

COMPREHENSIVE ANNUAL FINANCIAL REPORT



CITY OF
MINNEAPOLIS, MINNESOTA

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005

FINANCE DEPARTMENT

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Minneapolis
City of Lakes

Finance Department
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City Finance Officer

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May 19, 2006

Mayor R. T. Rybak,
Council President Barbara Johnson,
City Council Members,
And Citizens Of the City of Minneapolis, Minnesota

TRANSMITTAL

We are pleased to present the Comprehensive Annual Financial Report (CAFR) for the City of Minneapolis (the City) for the year ended December 31, 2005. The purpose of the report is to provide the Mayor, City Council, City Staff, citizens, bond holders, and other interested parties with useful information concerning the City's operations and financial position. The City is responsible for the accuracy, completeness, and fairness of the data presented in this report.

To the best of our knowledge, the following report is accurate in all material respects. It has been prepared in accordance with standards prescribed by the Governmental Accounting Standards Board (GASB), the Government Finance Officers Association of the United States and Canada (GFOA) and other rule-making bodies. We believe the report contains all disclosures necessary for the reader to understand the City's financial affairs.

REPORT FORMAT

There are three main sections in this report:

Section I, the introductory section, contains the table of contents, this transmittal letter, and other general interest material.

Section II, the financial section, contains the auditor's opinion, Management's Discussion and Analysis (MD&A), the basic financial statements, notes to the financial statements, and detailed combining and individual statements and schedules for the City's funds.

Section III, the statistical section, includes a ten-year history of financial and non-financial data that give a context in which to understand the City's financial statements.

The transmittal letter is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the independent auditor's report.

STEWARDSHIP

The City prepares financial reports to promote *accountability*. The City's elected officials are accountable to the citizens; City management is accountable to the elected officials. This report gives citizens and other interested parties one means of assessing whether the elected and appointed officials in the City have faithfully carried out their role of being good stewards of the City's resources.

INTERNAL CONTROLS

The City's management is responsible for establishing a system of internal controls to:

- 1) Safeguard City assets from loss or unauthorized use or disposal.
- 2) Provide reliable financial records for preparing internal and external financial reports and for maintaining accountability over City assets.
- 3) Ensure compliance with applicable Federal and State laws and regulations related to programs for which the City receives assistance.

No system of internal controls can be perfect. Therefore, internal controls are meant to provide "reasonable assurance". Reasonable assurance means:

- 1) The cost of a control should not exceed the benefits likely to be derived from that control.
- 2) The costs and benefits of internal controls are subject to estimates and judgments by management.

We believe that the City's internal controls reasonably safeguard assets, assure that financial transactions are properly recorded and reported, and ensure compliance with applicable Federal and State laws and regulations.

As the City's governing board, the Mayor and City Council are responsible to:

- 1) Ensure that the City administration fulfills its responsibilities in the preparation of the financial statements;
- 2) Review the scope of the City's audits and the accounting principles applied in the City's financial reporting.

To ensure independence, the Office of the State Auditor has full and free access to meet with the City Council to discuss the results of their assessment of the adequacy of internal accounting controls and the quality of the City's financial reporting.

THE CITY AND ITS SERVICES

Physical Description

The City, located in Hennepin County, is the largest city in Minnesota and serves as the center of finance, industry, trade, and transportation for the Upper Midwest region of the United States.

Minneapolis is 59 square miles, including five square miles of inland water. The City drapes along the banks of the nation's largest river, the Mississippi. Minneapolis is known as "The City of Lakes" featuring 22 lakes and 170 city parks. The Minneapolis Park System is one of the City's most prized assets.

There are 81 residential neighborhoods within in the City offering a broad range of housing to 169,000 households. Minneapolis has more than thirty theaters; the Guthrie Theater and the Children's Theatre Company are recognized as two of the country's best. The City boasts two world-class art museums and is home to the internationally acclaimed Minnesota Orchestra.

Minneapolis is home to an estimated 382,600 people (2000 Census data). According to 2000 Census data, the population within the City grew by 3.9 *percent* from 1990 to 2000, reversing a trend of declining population that began in 1950.

Minneapolis, as the major city within the larger metropolitan area, enjoys a strong and highly diverse business foundation of companies involved in manufacturing supercomputers, electronics, medical instruments, milling, machine manufacturing, food processing and graphic arts. In addition, with seven hospitals and the University of Minnesota, Minneapolis is a nationally known medical center that produces many high technology medical products.

Most of the information above is from the *State of the City*, a publication of the City's Community Planning and Economic Development Department. The *State of the City* contains a wealth of demographic and other data, which paint a detailed and thorough picture of the City. The *State of the City* 2003 can be accessed from City's web site, at <http://www.ci.minneapolis.mn.us/planning/soc03/>

Form of Government and Organization

The City is a municipal corporation governed by a Mayor–Council form of government. The Mayor and 13 City Council Members from individual wards are elected for terms of four years, without limit on the number of terms that may be served.

City Council

As provided in the City Charter, the City Council governs Minneapolis through its legislative, administrative, and financial power over City functions. The Council levies taxes, enacts ordinances and resolutions, licenses businesses, and exercises budgetary and policy control over City departments.

Council members represent the interests of their constituents. They respond to inquiries, suggestions and complaints regarding City programs and services and meet regularly with constituents to discuss developments affecting the ward that they represent, and the City as a whole.

Mayor

The Mayor is responsible for a variety of leadership duties, including: appointing representatives to a variety of agencies and commissions, nominating department head candidates for Executive

Committee and Council approval, proposing the annual operating and capital budgets, and reviewing, approving, or vetoing all Council actions.

Departments

The City organizes itself by departments, which are managed by department heads (see City of Minneapolis organization chart at the end of this transmittal letter). These City departments provide a broad range of services including: police; fire; health and family support services; public works; assessment of property; attorney services; civil rights; planning; regulatory services; and management support services.

THE REPORTING ENTITY

The City organizes its financial activities in a variety of funds. In accordance with GASB Statement No. 14, the City's financial statements include all funds of the City ("primary government") as well as its component units. The primary government represents all funds under the ultimate control of the Mayor and City Council. Component units are separate legal entities. While legally separate, component units are part of City government *in substance*. The City's financial statements would be misleading without incorporating component unit information. Some component units are reported in a separate column of the City's financial statement set apart from the rest of the primary government. Units are discretely presented in the financial statements because, while the City is financially accountable for them, they do not meet the criteria for a blended component unit. The Minneapolis Library Board, Minneapolis Park and Recreation Board, and the Municipal Building Commission (MBC) are discretely presented components in the City's financial statements.

ECONOMIC CONDITION AND OUTLOOK

A discussion and analysis of City's overall financial condition during the fiscal year ended 2005 is included as part of the MD&A.

CASH MANAGEMENT

During the year cash was invested in certificates of deposit, obligations of the U.S. Treasury, commercial paper, various agency mortgage pools, taxable municipal obligations, and money market funds. The average return on investments during the year was 2.5 percent (source: Finance Department –Treasury Division).

DEBT MANAGEMENT

The primary goal of the City's debt management practices is to maintain its ability to access capital markets at the lowest possible cost (interest rate) without endangering its ability to finance essential services. The City's conservative financial practices have earned its general obligation debt some of the highest ratings available from national bond rating services as follows:

- Fitch IBCA - AAA
- Standard & Poor's - AAA
- Moody's Investors Service - Aa1

RISK MANAGEMENT

The City accounts for its Risk Management activities in an internal service fund and charges the operating funds annually for the anticipated actuarially projected ultimate incurred claims. The City's risk management program operates under the direction of the Risk Management and Claims Division, within the Finance Department. Various programs have been developed to reduce the City's risk of loss including: a comprehensive employee health and safety program; a strategy to reduce tort liability exposure; a financial plan to minimize losses; and, a strategy to reduce the frequency of injuries and illnesses and the cost of workers' compensation.

INDEPENDENT AUDIT

Minnesota law requires the Office of the State Auditor (OSA) to perform the City's annual audit. The OSA's report on the City's financial statements is based on their audit in accordance with generally accepted auditing standards. The Auditor's unqualified audit opinion is included as page one and two in the financial section of this report.

In addition to meeting the State and City's financial audit requirements, the OSA's audit was designed to meet the requirements of the federal Single Audit Act and the related U.S. Office of Management and Budget's Circular A-133. The OSA prepares a separate report on covered activities.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its CAFR for the fiscal year ended December 31, 2004. A Certificate of Achievement is valid for a period of one year only. The City has received this prestigious award for thirty-six years.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR, the contents of which conform to program standards. The report must satisfy both generally accepted accounting principles and applicable legal requirements. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA for review.

In addition, the City also received an award of Distinguished Budget Presentation for its annual budget for the year 2005.

ACKNOWLEDGEMENTS

Preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the staff of the City's finance department, the Library Board, the Park Board, and the Community Planning and Economic Development. We also extend our appreciation to Mary Dunning for her exceptional services in coordinating the preparation and completion of this report. In addition, we would like to thank the State Auditor's Office for their thoroughness and professionalism in conducting the City's audit. Finally, we would like to thank the Mayor, members of the City Council, and the City Coordinator, Steven Bosacker, for their

interest in conducting the financial operations of this City in a responsible and progressive manner.

