104. The remaining fund balance was reserved primarily for property held for development, encumbrances, or for specific development projects.

In restating January 1, 2002 balances, the Community Development Special Revenue Fund was adjusted to include reclassified balances from the previously reported Capital Project fund.

Permanent Improvement Capital Project Fund Highlights

- The revenue for the Permanent Improvement Fund is primarily from two revenue sources. The first source of revenue includes bonds that are sold by the City of Minneapolis for capital projects. The second source of revenue is from the State. State grant revenues are primarily used for capital assets including bridges, streets, street lighting, traffic signals and specific projects.

The Permanent Improvement Fund is used to build infrastructure for the City including bridges, streets, traffic signals, street lights, and fund other capital projects. During 2002, \$67,169 of capital outlays occurred. The key assets constructed with these funds included:

- Bridges - \$3,404
- Streets - \$13,751
- Street lighting - \$1,572
- Traffic signals - \$565
- Convention Center expansion - \$22,003
- Heritage Park (Near North) project - \$8,569

Development Debt Service Fund Highlights:

The Development Debt Service Fund is used to record principal and interest payments made on behalf of long-term liabilities incurred for self-supporting City development project initiatives such as the Minneapolis Convention Center, the Target Center Sports Arena, Orchestra Hall and many tax increment related improvement projects. Revenues used for debt service included sales tax, entertainment tax, property tax, event parking, users' fees, tax increment revenues, state grants, rents, and private and non-profit contributions. For the year ended December 31, 2002, this fund attained major fund status for reporting purposes due to an \$81,527 grant payment received from the State of Minnesota related to the Minneapolis Convention Center. The grant proceeds were used as stipulated in the grant agreement to redeem approximately \$80,000 of the outstanding 1992 Sales Tax Refunding Bonds, Series 1992 with a 2% call premium at the earliest optional call date. This grant released sales tax capacity previously committed to the 1992 bonds and allowed the City to issue additional debt to complete the facility.

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

As discussed previously, the City reports two different types of proprietary funds, enterprise funds and internal service funds. The following sections describe the key balances and transaction for the different fund types.

Enterprise Funds

The enterprise funds had a positive unrestricted net asset balance of \$58,359 as of December 31, 2002. An increase of total net assets for all proprietary funds during the year equaled \$31,530 resulting from current year operations. The following table shows actual revenues, expenses and results from operations for the current fiscal year:

	Sewer Rental	Solid waste and Recycling	Water Works	Community Development Agency	Municipal Parking	Total
Operating revenues	\$ 64,755	\$ 26,733	\$ 55,446	\$ 18,637	\$ 54,117	\$ 219,688
Operating expenses	(50,790)	(24,545)	(44,147)	(12,113)	(40,714)	(172,309)
Operating income (loss)	13,965	2,188	11,299	6,524	13,403	47,379
Non-operating revenues (expenses), net	(989)	88	(1,097)	(1,799)	(12,727)	(16,524)
Net income (loss) before contributions and transfers	12,976	2,276	10,202	4,725	676	30,855
Contributions and transfers	(484)	(47)	(2,551)	1,993	1,764	675
Net income (loss)	<u>\$ 12,492</u>	<u>\$ 2,229</u>	<u>\$ 7,651</u>	<u>\$ 6,718</u>	<u>\$ 2,440</u>	<u>\$ 31,530</u>

The ***Sewer Rental*** fund accounts for contractual payments to the Metropolitan Council Environmental Services (MCES) for sewage interceptor and treatment services. This fund also accounts for storm water management activities including the Combined Sewer Overflow (CSO) program, which separates the remaining storm sewer lines that are connected to sanitary sewer lines. The sewer fund had a net income of \$12,492 for 2002. The sewer operating revenue increased by \$6,013 due to a rate increase of 12 cents. Operating expenses increased by \$7,303 due to an increase in operating materials of \$1,267, contractual services of \$1,377 and depreciation for \$3,947 for the sewer fund. The net assets as of December 31, 2002 for the sewer fund is \$293,665.

The ***Solid Waste and Recycling*** fund accounts for solid waste collection, disposal and recycling operations. The solid waste fund also includes “clean city” activities such as neighborhood clean sweeps, litter and graffiti removal and litter control in business districts. City crews provide approximately one-half of the solid waste collection services and the other half of the services are provided through a contract with a consortium of companies specializing in waste collection. The fund reported net income of \$2,229 for 2002. The operating revenue increased by \$944 for the year 2002 due to a 75 cent rate increase for the year. Operating expenses for the fund were unchanged between 2001 and 2002, and the fund has net assets of \$13,212 as of December 31, 2002.