Respectfully submitted,



Patrick P. Born
Finance Officer

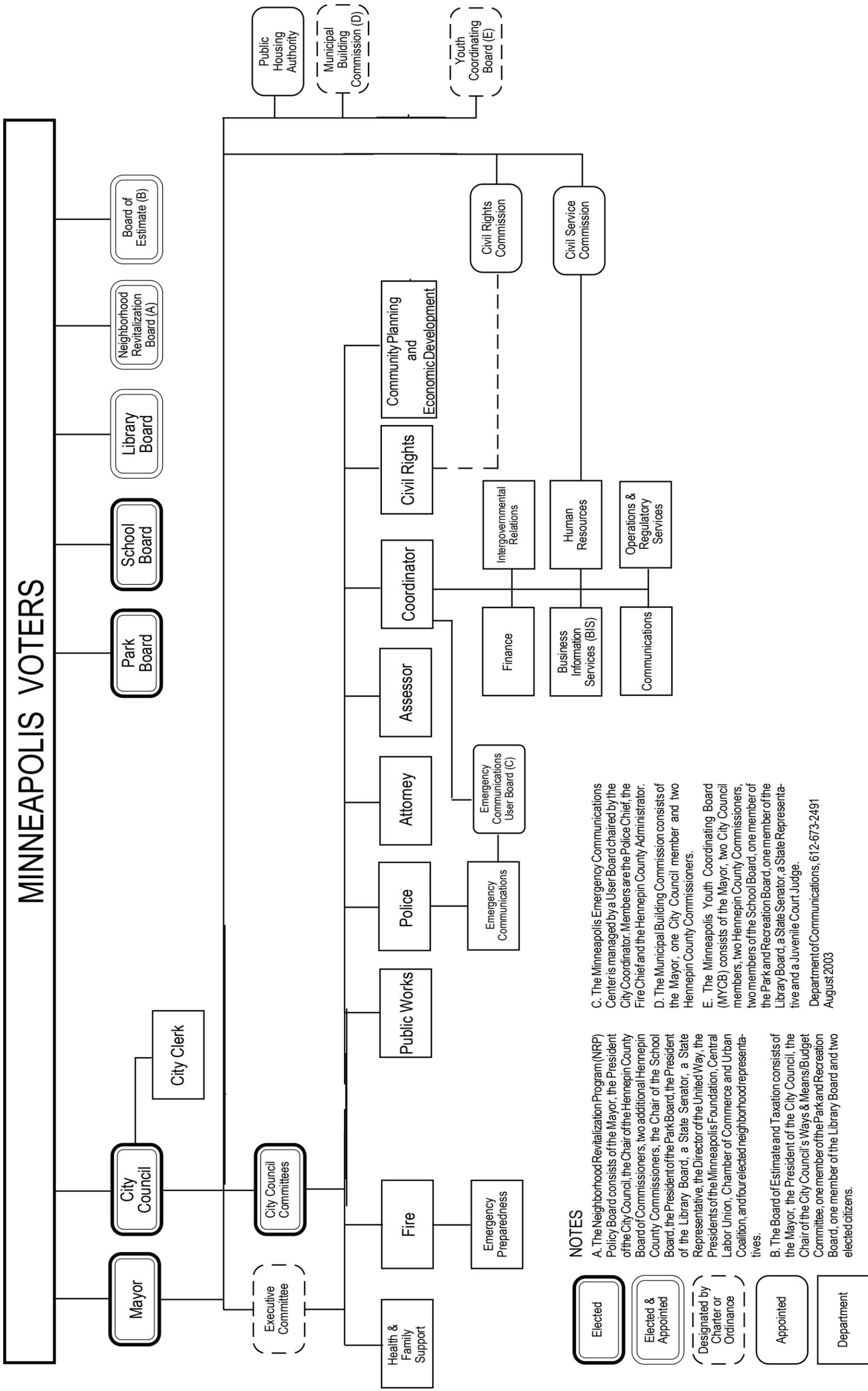


Charles Elliott, CPA
Controller



Jacob Cherucheril, CPA
Manager, Financial Accounting & Reporting

City of Minneapolis



NOTES

- A. The Neighborhood Revitalization Program (NRP) Policy Board consists of the Mayor, the President of the City Council, the Chair of the Hennepin County Board of Commissioners, two additional Hennepin County Commissioners, the Chair of the School Board, the President of the Park Board, the President of the Library Board, a State Senator, a State Representative, the Director of the United Way, the Presidents of the Minneapolis Foundation, Central Labor Union, Chamber of Commerce and Urban Coalition, and four elected neighborhood representatives.
- B. The Board of Estimate and Taxation consists of the Mayor, the President of the City Council, the Chair of the City Council's Ways & Means/Budget Committee, one member of the Park and Recreation Board, one member of the Library Board and two elected citizens.

- C. The Minneapolis Emergency Communications Center is managed by a User Board chaired by the City Coordinator. Members are the Police Chief, the Fire Chief and the Hennepin County Administrator.
- D. The Municipal Building Commission consists of the Mayor, one City Council member and two Hennepin County Commissioners.
- E. The Minneapolis Youth Coordinating Board (MYCB) consists of the Mayor, two City Council members, two Hennepin County Commissioners, two members of the School Board, one member of the Park and Recreation Board, one member of the Library Board, a State Senator, a State Representative and a Juvenile Court Judge.

Department of Communications, 612-673-2491
August 2003

MAYOR AND COUNCIL

CITY OF MINNEAPOLIS, MINNESOTA

2005

Mayor R.T. RYBAK

CITY COUNCIL

Ward 1.....**President** PAUL OSTROW
Ward 2..... PAUL ZERBY
Ward 3..... DON SAMUELS
Ward 4..... BARBARA JOHNSON
Ward 5..... NATALIE JOHNSON LEE
Ward 6..... DEAN ZIMMERMAN
Ward 7..... LISA GOODMAN
Ward 8.....**Vice-President**..... ROBERT LILLIGREN
Ward 9..... GARY SCHIFF
Ward 10..... DAN NIZIOLEK
Ward 11..... SCOTT BENSON
Ward 12..... SANDY COLVIN ROY
Ward 13..... BARRET LANE thru December 2
Ward 13..... BETSY HODGES December 2, 2005

In 2006, the following Council member changes occurred:

Ward 2..... CAM GORDON
Ward 3..... DIANE HOFSTEDE
Ward 4.....**President** BARBARA JOHNSON
Ward 5..... DON SAMUELS
Ward 6.....**Vice-President**..... ROBERT LILLIGREN
Ward 8..... ELIZABETH GLIDDEN
Ward 10..... RALPH REMMINGTON
Ward 13..... BETSY HODGES 12/05

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Minneapolis,
Minnesota

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Carla E. Perry

President

Jeffrey R. Emer

Executive Director



STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

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PATRICIA ANDERSON
STATE AUDITOR

INDEPENDENT AUDITOR'S REPORT

Mayor and Members of the City Council
City of Minneapolis

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Minneapolis, Minnesota, as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Minneapolis as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

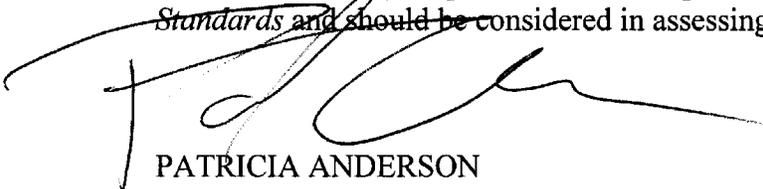
The Management's Discussion and Analysis and the budgetary comparison schedules for the general and major special revenue funds are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board.



We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Minneapolis' basic financial statements. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we will issue our report dated May 19, 2006, on our consideration of the City of Minneapolis' 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* and should be considered in assessing the results of our audit.



PATRICIA ANDERSON
STATE AUDITOR



GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

End of Fieldwork: May 19, 2006

**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, 2005. 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. All dollar amounts are expressed in thousands unless otherwise indicated.

FINANCIAL HIGHLIGHTS

- Assets of the City of Minneapolis exceeded liabilities at the close of the 2005 fiscal year by \$815,159 (net assets). Of this amount, a shortage of \$107,565 (unrestricted net assets) resulted primarily from prior period losses in the internal service funds, debt related to unfunded pension liabilities, and other debt issued by the City to finance assets owned by the City's component units. Additionally, \$79,697 is restricted for specific purposes (restricted net assets) and \$843,027 is invested in capital assets net of related debt.
- The City's total net assets increased by \$44,412. Governmental activities increased the City's net assets by \$43,247 and the business type activities by \$965.
- As of December 31, 2005, unreserved fund balance for the general fund was \$50,838, or about 19% of total general fund expenditures.
- The City's total long-term bond and note liability decreased by \$41,886 from the prior year. Total bonds and notes issued in 2005 was \$248,336 including \$138,485 of refunding transactions and total debt retirement was \$290,223, including refunding transactions. Major new debt issuances included \$16,400 for the new Guthrie Theater Parking Ramp, \$37,240 for various infrastructure improvements in the five year capital plan and \$29,915 for library improvements.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements include 3 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.

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

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

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, culture and recreation, health and welfare, and community development. The business-type activities of the City include sanitary sewer, Stormwater, 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). An example of blended funds is 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 28-29 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 statements, 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 balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Minneapolis maintains 16 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 balance for the General Fund, the Community Planning and Economic Development Special Revenue Fund, the Convention Center Special Revenue Fund, and the Permanent Improvement Capital Projects Fund, all of which are considered to be major funds. Data from the other 12 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.

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

The governmental funds' financial statements can be found on pages 30-33 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 Sanitary Sewer, Stormwater, Solid Waste and Recycling, Water Works, Community Planning and Economic Development (CPED), and Parking activities. The City uses internal service funds to account for its property management services, equipment services, business information systems, central stores, engineering lab, outside purchase of asphalt and cement services, city attorney, workers' compensation, unemployment benefits and other payroll related services. Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

The proprietary funds' financial statements can be found on pages 34-37 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 statements because the resources of those funds are not available to support the programs of the City.

The fiduciary fund financial statements can be found on page 38 of this report.

Notes to the Financial Statements—The notes to the financial statements 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 41-77

Required Supplementary Information—In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information.

The required supplementary information can be found on pages 79-82 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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Assets:

The City's assets exceeded liabilities by \$815,159 at the close of the fiscal year ending December 31, 2005, compared to \$770,947 at the end of the previous year.