The ***Water Works*** fund accounts for the operation and maintenance of a water delivery system for the City and several suburban city customers. The City sells water directly to seven cities including Bloomington, Columbia Heights, Hilltop, Golden Valley, New Hope, Crystal, and Edina. The fund’s operating revenue increased by \$3,489 due to a rate increase of 18 cents. The fund’s expenditures increased by \$2,464 over 2001, personal services increased by \$1,450 and contractual services increased by \$1,770. The water fund had a net income of \$7,651 for 2002. The net assets for the Water Works fund as of December 31, 2002 is \$111,612.

The ***Community Development Agency*** operates a series of business-type activities designed to enhance housing options and economic development within the City. Within this fund there are programs that provide low interest home mortgages financed through the sale of bonds. There is also a program in which revenue bonds are issued to finance economic development. The program obtains lease or loan agreements from developers to meet the debt service requirements of the financing. This fund also operates a river terminal facility and three downtown theatres. Substantially all operating revenues are derived from fees charged to the users of the services

(All dollar amounts are expressed in thousands unless otherwise indicated.)

provided. The river terminal and the theatres account for the investment in capital assets of the fund.

The ***Municipal Parking*** fund accounts for the operation and maintenance of parking ramps, lots, on-street parking meters, a municipal impound lot, and traffic/parking control. The fund's operating revenues decreased by \$1,206 from 2001 to 2002. The fund had a net income of \$2,440 for 2002. The net assets of the parking fund is \$80,233 as of December 31, 2002 of which \$2,706 is restricted for three ramps the State owns but the City operates. These restricted net assets are reserved for major repair and improvements for the three Third Avenue Distributor Garages that the State of Minnesota owns and the City operates.

Internal Service Funds

The City operates six internal service funds: Engineering Materials and Testing; Intergovernmental Services; Property Services; Permanent Improvement Equipment; Public Works Stores; and the Self-Insurance fund. Internal service funds charge user fees to recover the cost of operations and accumulate equity for purposes of maintaining the on-going operations provided to the government.

While the financial condition of the Internal Service funds continue to represent a major financial challenge for the City, key financial management measures taken in 2001 appear to have marked a turning point for these funds. Over the last seven years, the financial condition of these funds has deteriorated, reaching a low point at year-end 2000 when the combined net asset deficit had declined to (\$54,407). In 2001, the operational loss trends were arrested, and the combined net asset deficit in the Internal Service funds improved to (\$32,215). This improvement resulted primarily from a change in accounting principle / prior period adjustment of \$17,555 in 2001 due to restatements resulting from implementing GASB Statement No. 34. The restatement resulted in recognizing and reporting assets previously unrecorded within the financial statements. Additionally, debt related to the internal service fund assets was reclassified from governmental funds to the internal service funds to improve the asset to debt relationship on the respective balance sheets.

In 2002, the internal service funds lost \$5,837 bringing the net asset balance down to \$38,052. While the combined internal service funds continue to report deficit net assets, three of the six funds reported positive net income in 2002. Losses were recorded in the Engineering, Materials and Testing fund of (\$292) due to its primary customer, Paving Construction, having a slow season. Losses were also recorded in both the Intergovernmental Services and the Permanent Improvement funds of (\$4,598) and (\$4,149), respectively, caused by additional depreciation on assets previously unrecorded on the balance sheet. Comparatively, the Self-Insurance fund, Property Services fund, and Public Works Stores reported combined positive net income during 2002 of \$3,202.

In 2000, the Mayor and City Council adopted a multi-year financial plan for the Intergovernmental Services fund. A similar plan was adopted for the Permanent Improvement Equipment fund in 2001. A plan for the City's Self-Insurance fund will be prepared in 2003.

The City has shown a commitment to address the financial challenges existing within the Internal Service Funds and is confident that the financial plans that have been adopted will resolve the condition within an acceptable time period.