Statement of Net Assets
December 31, 2005

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Current and other assets	\$ 526,408	\$ 575,575	\$ 131,281	\$ 153,285	\$ 657,689	\$ 728,860
Capital assets	923,175	883,151	936,592	935,776	1,859,767	1,818,927
Total assets	<u>1,449,583</u>	<u>1,458,726</u>	<u>1,067,873</u>	<u>1,089,061</u>	<u>2,517,456</u>	<u>2,547,787</u>
Current and other liabilities	267,369	291,429	58,811	83,679	326,180	375,108
Long-term liabilities	927,478	955,808	448,639	445,924	1,376,117	1,401,732
Total liabilities	<u>1,194,847</u>	<u>1,247,237</u>	<u>507,450</u>	<u>529,603</u>	<u>1,702,297</u>	<u>1,776,840</u>
Net assets:						
Invested in capital, net of related debt	319,954	353,750	523,073	504,453	843,027	858,203
Restricted net assets	42,667	49,028	37,030	40,140	79,697	89,168
Unrestricted net assets	(107,885)	(191,289)	320	14,865	(107,565)	(176,424)
Total net assets	<u>254,736</u>	<u>211,489</u>	<u>560,423</u>	<u>559,458</u>	<u>815,159</u>	<u>770,947</u>
Total liabilities and net assets	<u>\$ 1,449,583</u>	<u>\$ 1,458,726</u>	<u>\$ 1,067,873</u>	<u>\$ 1,089,061</u>	<u>\$ 2,517,456</u>	<u>\$ 2,547,787</u>

The largest portion of the City's net assets, \$843,027, reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The net investment in capital assets has slightly decreased by \$15,176 from \$858,203 at the end of 2004. 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 are 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.

Another portion of the City's net assets represents a deficit in unrestricted net assets of (\$107,565), 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 that are not offset with capital assets. The nature of the debt obligations include pension contributions, tax increment issued for the Community Planning and Economic Development Fund ("CPED"), and debt issued on behalf of the City's discrete component units. The City reports the debt, but not the assets related to city's discrete component units.

The remaining balance of the City's net assets, \$79,697 represents resources that are subject to external restrictions on how they may be used.

The following table presents the net assets of the Primary government, (the City) and its discrete component units (Park Board, Library Board, and the Municipal Building Commission):

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

City and Discrete Component Units
Statement of Net Assets
December 31, 2005

	<u>Primary Government</u>		<u>Discrete Component Units</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Current and other assets	\$ 657,689	\$ 728,860	\$ 49,144	\$ 51,428	\$ 706,833	\$ 780,288
Capital assets	1,859,767	1,818,927	461,349	411,221	2,321,116	2,230,148
Total assets	2,517,456	2,547,787	510,493	462,649	3,027,949	3,010,436
Current and other liabilities	326,180	375,108	33,131	32,017	359,311	407,125
Long-term liabilities	1,376,117	1,401,732	2,019	2,857	1,378,136	1,404,589
Total liabilities	1,702,297	1,776,840	35,150	34,874	1,737,447	1,811,714
Net assets:						
Invested in capital, net of related debt	843,027	858,203	461,343	408,255	1,304,370	1,266,458
Restricted net assets	79,697	89,168	1,354	416	81,051	89,584
Unrestricted net assets	(107,565)	(176,424)	12,646	19,104	(94,919)	(157,320)
Total net assets	815,159	770,947	475,343	427,775	1,290,502	1,198,722
Total liabilities and net assets	\$ 2,517,456	\$ 2,547,787	\$ 510,493	\$ 462,649	\$ 3,027,949	\$ 3,010,436

As the above table shows, the debts issued by the City for capital assets acquired by the discrete component units are reported in city's column and the related capital assets under the component unit's column.

Statement of Activities

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

	Statement of Activities					
	For the Year Ended December 31, 2005					
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Revenues						
Program revenues:						
Charges for services	\$ 107,959	\$ 91,860	\$ 222,078	\$ 220,309	\$ 330,037	\$ 312,169
Operating grants and contributions	85,301	52,288	-	-	85,301	52,288
Capital grants and contributions	13,858	35,637	-	-	13,858	35,637
General revenues:						
Property taxes	131,261	124,485	-	-	131,261	124,485
Property tax increment	64,044	64,118	-	-	64,044	64,118
Franchise fees	27,702	25,112	-	-	27,702	25,112
Convention center taxes	55,064	52,169	-	-	55,064	52,169
Other taxes	228	273	-	-	228	273
Local government aid	65,921	81,722	-	-	65,921	81,722
Interest and investment earnings	13,510	6,152	1,359	1,236	14,869	7,388
Miscellaneous	1,144	1,031	1,582	2,270	2,726	3,301
Total revenues	565,992	534,847	225,019	223,815	791,011	758,662

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

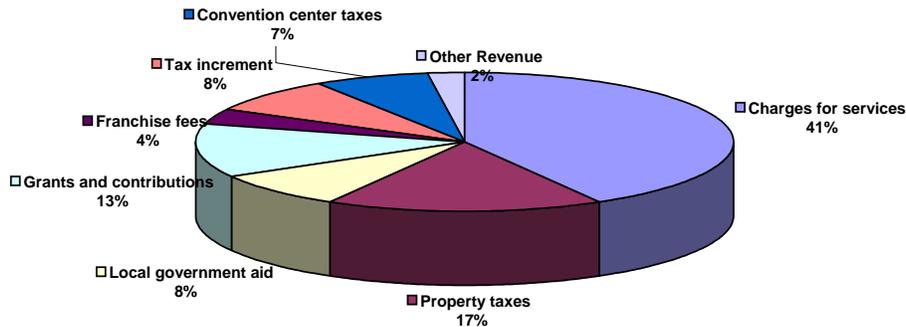
Statement of Activities
For the Year Ended December 31, 2005

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Expenses						
General government	68,095	75,530	-	-	68,095	75,530
Public safety	215,366	202,334	-	-	215,366	202,334
Public works	28,909	20,691	-	-	28,909	20,691
Culture and recreation	48,744	49,968	-	-	48,744	49,968
Health and welfare	13,502	9,905	-	-	13,502	9,905
Community & economic development	133,037	105,676	24,517	18,551	157,554	124,227
Interest on long-term debt	34,383	56,283	-	-	34,383	56,283
Sanitary Sewer	-	-	26,880	53,690	26,880	53,690
Storm Water	-	-	25,898	-	25,898	-
Solid waste and recycling	-	-	24,500	26,007	24,500	26,007
Water works	-	-	46,292	50,683	46,292	50,683
Municipal parking	-	-	56,676	67,195	56,676	67,195
Total expenses	542,036	520,387	204,763	216,126	746,799	736,513
Excess (deficiency) before transfers	23,956	14,460	20,256	7,689	44,212	22,149
Transfers	19,291	8,544	(19,291)	(8,544)	-	-
Change in net assets	43,247	23,004	965	(855)	44,212	22,149
Net assets - January 1,	211,489	188,485	559,458	560,313	770,947	748,798
Net assets - December 31, 2005	\$ 254,736	\$ 211,489	\$ 560,423	\$ 559,458	\$ 815,159	\$ 770,947

Governmental Activities—Governmental activities increased the City’s net assets by \$43,247, compared to an increase of \$23,004 in 2004. Governmental activities are supported by charges for services, grants, and contributions. Additionally, general revenues cover any net expense after program specific revenues are applied. In 2005, the City relied primarily on taxes and local government aid for funding governmental activities. Specifically, property tax increment revenues supported economic development activities.

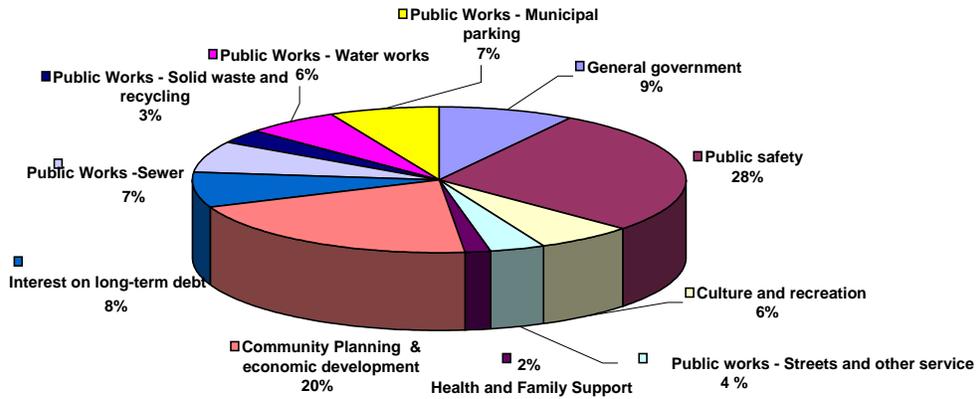
A significant expense in the statement of activities, compared to fund statements, is depreciation. Current year depreciation for governmental activities was \$34,551

Government-wide Revenues



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

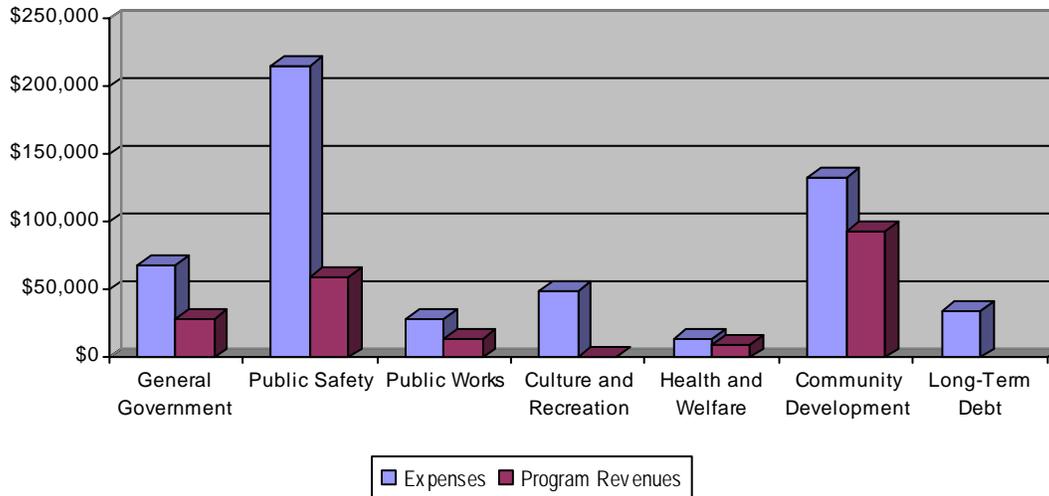
Government-wide Expenses



**Summary of expenses and program revenues - Governmental Activities
For the Year ended December 31, 2005**

Functions/Programs	Expenses	Program revenues	Net (Expense) Revenue by Program
General government	\$ 68,095	\$ 28,863	\$ (39,232)
Public safety	215,366	60,097	(155,269)
Public works	28,909	14,520	(14,389)
Culture and recreation	48,744	43	(48,701)
Health and welfare	13,502	10,190	(3,312)
Community & economic development	133,037	93,405	(39,632)
Interest on long term debt	34,383		(34,383)
	<u>\$ 542,036</u>	<u>\$ 207,118</u>	<u>\$ (334,918)</u>
General revenues and transfers supporting governmental activities			<u>378,165</u>
Change in net assets			43,247
Net assets - January 1, 2005			211,489
Net assets - December 31, 2005			<u>\$ 254,736</u>

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

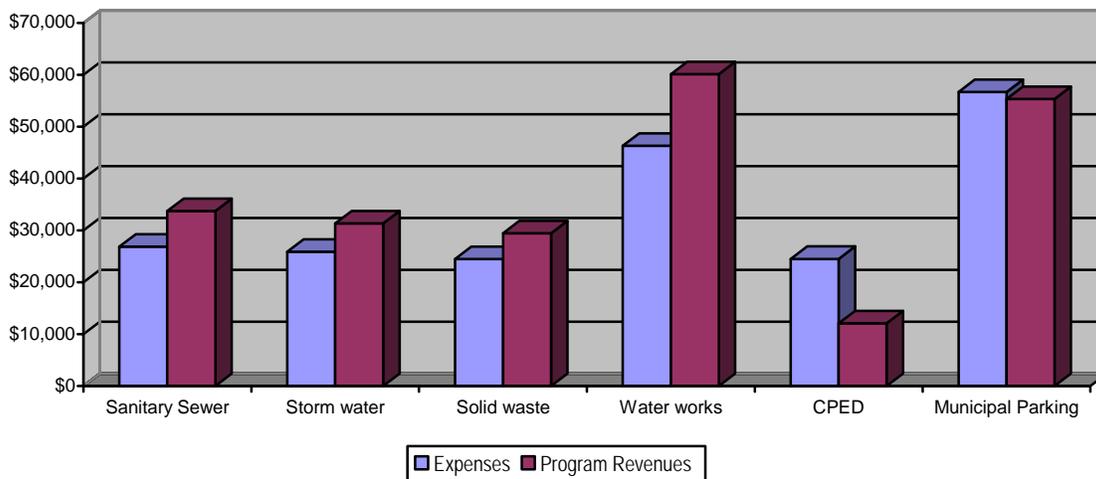


Business-Type Activities—Business-type activities increased the City’s net assets by \$965, compared with a decrease of \$855 in 2004. The Stormwater, Municipal Parking, Solid Waste and Recycling, and Water Works funds experienced positive increases to net assets. However, the Sanitary Sewer and Community Planning and Economic Development (CPED) funds ended the year with a decrease in net assets. The Sewer Rental fund was split into the Sanitary Sewer and Stormwater funds in 2005. The Sanitary Sewer fund’s loss was related to this change. The CPED fund’s net asset decrease was primarily due to the loss on the disposal of capital assets.

**Summary of expenses and program revenues - Business-Type Activities
For the Year ended December 31, 2005**

Functions/Programs	Expenses	Program revenues	Net (Expense) Revenue by Program
Sanitary sewer	\$ 26,880	\$ 33,756	\$ 6,876
Stormwater	25,898	31,336	5,438
Solid waste and recycling	24,500	29,443	4,943
Water works	46,292	60,118	13,826
Community & economic development	24,517	12,125	(12,392)
Municipal parking	56,676	55,300	(1,376)
	<u>\$ 204,763</u>	<u>\$ 222,078</u>	<u>\$ 17,315</u>
General revenues net of transfers out supporting business-type activities			<u>(16,350)</u>
Change in net assets			965
Net assets - January 1, 2005			<u>559,458</u>
Net assets - December 31, 2005			<u>\$ 560,423</u>

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



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.

During 2005, four governmental funds including the General Fund are presented as major funds. These funds include two Special Revenue Funds (Community Planning and Economic Development Fund, and Convention Center Fund), and the Permanent Improvement Capital Projects Fund. At December 31, 2005, the City's governmental funds reported combined ending fund balances of \$415,542 a decrease of \$61,818 compared with the prior year. Approximately 51 percent of this total amount (\$211,616) constitutes unreserved fund balance, which is available for spending at the City's discretion. The following presents the amounts of unreserved balances by various fund types:

<u>Fund Type</u>	<u>Unreserved Balance</u>
General fund	\$ 50,838
Special revenue funds	96,828
Debt service funds	42,667
Capital projects	<u>21,283</u>
Total	<u>\$ 211,616</u>

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 (\$21,684), 2) to pay for land development and specific projects (\$152,154) or 3) for a variety of other restricted purposes (\$30,088).

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

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

**Revenues by Source
Governmental Funds**

Revenue by Source	FY 2005		FY 2004		Increase/ (Decrease)
	Amount	Percent of Total	Amount	Percent of Total	Amount
Taxes	\$ 277,411	46.58	\$ 265,672	47.86	\$ 11,739
Licenses and permits	25,835	4.34	24,780	4.46	1,055
Intergovernmental revenues	169,558	28.47	161,820	29.16	7,738
Charges for services and sales	52,590	8.83	43,798	7.89	8,792
Fines and forfeits	10,680	1.79	9,641	1.73	1,039
Special assessments	11,503	1.93	11,091	2.00	412
Interest	13,292	2.23	6,141	1.11	7,151
Miscellaneous revenue	34,696	5.83	32,042	5.77	2,654
Total	\$ 595,565	100.00	\$ 554,985	100.00	\$ 40,580

**Expenditures by Function
Governmental Funds**

Expenditures by Function	FY 2005		FY 2004		Increase/ (Decrease)
	Amount	Percent of Total	Amount	Percent of Total	Amount
General government	\$ 58,880	8.44%	\$ 57,557	8.84%	\$ 1,323
Public safety	209,453	30.03%	190,638	29.29%	18,815
Highways and streets	39,204	5.62%	40,049	6.15%	(845)
Culture and recreation	48,744	6.99%	49,968	7.68%	(1,224)
Health and Welfare	13,258	1.90%	9,403	1.44%	3,855
Community & economic development	128,464	18.42%	106,348	16.34%	22,116
Capital Outlay	46,141	6.62%	63,365	9.73%	(17,224)
Debt service - principal retirement	90,825	13.02%	76,175	11.70%	14,650
Debt service - interest payment	62,456	8.96%	57,462	8.83%	4,994
Total	\$ 697,425	100%	\$ 650,965	100%	\$ 46,460

General Fund

The General Fund is the general operating fund of the City. As of December 31, 2005, unreserved fund balance in the General Fund was \$50,838, while total fund balance reached \$53,562. The fund balance of the City's General Fund decreased by \$7,790 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 19.5% of total fund expenditures, while total fund balance represents 20.5% of total expenditures. The year-end fund balance is in compliance with the City's policy of maintaining a minimum fund balance of 15% of the following year's revenue budget for the General Fund.

The following table provides the changes in revenues by source from 2004 to 2005.

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

**General Fund
Revenues by Source**

Revenues by Source	2005		2004		Increase (Decrease)
	Amount	Percent of Total	Amount	Percent of Total	
Taxes	\$ 125,203	42.02	\$ 111,126	41.66	\$ 14,077
Licenses and permits	25,044	8.40	24,148	9.05	896
Intergovernmental revenues	80,290	26.94	77,469	29.04	2,821
Charges for services and sales	33,976	11.40	28,182	10.57	5,794
Fines and forfeits	10,016	3.36	8,910	3.34	1,106
Special assessments	2,839	0.95	2,628	0.99	211
Interest	1,952	0.66	541	0.20	1,411
Miscellaneous revenues	693	0.23	1,030	0.39	(337)
Total revenues	280,013	93.97	254,034	95.24	25,979
Transfers in	17,981	6.03	12,698	4.76	5,283
Total revenues and other financing sources	\$ 297,994	100.00	\$ 266,732	100.00	\$ 31,262

In 2005, General Fund revenues and transfers increased by about 12% from the previous year. Some highlights included:

- Tax revenues increased by \$14,077 or 12.7%. This increase was primarily due to an increase in general property tax revenue of \$9,987; total assessed market value increased 10.6%. Also, franchise fee revenue received by the City increased by \$2,590, or 10.3% in 2005 due to an increase in natural gas prices.
- Charges for services and sales increased by \$5,794 or 20.6%, primarily due to an increase in overhead charged to other funds and agencies.

The following table provides the changes in expenditures by function from 2004 to 2005.

Expenditures by Function	2005		2004		Increase/ (Decrease) Amount
	Amount	Percent of Total	Amount	Percent of Total	
General government	\$ 44,236	14.47	\$ 32,123	12.41	\$ 12,113
Public safety	171,002	55.92	152,803	59.01	18,199
Public works	38,754	12.67	35,686	13.78	3,068
Culture and recreation	-	0.00	900	0.35	(900)
Health and family support	3,649	1.19	3,446	1.33	203
Community & economic development	3,366	1.10	2,179	0.84	1,187
Total expenditures	261,007	85.36	227,137	87.72	33,870
Transfers out	44,777	14.64	31,790	12.28	12,987
Total expenditures and other financing uses	\$ 305,784	100.00	\$ 258,927	100.00	\$ 46,857

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

Overall, general fund expenditures increased by \$46,857 or 18.1 % from the previous year.

Despite the overall increase, expenditures for the General Fund are less than inflationary measures. This result was primarily due to the various cost reduction actions adopted by the Mayor and City Council.

In 2005, transfers-out increased \$12,987 from the previous year. Of this amount, \$12,000 was due to an increase in transfers to the Minneapolis Employee Retirement fund to retire pension related debt.