GENERAL FUND BUDGETARY HIGHLIGHTS

The final budget for the City's General Fund represents the original budget plus any previously appropriated funds set aside for the purpose of honoring legally incurred obligations (prior year encumbrances and commitments) plus any additional supplemental appropriations that may occur during the fiscal year. In fiscal year 2002, a total of \$1,138 had been set aside for prior year encumbrances and commitments, and the net amount of supplemental appropriations to the General Fund during the fiscal year was \$2,349. Significant budget actions included:

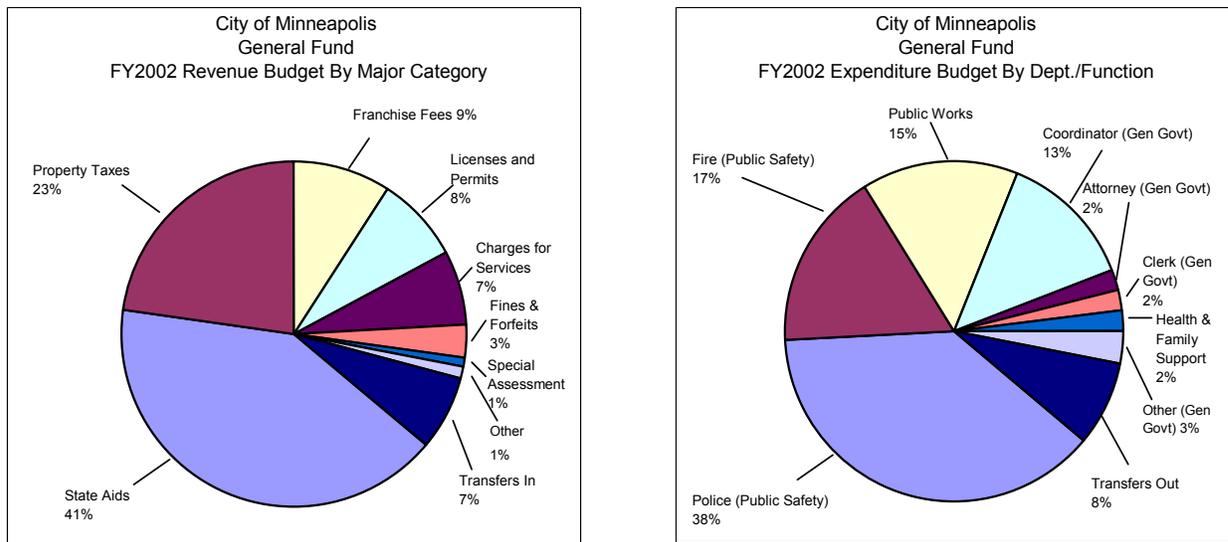
- \$1,432 Police Department budget increase for shift differential pay, and compensatory time, vacation payouts
- \$600 increase in Police Department budget for Water Plant security
- \$580 increase in general fund budget due to reduced tax revenue due to MCDA property tax abatement
- \$524 increase in Public Works – Field Services budget for bridge repair and reconstruction for other departments

Excluding the \$1,138 prior year encumbrance and commitment appropriation, the original General Fund budget for fiscal year 2002 was \$248,822, which includes projected transfers-out of \$20,002. General revenues and other resources were originally estimated at \$248,826, which includes projected transfers-in of \$20,428.

During the year, actual revenues and other resources were greater than final budgetary estimates by \$3,041, and expenditures were less than final budgetary estimates by \$4,871, resulting in a favorable variance of revenues over expenditures of \$7,912.

As indicated above, the General Fund financial performance enabled the City to meet and exceed a fund balance of 10% of current expenditures for the fund, as required by City policy (fund balance equals \$46,089, current expenditures include \$226,570). The variations in the actual amounts from the original and final General Fund revenue and expenditure budgets did not negatively impact services provided from fund resources or the liquidity of fund assets.

Current fiscal year revenue and expenditure budgets for the General Fund by major category or function are as follows:



City officials have undergone a yearlong planning process that involved evaluating Minneapolis' current and long-range financial position and setting goals and priorities for City services. Minneapolis has significant pressures on its general city resources due reductions in Local Government Aid (LGA) from the state beginning in 2003.

Significant future costs are anticipated for funding gaps in the City's pension obligations to retirees and in its internal service funds. Another factor is employee wages and benefits, which make up about 75 percent of the City's general fund expenses. Health care costs are increasing and during the past five years, City employees received pay increases that averaged greater than four percent annually. In addition, Minneapolis voters approved a levy to build a new Central Library and fund improvement to the City's community libraries.

In February 2003, the Governor proposed reductions in LGA for 2003 and 2004 as part of his proposal to balance the State's budget for the 2-year period beginning July 1, 2003. The Mayor proposed and the City Council approved a reduction of \$20,600 for the 2003 General Fund budget to address the LGA allocation reductions. The City is expected to approve a budget for 2004 including any additional LGA reductions.

The City's leaders are dealing with these budget challenges by planning, property tax growth limits, and cutting spending.

Planning. To protect the City's long-term financial health, City leaders have directed departments to base budgets on a long-term financial projection. Instead of yearly estimates, budgets will be based on a five-year financial plan. The Council adopted a resolution in January 2003, Five-Year Financial Direction, establishing resource constraints and providing direction on how City budget cuts will be made over the five-years.

(All dollar amounts are expressed in thousands unless otherwise indicated.)

Property Tax Growth Limits. The Mayor and Council capped annual increases for the City’s share of the property taxes at a maximum of eight percent. About four percent of this increase will be used to support debt for pensions, internal service funds, and libraries.

Cutting Spending. Even with this tax increase, bridging the gap between revenue and expenses, along with paying off the City’s debt, will require substantial cuts to every City department. The Five-Year Financial Direction provides direction on how the cuts will fall across departments within established priorities. City leaders approved a resolution setting a ceiling for annual employee wage increases at two percent for future labor contracts.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets. The City’s investment in capital assets for its governmental and business-type activities as of December 31, 2002, amounts to \$1,649,579 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, roads, highways, and bridges. The total increase in the City’s investment in capital assets for the current fiscal year was 5% (a 4.5% increase for governmental activities and a 5.7% increase for business-type activities).

	City of Minneapolis Capital Assets (net of depreciation)						
	Governmental Activities		Business-type Activities		Total		
	2002	2001	2002	2001	2002	2001	Variance (%)
Land and easements	\$ 111,455	\$ 112,259	\$ 131,854	\$ 132,084	\$ 243,309	\$ 244,342	(0.42)
Infrastructure	143,918	152,789	277,783	262,093	421,701	414,882	1.64
Construction in progress	62,138	186,392	95,944	88,418	158,082	274,811	(42.48)
Structures and improvements	429,986	258,488	339,638	317,059	769,624	575,547	33.72
Equipment	46,212	49,990	10,651	10,139	56,863	60,129	(5.43)
Total	\$ 793,708	\$ 759,918	\$ 855,871	\$ 809,793	\$ 1,649,579	\$ 1,569,711	5.09

Major capital asset transactions/events during the current fiscal year included:

- In restating balances as of January 1, 2002, the City capitalized infrastructure assets as required by GASB Statement No.34. These assets included items such as bridges, streets, street lighting and traffic signals.
- During 2002, the Convention Center expansion was reclassified from construction in progress to structure and improvements. Between previously recorded construction in progress and current year spending on the expansion, the expansion was capitalized in the amount of \$185,915.
- In 2002, the Water Department started an Ultrafiltration Program with projected costs of approximately \$140,460 (expected completion date of 2007). This new system of water filtration will give the City’s water system necessary plant improvements.

(All dollar amounts are expressed in thousands unless otherwise indicated.)

- The Parking Fund added a new ramp in 2002, the Downtown East ramp, near the Metrodome. Other parking facilities related to the Walker Art Center and the Guthrie developments are in planning stages and will be entering design stages in the near future.

Other capital asset highlights for the City are as follows:

- The New Library Project started in 2002 with a budget of about \$125,826. The Library project is currently in the design stage and will be located on the same block as the old library. Construction and the foundation work of the new library will start during the summer of 2003. The New Library should be completed during the later part of 2005.
- During 1998, the City embarked on a \$72,350 nine-year flood control program. This program targets specific areas in the City and creates holding ponds and additional storm drains that are designed to mitigate the effects of flash floods. The flood program has been modified and will be extended a few more years with an increase in project costs of about \$20,250.
- In 1998 the City began the Supervisor Control and Data Acquisition (SCADA) program for the Water Department. The SCADA program automates the water control system from one point so that all gates, pumps, monitors and controls will be in one controlled area. The SCADA project is expected to exceed initial cost estimates by \$5,800 due to additional security, monitoring, and automation measures. The total project costs will be \$18,800 with completion in 2005.
- The Heritage Park (Near North) project has a budget of \$76,605, with costs to date equaling \$22,398. This project has an estimated completion date of 2007. The Heritage Park project is for affordable housing, environmental recommitment, and neighborhood-scaled development.