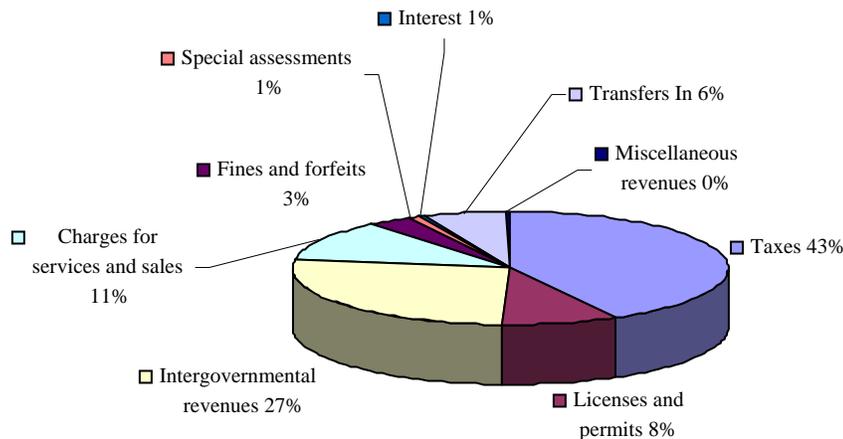
General Fund Budgetary Highlights: The final budget for the City’s General Fund represents the original budget, any previously appropriated funds set aside for the purpose of honoring legally incurred obligations (prior year encumbrances and commitments), and any additional supplemental appropriations that may occur during the fiscal year. In 2005, the following were significant budget actions:

- \$14,500 of 2004 unspent appropriation was carried forward into 2005. This included \$12,000 transferred to Employee Retirement fund to retire pension related debt.
- \$500 planned increase in appropriation for Police.
- \$ 5,000 early retirement of pension debt.

The original General Fund appropriation for fiscal year 2005 was \$291,860, which included projected transfers out of \$32,792. The final appropriation was \$308,960, including transfers out of \$44,792. General revenues and other resources were originally estimated at \$285,793, which included projected transfers in of \$17,032. The final revenue estimate was \$287,535 including transfers in of \$17,032.

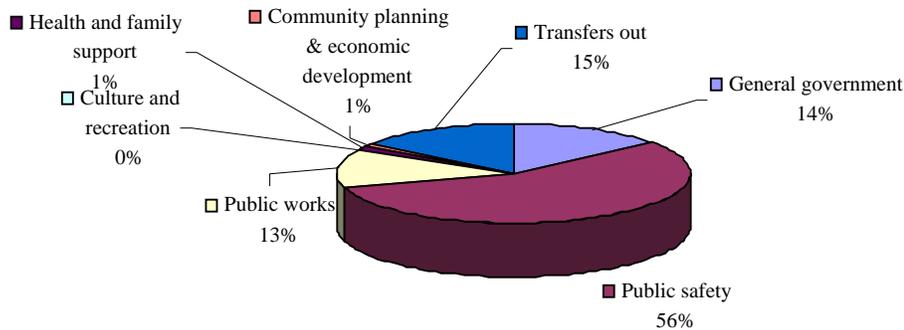
Current fiscal year revenue and expenditure budgets for the General Fund by major category or function are as follows:

General Fund Revenue Budget by Major Category



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

General Fund Expenditure Budget by Function



Community Planning and Economic Development (CPED) Special Revenue Fund

The Community Planning & Economic Development (CPED) 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. 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. A 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 UDAG repayments.

The total revenues of the CPED Special Revenue fund in 2005 were \$114,383. 56% of the fund’s revenue was derived from property tax increment. An additional 18% of the revenue was from intergovernmental grants. The remaining revenue was derived from a variety of miscellaneous sources. The fund’s revenue increased 11.7% in 2005. There was a corresponding increase in fund expenditures. The expenditures for the fund in 2005 were \$74,504. The fund’s expenditures are primarily for contractual services for the housing and economic programs operated within the fund and for the staff costs to monitor and deliver these programs. The increase in fund revenues and expenditures was primarily due to increased activity in programs funded by intergovernmental grants.

In 2005 bonds in the amount of \$4,935 were issued to support the tax increment financing activities of the fund. There was \$14,502 of transfers into the fund recorded during the year. Nearly all the transfers were pass-through grant proceeds from other City funds. The fund’s transfers out of \$71,232 were 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 \$236,593; a decline of 4.8% from the prior year. This decrease was primarily due to the use of fund resources to meet debt service requirements, and the disposition of land held for development. The unreserved portion of the fund balance at December 31, 2005 was \$63,425. The remaining fund balance was reserved primarily for property held for development, encumbrances, or for specific development projects.

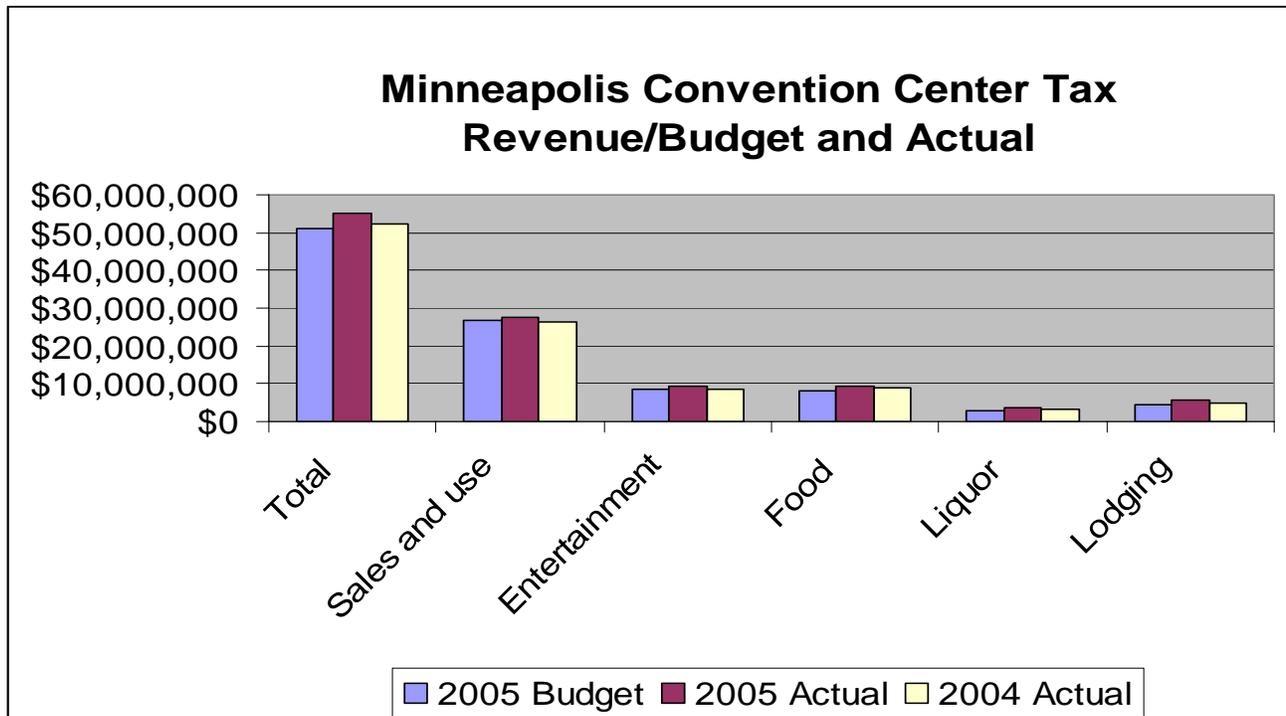
(All dollar amounts are expressed in thousands unless otherwise indicated.)

Minneapolis Convention Center Special Revenue Fund

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 taxes and Convention Center operating revenue. Local taxes for convention center activities include:

- 0.5 % citywide sales tax;
- 3 % food and liquor tax applied to core downtown establishments;
- 3 % citywide entertainment tax;
- 3 % citywide lodging tax for motels and hotels with 50 units or more.
- Overall tax proceeds for 2005 exceeded 2004 levels by 5% with sales taxes exceeding 2004 levels by 4%.

Taxes	Minneapolis Convention Center Tax Revenues		
	2005		2004
	Budget	Actual	Actual
Sales and use	\$ 26,698	\$ 27,404	\$ 26,366
Entertainment	8,682	9,193	8,670
Food	7,948	9,474	8,802
Liquor	2,914	3,487	3,432
Lodging	4,659	5,506	4,899
Total	\$ 50,901	\$ 55,064	\$ 52,169



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

The total revenues of the Convention center fund in 2005 were \$71,888 and the 2005 revenues exceeded 2004 levels by about 8% and the original budget by 9%. Much of the increase can be attributed to increases in local tax collections, catering commissions, and increases in services, such as audio visual, cleanup, labor, security, and utilities. For 2005, Convention Center fund's expenditures of \$32,962 came in nearly 14% above 2004 levels and nearly 3% below budget. Thus, the ending fund balance is \$35,850 or \$5,926 more than the 2004 level of \$29,924.

There were numerous capital improvements in 2005. Among those improvements are: meeting room and sound and lighting system upgrades, office remodeling, meeting room wall fabric, floor boxes, voicemail upgrade, and an inside monitoring system.

Permanent Improvement Capital Project Fund:

The revenue for the Permanent Improvement Fund is primarily from two revenue sources: City issued bonds and aids from State of Minnesota. Bonds are sold by the City of Minneapolis for capital projects. The second source of revenue is from the State of Minnesota. State 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, sidewalks, streets, traffic signals, street lights, and fund other capital projects. During 2005, \$46,141 of capital outlays occurred which was a 37% decrease from 2004. The key assets constructed with these funds included:

- Bridges - \$3,650
- Sidewalks - \$1,933
- Streets - \$15,266
- Street lighting - \$1,680
- Traffic signals - \$3,107
- Bike Trails- \$1,214
- Heritage Park (Near North) project - \$4,582
- Property Service \$2,895

The fund balance decreased from \$42,496 in 2004 to \$21,500 in 2005. This decrease was mainly due to the issuance of bonds in 2004 for the construction of the new library that were used during 2005. Additionally, revenues for the fund decreased from \$32,927 in 2004 to \$23,939 in 2005. This occurred as a result of a reduction in capital activity with a corresponding decrease in State and local funding.

Enterprise Funds

The City operates six enterprise funds: Sanitary Sewer, Stormwater, Solid Waste and Recycling, Water Works, Community Planning and Economic Development (CPED), and Municipal Parking.

Overall, the enterprise funds had a positive net asset of \$577,820 at December 31, 2005. Total net assets for all enterprise funds increased by \$3,128 during 2005.