The City's infrastructure assets are recorded at historical or estimated historical costs in the government-wide financial statements as required by GASB Statement No. 34.

Additional information on the City's capital assets can be found in Note 5 on pages 61-62 of this report.

Long-term debt. As of December 31, 2002, the City had total long-term bonds outstanding of \$1,297,833 compared to \$1,380,663 in the prior year. Of this amount, \$829,022 related to governmental activities and \$468,811 related to business activities. In addition to bonded debt, the City had \$56,310 of long-term revenue notes outstanding at December 31, 2002, of which \$49,091 related to governmental activities and \$7,221 related to business activities.

Included below in both Additions and Retirements for Self Supporting GO Bonds are \$127,800 of new bonds issued to convert existing variable rate bonds for the Minneapolis Convention Center to fixed rate bonds. The City had \$146,640 of bonds in variable rate mode at year end. The \$79,335 net decrease in total bonded debt outstanding was primarily attributed to the receipt of \$81,527 in State grant funds for the Minneapolis Convention Center which allowed the City to retire approximately \$80,000 of its Sales Tax Refunding Bonds, Series 1992.

Summary of Outstanding Bonded Indebtedness	Balance 1/1/2002	Additions	Retirements	Balance 12/31/2002	Due Within One Year
General Obligation (GO) Bonds:					
Property Tax Supported GO Bonds	\$ 68,705	\$ 66,845	\$ 32,305	\$ 103,245	\$ 25,610
Self Supporting GO Bonds	363,550	150,280	230,295	283,535	9,305
Special Assessment GO Bonds	40,545	6,390	4,616	42,319	4,695
Tax Increment GO Bonds	233,815	-	17,190	216,625	11,370
Internal Service Fund Related GO Bonds	83,255	12,525	3,125	92,655	5,130
Enterprise Fund Related GO Bonds	384,302	47,950	55,326	376,926	28,512
Total General Obligation Bonds	1,174,172	283,990	342,857	1,115,305	84,622
Revenue Bonds:					
Economic Development Revenue Bonds	103,726	-	13,083	90,643	13,541
Other Community Development Related Bonds	102,765	2,750	13,630	91,885	3,545
Total Outstanding Bonds	\$ 1,380,663	\$ 286,740	\$ 369,570	\$ 1,297,833	\$ 101,708

The City maintained an “AAA” rating from Standard & Poor’s and Fitch and an “Aa1” rating from Moody’s for its general obligation debt throughout 2002.

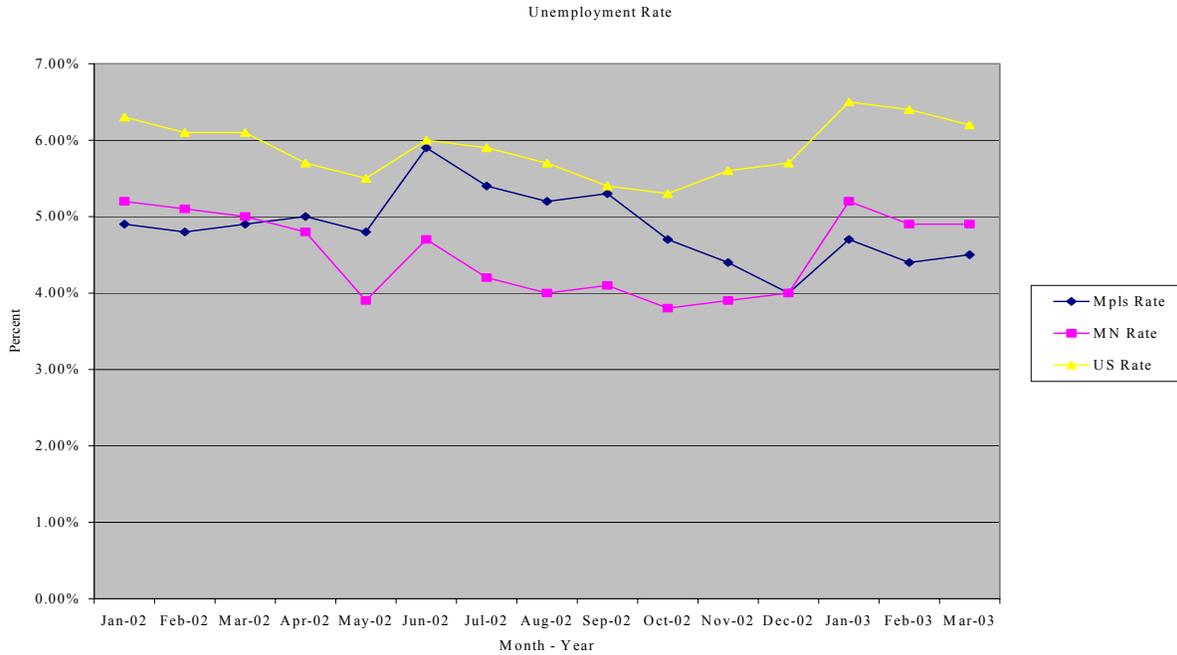
Additional information on the City’s long-term debt can be found in Note 6 on pages 62-67 of this report.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET AND RATES