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

The following table summarizes the total assets, total liabilities, operating income, changes in net assets, and net asset balances for each of the enterprise funds, from 2004 to 2005:

Enterprise Funds								
Key Balance Sheet Account Balances and Revenue and Expense Activities								
December 31, 2005							Total	
	Sanitary Sewer	Storm water	Solid Waste & Recycling	Water Works	CPED	Municipal Parking	2005	2004
Assets	86,888	258,375	22,098	242,378	113,024	376,117	1,098,880	1,113,505
Liabilities	581	41,971	1,850	104,816	67,607	304,235	521,060	538,813
Operating Income(loss)	(652)	7,329	2,890	8,978	202	9,149	27,896	17,851
Changes in net assets	(855)	5,508	2,407	7,409	(13,539)	2,198	3,128	3,730
Net Assets	\$86,307	\$216,404	\$20,248	\$137,562	\$45,417	\$71,882	\$577,820	\$574,692

Sanitary Sewer Fund

The Sewer Rental fund was split in 2005 into two funds, Stormwater and Sanitary Sewer. The Sanitary Sewer fund accounts for the majority of the payments to the Metropolitan Council Environmental Services (MCES) for sewage interceptor and treatment services. It also accounts for the sanitary sewer maintenance and design. Overall, the net asset balance as of December 31, 2005 was \$86,307.

Stormwater Fund

The Stormwater fund accounts for Stormwater activities including the Combined Sewer Overflow (CSO) program. Overall, the net asset balance as of December 31, 2005 was \$216,404.

Solid Waste and Recycling Fund

The Solid Waste and Recycling Fund accounts for solid waste collection, disposal and recycling operations. The fund also includes “clean city” activities such as neighborhood clean sweeps, litter and graffiti removal, and litter control in the business districts. City crews provide approximately one-half of the solid waste collection services, while the remaining services are provided through contracts with private operators. The decrease in cash is partially due to a temporary year-end loan of \$13,600 to fund the cash deficit in the Municipal Parking Fund. The fund reported an increase in net assets of \$2,407 for 2005. The fund’s net asset balance at December 31, 2005 was \$20,248.

Water Works Fund

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 the cities of Bloomington, Columbia Heights, Hilltop, Golden Valley, New Hope, Crystal, and Edina. Net assets increased \$7,409 for the year, resulting in a net asset balance at December 31, 2005 of \$137,562.

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

Community Planning and Economic Development Enterprise Fund (CPED)

The CPED Enterprise Fund operates 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. Substantially all operating revenues are derived from fees charged to the users of the services provided. The river terminal accounts for the investment in capital assets of the fund.

During 2005, the City sold its theatre operations under a capital financing lease. As a result of this sale the capital assets of the CPED Enterprise Fund declined by \$29,098 and the net assets declined by \$13,539. The total assets of the fund decreased by \$36,130, and total fund liabilities decreased by \$22,590. The decreases were largely the result of the sale of three theatres operated by the fund and by the early retirement of debt in the housing mortgage program and the common bond fund.

Net assets decreased by \$13,539 during the year. The decrease is due to the loss on the disposal of capital assets from the sale of theatres, and an operating transfer from resources generated by an economic development program of the CPED Enterprise Fund for the benefit of other development activities of the City. The fund's net asset balance at December 31, 2005 was \$45,417.

Municipal Parking Fund

The Municipal Parking Fund accounts for the operation and maintenance of parking ramps, lots, on-street parking meters, municipal impound lot, and traffic/parking control system. Operating revenues decreased \$2 from 2004, but an \$8,072 decrease in operating expenses for the same period resulted in an increase of \$8,070 in operating income from the previous year. This was due to a reimbursement of \$8,500 in accumulated earnings to the State of Minnesota for ramps they own. Transfers from the Parking Fund to other funds increased by \$5,464. This was due to a one time reduction in the general fund transfer in 2004 of \$6,400 that was approved in the workout plan. The year-end operating cash deficit was funded by a \$13,600 loan from the Solid Waste and Recycling Fund. The net asset balance for December 31, 2005 was \$71,882, which is an increase of \$2,198 from 2004 balance of \$69,684.

A parking fund financial plan was developed to address declining results of operations and cash deficits within the fund. The plan includes a business strategy to address the diminishing use of City parking facilities; updates to aging revenue control equipment; management practices; maintenance to prevent future capital expense; and a strategy to maximize revenue on the existing programs. During 2005, as part of a workout plan, initiatives such as automation and centralization of operations and security systems have been implemented. Regarding on-street parking, management has addressed issues such as new meter rates and enforcement times.

Internal Service Funds

The City operates six internal service funds: Engineering Materials and Testing; Business Information 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. The previous eight years, the financial condition of these funds had deteriorated, reaching a low point at year-end 2000 when the combined net asset deficit had declined to (\$54,407). Now at the end of 2005, the combined net asset deficit in the internal service funds has

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

improved to (\$21,873). This improvement resulted largely from a change in accounting principle and prior period adjustments of \$17,555 from 2001, resulting from the implementation of GASB Statement No. 34. The restatement resulted in recognizing assets previously unrecorded within the internal service funds. The remaining improvement of \$14,963 can be credited to the deficit reduction plans that the Managers of their respective funds implemented. Another milestone reached is that all six Internal Service Funds had a positive cash balance at the end of 2005. If the Internal Service Funds continue on this pace of financial recovery, positive Net Assets will be achieved by the end of the year 2010.

The following table provides a summary of cash balances, total assets, total liabilities, operating income, changes in net asset and net asset balances for each of the internal service funds:

Internal Service Funds								
Key Balance Sheet Account Balances and Revenue and Expense Activities								
December 31, 2005							Total	
	Eng. Materials& Testing	Intergovernment al Services	Property Services	Equipment Services	Public Works Stores	Self Insurance	2005	2004
Cash	\$652	\$339	\$1,689	\$1,251	\$92	\$1,797	\$5,820	\$3,025
Assets	771	32,210	41,969	63,604	3,221	2,715	144,490	134,982
Liabilities	400	66,466	12,364	48,201	177	38,755	166,363	163,892
Operating Income(loss)	(167)	(5,477)	(1,164)	(111)	429	(6,806)	(13,296)	(25,513)
Changes in net assets	(229)	3,231	(471)	2,137	429	1,940	7,037	5,053
Net Assets	\$371	(\$34,256)	\$29,605	\$15,403	\$3,044	(\$36,040)	(\$21,873)	(\$28,910)

Engineering Materials and Testing Fund

This fund is used to account for operations of the City's Engineering Laboratory testing and inspection services along with the purchases of asphalt and ready-mix concrete. In 2003, the City Council took action to indefinitely discontinue operations of the asphalt plant. As a result, the Fund continues to account for the outside purchases of asphalt and ready-mix concrete.

The disposal of assets related to the discontinuation of operations of the asphalt plant was the major contributor to the losses of \$709, \$180, and \$229 in 2003, 2004 and 2005 respectively. Net Assets have been reduced from \$600 at the end of 2004 to \$371 at the end of 2005.

Intergovernmental Services Fund

This Fund accounts for information technology services, central mailing and printing services, and telecommunication operations. In 2003, the fund's beginning net asset balance was restated by \$7,866 to reflect corrections made to accurately present the fund's capital assets, accumulated depreciation, and related liability amounts. This positive adjustment reduced the beginning net asset deficit from (\$40,850) to (\$32,984). A loss in 2003 coupled with a net asset increase of \$2,307 in 2004, and another increase of \$3,230 in 2005 leaves the Fund's Net Asset deficit at (\$34,256). The deficit reduction plan forecasted that the fund would lose (\$1,527) at the end of 2005. This projection was updated during the fall of 2005 and indicated that fund would show a profit of \$1,967, it ended up positive \$3,231. This fund has tracked close to or performed better than projected the last two years.

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

Property Services

This fund accounts for the City's property and maintenance, including parking ramp maintenance, security, and space and asset management. During 2002, some of the City's properties were transferred to this fund from governmental funds, resulting in additional depreciation expense being incurred. Currently, the Property Services Fund does not have rental and other recovery rates sufficient to fully cover depreciation, which has resulted in a net asset decrease of \$471 for 2005. The net asset balance decreased to \$29,605 at the end of 2005.

Equipment Services

Equipment Services Fund is used to account for the City's fleet of vehicles and related equipment and accessories. The fund reported an increase in net assets of \$2,137 in 2005, and closed the year with a net asset balance of \$15,403.

There is an incentive for the customer to take care of the equipment or vehicles in the newly devised plan implemented in 2004 which charges actual expenses related to their vehicles. Procedures have been refined in 2005 in order to account for the multitude of transactions in a more efficient manner.

The updated Deficit Reduction Plan for this fund eliminates the sale of bonds to support the equipment purchases in 2006.

Public Works Stores

This fund is used to account for the centralized procurement, warehousing, and distribution of stocked inventory items, and the purchase of special goods and services. For 2005, the fund reported a net asset increase of \$429 with an ending net asset balance of \$3,044.

Self Insurance

This fund accounts for employee medical, dental, and life insurance benefits programs, occupational health services, severance payments, tort liability program, workers' compensation program, and the related administrative costs. Net assets increased \$1,940 in 2005, which benefited the fund's net asset position by reducing the total net asset deficit balance to \$(36,040) at year end. In 2006 City Council adopted the use of funds to reduce the Bond debt in the Self Insurance fund by \$3,082 to \$2,313.

BUDGET PROCESS

Minneapolis has faced significant pressures on its general city resources due to reductions in local government aid (LGA) from the state, for 2003 to 2005. The Mayor and City Council continue to take a long-term view of the City's financial pressures, anticipating in the City's financial planning future costs in areas such as employee compensation, debt, and pensions. Employee wages and benefits make up over 60 percent of the City's general fund expenses. Prior to 2003, City employees received pay increases that averaged greater than four percent annually. Debt pressures have increased as a result of internal service fund deficits and the timing of obligations related to a voter-approved \$140,000 bond issuance to build a new Central Library and fund improvements to the community libraries.