The following key indicators provide highlights on the City’s economic outlook and future budget impact.

Employment

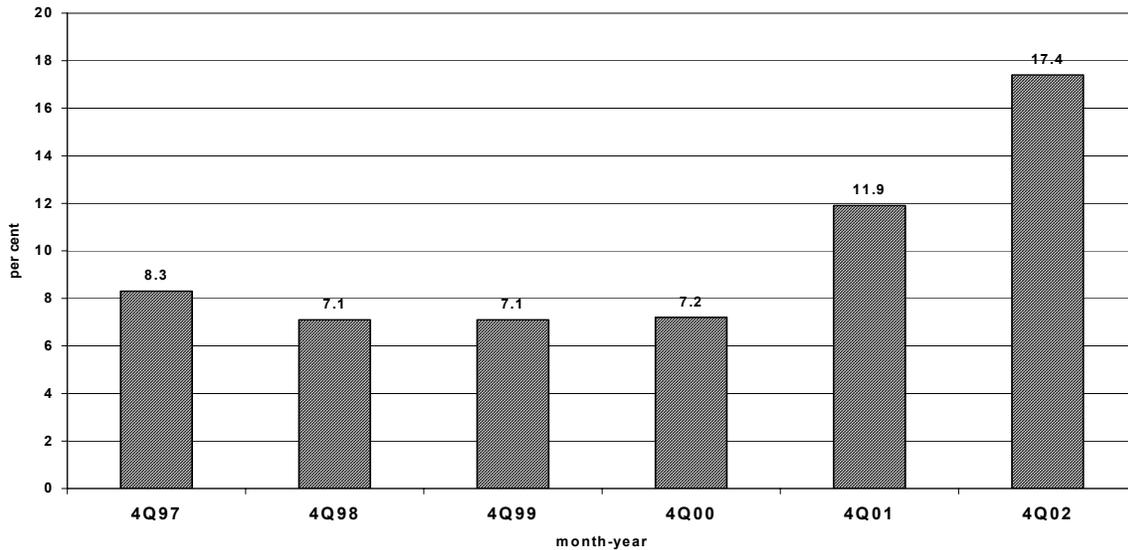
The unemployment rate for the City of Minneapolis at the end of 2002, as released by the Minnesota Department of Economic Security, is 4.0%. This economic indicator is on par with comparisons including the State of Minnesota and the national unemployment rate (5.7%). Although Minnesota’s unemployment averages remain lower than national averages, the Minnesota Department of Finance indicates Minnesota appears to be losing jobs faster than the rest of the nation.



Downtown Office Space – Vacancy Rate

Like employment statistics, real estate statistics can be good indicators of both the current health of the real estate sector of the economy and of possible future trends. Because of the importance of real estate taxes as a source of local government revenue, real estate statistics are an important economic gauge for municipalities. Several commercial real estate companies compile and report important real-estate statistics. The Towle Company regularly reports on local real-estate conditions twice annually. Towle’s statistics indicate a increase in vacancy rates in the Minneapolis Central Business District (CBD). Compared to 2001, the CBD vacancy rate in 2002 increased from 11.9% to 17.4% with a negative absorption in the last six months of 2002 equaling 775,624 square feet.