Increased pension costs associated with City's three closed pension plans - Minneapolis Employee Retirement Fund (MERF), Minneapolis Fire Relief Association (MFRA), and Minneapolis Police Relief Association (MPRA) - continue to have a significant impact on the budget. The City's contributions to these funds have significantly increased, primarily due to increased unfunded actuarial liabilities associated with these three plans. The City issued bonds in 2002, 2003 and 2004 to help finance payments to these plans. MERF members have been retiring at a faster pace than allowed for in the

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

actuarial assumptions. The MPRA and MFRA's unfunded liabilities increased, primarily due to the negative performance of the stock market. Recently, the Mayor and City Council have allocated one-time revenues from positive results in the general fund to avoid having to issue additional pension debt.

A major part of the budget planning efforts concentrated on consolidating all demands on the property tax into a ten-year projection. In 2002, the City projected that in order to continue to fund all of the City's current operations and debt service obligations, it was estimated that property tax revenues collected by the City would have had to triple by 2010. (This increase did not include revenue to provide additional services - these amounts reflected commitments for current programs only.) In this context, in July 2002, the elected officials adopted a property tax policy, which limited annual increases for the City's share of property taxes to a maximum of 8%. Half of this increase was dedicated to supporting the City's debt payments for increased pension obligations, internal service fund deficits, and increased library capital projects as called for in a voter approved referendum in 2000. The other half of the increase was for the cost of providing existing services. This policy was also adopted by the City's Board of Estimate and Taxation, thus capping the annual operating increases for the Minneapolis Park and Library boards at 4%. These policies remained in place for 2006.

In January 2003, the Mayor and City Council adopted a five-year financial direction and commitment to business planning. This direction established resource constraints within which departments were to prepare business plans for providing services with reduced funding. The combination of reduced spending and limited growth in property taxes addressed the City's existing challenges. The elected officials also adopted a 2% cap on wage increases for City employees.

The 2006 budget also reflects the 8% tax policy and a five-year financial outlook. The Mayor and City Council conducted strategic planning in the spring of 2006, setting goals and expectations for departments.

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, 2005, was \$1,859,767 (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 2.2% (a 4.5% increase for governmental activities and a 0.02% increase for business-type activities).

The following table summarizes capital assets for governmental and business-type activities for 2005 and 2004:

Capital Assets (Net of depreciation)

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Land and easements	\$ 111,632	\$ 111,288	\$ 135,076	\$ 136,425	\$ 246,708	\$ 247,713
Infrastructure	127,854	122,478	256,637	261,043	384,491	383,521
Construction in progress	201,433	169,993	85,780	157,360	287,213	327,353
Structures and improvement	417,493	418,775	451,702	373,176	869,195	791,951
Equipment	<u>64,763</u>	<u>60,617</u>	<u>7,397</u>	<u>7,772</u>	<u>72,160</u>	<u>68,389</u>
Total	<u>\$ 923,175</u>	<u>\$ 883,151</u>	<u>\$ 936,592</u>	<u>\$ 935,776</u>	<u>\$ 1,859,767</u>	<u>\$ 1,818,927</u>

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

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

- In 2002, the Water Department began an ultra filtration program with projected costs of approximately \$144,900 (expected completion date of 2007). This new system of water filtration will give the City's water system necessary plant improvements. The ultra filtration program is the most extensive program that the Water Department has ever started.
- The Parking Fund completed construction of the Guthrie and Mill Quarter ramps in 2005.
- The new Central Library Project started in 2002 with a budget of about \$125,826. The library project is in the final stages of construction and will be located on the same block as the old library. Construction of the new library began in 2003, with completion scheduled for 2006.
- 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.
- 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 the original estimated cost by \$5,800, due to security and increased concerns over levels of monitoring and automation. Total project costs are estimated to be \$18,800, with completion in 2005.
- The Heritage Park project has a budget of \$76,605, with costs to date totaling \$48,442. This project has an estimated completion date of 2007. The Heritage Park project is for affordable housing, environmental recommitment, and neighborhood-scaled development.

Additional information on the City's capital assets can be found in Note 4 on pages 56-57 of this report.

Long-term debt. As of December 31, 2005, the City had total long-term bonds outstanding of \$1,345,617 compared to \$1,394,028 in the prior year. Of this amount, \$932,096 related to governmental activities and \$413,521 related to business activities. The City had \$226,775 or 16.9% of the outstanding bonds in variable rate mode at year-end. In addition to bonded debt, the City had \$100,680 of long-term revenue notes outstanding at December 31, 2005, of which \$41,252 related to governmental activities and \$59,428 related to business activities.

The table below shows various classifications of the City's bonded debt at December 31, 2005 and the amount of principal due in 2006.

Summary of Outstanding Bonded Indebtedness	Balance			Balance	
	1/1/2005	Additions	Retirements	12/31/2005	Due in 2006
General Obligation (GO) Bonds:					
Property Tax Supported GO Bonds	\$ 268,115	\$ 49,311	\$ 46,446	\$ 270,980	\$ 21,415
Self Supporting GO Bonds	266,800	120	8,580	258,340	7,995
Special Assessment GO Bonds	49,298	15,190	19,082	45,406	5,116
Tax Increment GO Bonds	206,310	56,755	73,705	189,360	10,105
Internal Service Fund Related GO Bonds	101,155	12,385	12,615	100,925	15,630
Enterprise Fund Related GO Bonds	356,278	76,024	80,411	351,891	30,020
Total General Obligation Bonds	1,247,956	209,785	240,839	1,216,902	90,281

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

Summary of Outstanding Bonded Indebtedness	Balance 1/1/2005	Additions	Retirements	Balance 12/31/2005	Due in 2006
Revenue Bonds:					
Economic Development Revenue Bonds	74,682	9,365	16,962	67,085	11,874
Other Community Development Related Bonds	71,390	21,055	30,815	61,630	8,505
Total Outstanding Bonds	<u>1,394,028</u>	<u>240,205</u>	<u>288,616</u>	<u>1,345,617</u>	<u>110,660</u>

The City maintained a “AAA” rating from Standard & Poor’s and Fitch and an “Aa1” rating from Moody’s for its general obligation debt throughout 2005.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET AND RATES

Budget Outlook

The City’s future financial outlook is strong, but will require continued diligence in the management of significant funding pressures, including personnel costs, pension obligations, and internal service fund debt. The City has several policies in place to help address these pressures.

With the 2006 Budget, the City adopted a revised five-year financial direction. Specifically, growth in salary and wages are budgeted at two percent. Health and dental insurance expenditures are budgeted to increase approximately by 21 percent from the 2005 budget, from \$36,200 to \$43,700. The five-year financial direction includes an estimated 20 percent annual health benefit premium increase.

Increases in the City’s pension liabilities continue to put pressure on the City’s financial condition. With obligations of approximately \$113,000 in the next five years, the City must include its pension obligations in its long-term financial planning. The 2006 budget includes the use of \$10,000 in one-time resources to buy down and avoid additional pension debt. The City is pursuing legislative changes to the structure of its payments to the Minneapolis Employees Retirement Fund (MERF), which, if adopted, would likely end the practice of bonding for the pension payments.

Although the City continues to have a deficit in its Internal Service Funds, future budgets will continue to address these deficits through the Council-adopted workout plans. The 2006 budget includes an additional \$3,900 in funding for internal city services: self insurance (*i.e.*, workers compensation, general liability), equipment services (squad cars, fire trucks, and computers), and information technology services. The Equipment Services Fund is no longer experiencing a deficit.

Economic Outlook and Tax Trends

Minneapolis has historically had a strong commercial and industrial tax base. For taxes payable in 1996, Minneapolis commercial and industrial property paid 54.7 percent of the total taxes for the city, with the central business district alone paying almost 40 percent. After the 2001 property tax changes, for taxes payable in 2005, the proportion of taxes paid by commercial and industrial tax payers declined to 38.1% of the City’s total, with the central business district paying approximately 28 percent. For property taxes payable in 2010, the commercial/industrial share of taxes is projected to further decline, to a level of 30.5 percent. Corresponding percentages for residential property (defined as 1-3 dwelling units) show that this class paid 33.6 percent of the city’s taxes in 1996, increasing to 43.7 percent for taxes payable in 2005, and projected to be 60 percent for taxes payable in 2010. This represents almost a complete reversal in

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the share of the City's tax burden between the two property types. This shift highlights the local property tax burden on the residential homeowner.

Downtown Office Space—Vacancy Rate

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 real estate statistics. Colliers International reports on local real estate conditions twice annually. Collier's statistics indicate a decrease in vacancy rates in the Minneapolis Central Business District (CBD). Compared to 2004, the CBD Direct vacancy rate in 2005 decreased from 22.6% to 19.6%. The overall vacancy rate for the Twin Cities Office market went down slightly from the 2005 rate of 19.9% to 17.4%.

Lower rental rates, excess space, and higher concessions imply lower cash flows from office buildings, which, in turn, lower their taxable value. Lower taxable values on business properties increases the amount of the real estate tax levy borne by residential properties. These factors were considered in preparing the City's budget for the 2005 fiscal year.

The downtown office vacancy rate continues to exacerbate the financial problems of the City's Parking Fund. The City Council adopted a workout plan in 2004 to address the deficiencies in this fund.

Employment

The unemployment rate for the City of Minneapolis at the end of 2005, as released by the Minnesota Department of Employment and Economic Development, is 4.2%. This economic indicator is on par with comparisons including the State of Minnesota (4%) and the national unemployment rate (5.1%).