**Minneapolis Central Business District (Downtown)
Office Vacancy Rate**



Lower rental rates, excess space, and higher concessions imply lower cash flows from office buildings which, in turn, lowers their taxable value. Lower taxable values on business properties increases the amount of the real estate tax levy borne by residential properties. In 2002, the City's tax collections were mildly adversely affected by a tax-court ordered adjustment to the valuation of one office building in the CBD.

These factors were considered in preparing the City of Minneapolis' budget for the 2003 fiscal year.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the City of Minneapolis' finances. Questions concerning any of the information provided in this report or the requests for additional financial information should be addressed to the City's Finance Officer at The City of Minneapolis, 350 South Fifth Street, Minneapolis, Minnesota, 55415. The annual financial report is also available on-line at www.ci.minneapolis.mn.us.

STATEMENT OF ACTIVITIES
For the Fiscal Year Ended December 31, 2002

CITY OF MINNEAPOLIS, MINNESOTA
(In Thousands)

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expenses) Revenues and Changes in Net Assets				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Discrete Component Units	Total
					Governmental Activities	Business-type Activities	Total		
Primary government									
Governmental Activities:									
General government	\$ 95,382	\$ 24,667	\$ 107,280	\$ 10,199	\$ 46,764	\$ -	\$ 46,764	\$ -	\$ 46,764
Public safety	175,087	20,652	14,206	-	(140,229)	-	(140,229)	-	(140,229)
Public works	61,072	2,254	8,479	12,448	(37,891)	-	(37,891)	-	(37,891)
Health and welfare	24,630	86	15,104	-	(9,440)	-	(9,440)	-	(9,440)
Community development	106,996	10,454	11,982	-	(84,560)	-	(84,560)	-	(84,560)
Interest on long-term debt	44,473	-	-	-	(44,473)	-	(44,473)	-	(44,473)
Total governmental activities	507,640	58,113	157,051	22,647	(269,829)	-	(269,829)	-	(269,829)
Business-type activities:									
Sewer	44,183	60,768	890	-	-	17,475	17,475	-	17,475
Solid waste and recycling	22,479	25,146	1,009	-	-	3,676	3,676	-	3,676
Water works	43,850	50,859	605	-	-	7,614	7,614	-	7,614
Community development	18,734	14,356	-	-	-	(4,378)	(4,378)	-	(4,378)
Municipal Parking	53,815	52,064	-	156	-	(1,595)	(1,595)	-	(1,595)
Total business-type activities	183,061	203,193	2,504	156	-	22,792	22,792	-	22,792
Total primary government	\$ 690,701	\$ 261,306	\$ 159,555	\$ 22,803	(269,829)	22,792	(247,037)	-	(247,037)
Component units:									
Discrete component units	\$ 107,682	\$ 19,785	\$ 4,082	\$ 25,501				(58,314)	(58,314)
General Revenues:									
Taxes:									
General property tax and fiscal disparities					94,048	-	94,048	52,958	147,006
Property tax increment					59,895	-	59,895	17	59,912
Franchise fees					21,861	-	21,861	-	21,861
Convention center taxes					47,562	-	47,562	-	47,562
Other taxes					374	-	374	4	378
Local government aid					98,992	-	98,992	515	99,507
Grants and contributions not restricted to programs					2,808	-	2,808	24,465	27,273
Unrestricted interest and investment earnings					11,758	9,574	21,332	-	21,332
Sale of Land					3,959	-	3,959	-	3,959
Other					9,142	4,778	13,920	487	14,407
Restricted interest and other earnings					-	-	-	(552)	(552)
Transfers					7,952	(7,952)	-	-	-
Total general revenues, special items, and transfers					358,351	6,400	364,751	77,894	442,645
Change in net assets					88,522	29,192	117,714	19,580	137,294
Net assets- January 1					116,254	529,332	645,586	342,319	987,905
Change in Accounting Principle					-	-	-	(391)	(391)
Net assets- December 31					\$ 204,776	\$ 558,524	\$ 763,300	\$ 361,508	\$ 1,124,808

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

**Internal Service Funds
Cash Balance Analysis**

Year	Total Cash Balance	Variance From Prior Year
31-Dec-02	\$ (26,906,000)	\$ 6,966,000
31-Dec-01	\$ (33,872,000)	\$ 2,584,000
31-Dec-00	\$ (36,456,000)	-