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 NET ASSETS
December 31, 2005

CITY OF MINNEAPOLIS, MINNESOTA
(In Thousands)

	Primary Government			Discrete Component Units	Total
	Governmental Activities	Business-type Activities	Total		
<u>ASSETS</u>					
Cash and cash equivalents	\$ 305,572	\$ 15,657	\$ 321,229	\$ 32,434	\$ 353,663
Deposits with fiscal agents	-	41,808	41,808	-	41,808
Fund investments	34,398	-	34,398	6,078	40,476
Investments with trustees	53,227	-	53,227	-	53,227
Receivables (net)	67,640	20,009	87,649	9,428	97,077
Due from component unit	157	-	157	-	157
Due from other government agencies	11,406	-	11,406	-	11,406
Capital leases	-	2,230	2,230	-	2,230
Prepays and other assets	559	-	559	542	1,101
Inventories	4,972	3,446	8,418	662	9,080
Internal Balances	7,363	(7,363)	-	-	-
Long-term portion of loans and notes receivable	195	5,805	6,000	-	6,000
Long-term portion of capital lease receivable	-	48,545	48,545	-	48,545
Long-term deferred charges	1,719	1,132	2,851	-	2,851
Properties held for resale	39,200	12	39,212	-	39,212
Capital assets:					
Nondepreciable	313,065	220,856	533,921	216,709	750,630
Depreciable, net	610,110	715,736	1,325,846	244,640	1,570,486
Total assets	<u>\$ 1,449,583</u>	<u>\$ 1,067,873</u>	<u>\$ 2,517,456</u>	<u>\$ 510,493</u>	<u>\$ 3,027,949</u>
<u>LIABILITIES</u>					
Accounts payable	\$ 16,905	\$ 6,394	\$ 23,299	\$ 17,969	\$ 41,268
Interest payable	91,615	2,815	94,430	-	94,430
Accrued salaries and benefits	15,982	2,670	18,652	3,754	22,406
Unpaid claims payable	31,101	-	31,101	7,612	38,713
Due to primary government	-	-	-	157	157
Due to other governmental agencies	193	110	303	-	303
Unearned revenue	21,151	661	21,812	-	21,812
Deposits	4,152	6,011	10,163	-	10,163
Long-term interest payable	-	14,215	14,215	-	14,215
Compensated absences:					
Due within one year	13,241	679	13,920	3,639	17,559
Due beyond one year	10,857	1,584	12,441	2,019	14,460
Long-term liabilities:					
Due within one year	73,029	39,471	112,500	-	112,500
Due beyond one year	916,621	432,840	1,349,461	-	1,349,461
Total liabilities	<u>1,194,847</u>	<u>507,450</u>	<u>1,702,297</u>	<u>35,150</u>	<u>1,737,447</u>
<u>NET ASSETS</u>					
Invested in capital assets, net of related debt	319,954	523,073	843,027	461,343	1,304,370
Restricted:					
Debt service	42,667	37,030	79,697	-	79,697
Culture and recreation	-	-	-	1,354	1,354
Unrestricted	(107,885)	320	(107,565)	12,646	(94,919)
Total net assets	<u>254,736</u>	<u>560,423</u>	<u>815,159</u>	<u>475,343</u>	<u>1,290,502</u>
Total liabilities and net assets	<u>\$ 1,449,583</u>	<u>\$ 1,067,873</u>	<u>\$ 2,517,456</u>	<u>\$ 510,493</u>	<u>\$ 3,027,949</u>

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

STATEMENT OF ACTIVITIES
For the Fiscal Year Ended December 31, 2005

CITY OF MINNEAPOLIS, MINNESOTA
(In Thousands)

FUNCTIONS/PROGRAMS	Net (Expenses) Revenues and Changes in Net Assets								
	Program Revenues			Primary Government					
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Discrete Component Units	Total
Primary government									
Governmental Activities:									
General government	\$ 68,095	\$ 19,805	\$ 4,402	\$ 4,656	\$ (39,232)	\$ -	\$ (39,232)	\$ -	\$ (39,232)
Public safety	215,366	38,002	22,095	-	(155,269)	-	(155,269)	-	(155,269)
Public works	28,909	5,169	149	9,202	(14,389)	-	(14,389)	-	(14,389)
Culture and recreation	48,744	-	43	-	(48,701)	-	(48,701)	-	(48,701)
Health and welfare	13,502	536	9,654	-	(3,312)	-	(3,312)	-	(3,312)
Community & economic development	133,037	44,447	48,958	-	(39,632)	-	(39,632)	-	(39,632)
Interest on long-term debt	34,383	-	-	-	(34,383)	-	(34,383)	-	(34,383)
Total governmental activities	542,036	107,959	85,301	13,858	(334,918)	-	(334,918)	-	(334,918)
Business-type activities:									
Sanitary sewer	26,880	33,756	-	-	-	6,876	6,876	-	6,876
Stormwater	25,898	31,336	-	-	-	5,438	5,438	-	5,438
Water works	46,292	60,118	-	-	-	13,826	13,826	-	13,826
Municipal parking	56,676	55,300	-	-	-	(1,376)	(1,376)	-	(1,376)
Solid waste and recycling	24,500	29,443	-	-	-	4,943	4,943	-	4,943
Community & economic development	24,517	12,125	-	-	-	(12,392)	(12,392)	-	(12,392)
Total business-type activities	204,763	222,078	-	-	-	17,315	17,315	-	17,315
Total primary government	\$ 746,799	\$ 330,037	\$ 85,301	\$ 13,858	(334,918)	17,315	(317,603)	-	(317,603)
Component units:									
Discrete component units	\$ 112,392	\$ 21,836	\$ 4,938	\$ 55,579				(30,039)	(30,039)
General Revenues:									
Taxes:									
General property tax and fiscal disparities					131,261	-	131,261	49,729	180,990
Property tax increment					64,044	-	64,044	7	64,051
Franchise fees					27,702	-	27,702	-	27,702
Convention center taxes					55,064	-	55,064	-	55,064
Other taxes					228	-	228	8,830	9,058
Intergovernmental - unrestricted					65,921	-	65,921	404	66,325
Grants and contributions not restricted to programs					-	-	-	17,297	17,297
Unrestricted interest and investment earnings					13,510	1,359	14,869	343	15,212
Miscellaneous					-	-	-	997	997
Other					1,144	1,580	2,724	-	2,724
Gain on sale of capital assets					-	2	2	-	2
Transfers					19,291	(19,291)	-	-	-
Total general revenues and transfers					378,165	(16,350)	361,815	77,607	439,422
Change in net assets					43,247	965	44,212	47,568	91,780
Net assets- January 1					211,489	559,458	770,947	427,775	1,198,722
Net assets- December 31					\$ 254,736	\$ 560,423	\$ 815,159	\$ 475,343	\$ 1,290,502

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

**GOVERNMENTAL FUNDS
BALANCE SHEET
December 31, 2005**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	General	Community Planning and Economic Development	Convention Center	Permanent Improvement	Non-Major Governmental	Total
ASSETS						
Cash and cash equivalents	\$ 57,033	\$ 155,654	\$ 15,887	\$ 3,292	\$ 67,886	\$ 299,752
Fund investments	-	34,398	-	-	-	34,398
Investments with trustees	-	9,051	-	40,398	3,778	53,227
Receivables:						
Accounts - net	5,032	773	6,173	1,108	958	14,044
Taxes	2,676	428	-	55	916	4,075
Special assessments	598	-	-	2,951	28,998	32,547
Loans	-	3,158	4,356	-	8,838	16,352
Intergovernmental	1,299	1,118	-	-	8,807	11,224
Due from other funds	3,523	1,041	233	-	293	5,090
Advances to other funds	1,749	10	12,800	-	-	14,559
Land held for development	-	39,200	-	-	-	39,200
Inventories	347	-	-	-	-	347
Prepaid items	363	-	-	-	1	364
Total assets	72,620	244,831	39,449	47,804	120,475	525,179
LIABILITIES and FUND BALANCES						
Liabilities:						
Salaries payable	11,556	381	611	476	606	13,630
Accounts payable	2,834	3,092	1,250	1,005	2,770	10,951
Intergovernmental payable	-	193	-	-	-	193
Due to other funds	270	53	233	18,943	2,835	22,334
Deposits held for others	1,971	882	1,299	-	-	4,152
Deferred Revenue	2,427	3,637	206	5,880	46,227	58,377
Total liabilities	19,058	8,238	3,599	26,304	52,438	109,637
Fund balances:						
Reserved for:						
Land held for development	-	39,200	-	-	-	39,200
Specific development projects	-	112,954	-	-	-	112,954
Encumbrances	265	20,925	277	217	-	21,684
Prepaid items	363	-	-	-	1	364
Inventory	347	-	-	-	-	347
Loans	-	79	-	-	-	79
Advances	1,749	10	12,800	-	-	14,559
Pension liability	-	-	-	-	14,739	14,739
Unreserved, reported in						
General Fund	50,838	-	-	-	-	50,838
Special Revenue Fund	-	63,425	22,773	-	10,630	96,828
Debt Service Fund	-	-	-	-	42,667	42,667
Capital Project Fund	-	-	-	21,283	-	21,283
Total fund balances	53,562	236,593	35,850	21,500	68,037	415,542
Total liabilities and fund balances	\$ 72,620	\$ 244,831	\$ 39,449	\$ 47,804	\$ 120,475	\$ 525,179

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

**Reconciliation of the Governmental Funds Balance Sheet to the
Government-Wide Statement of Net Assets - Governmental Activities
December 31, 2005**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

Fund balances - total governmental funds	\$	415,542
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		
Non-Depreciable	275,243	
Depreciable	913,902	
Accumulated Depreciation	<u>(390,793)</u>	798,352
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds, primarily deferred special assessments.		
		43,700
Internal service funds are used by management to charge the costs of engineering materials and testing, intergovernmental services, property services, permanent improvement equipment, public works stores, and self-insurance.		
		(21,873)
Receivable from business-type funds for internal service fund activity		
		17,397
Accruals to record an accounts receivable allowance, interest receivable on loans and notes, and an adjustment to loans receivable balances.		
		482
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.		
Bonds and Notes Payable and any related unamortized premiums/discounts	(885,017)	
Operating and Capital leases payable	(182)	
Contracts payable	(162)	
Bond Interest Payable	(91,240)	
Compensated Absences	<u>(22,263)</u>	<u>(998,864)</u>
Net assets of governmental activities	\$	<u>254,736</u>

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

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended December 31, 2005**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	General	Community Planning and Economic Development	Convention Center	Permanent Improvement	Nonmajor Governmental	Total
REVENUES:						
Taxes	\$ 125,203	\$ 64,176	\$ 55,064	\$ 1,868	\$ 31,100	\$ 277,411
Licenses and permits	25,044	-	-	345	446	25,835
Intergovernmental revenues	80,290	20,190	-	13,221	55,857	169,558
Charges for services and sales	33,976	7,109	6,220	4,195	1,090	52,590
Fines and forfeits	10,016	-	-	-	664	10,680
Special assessments	2,839	-	-	1,354	7,310	11,503
Interest	1,952	6,234	616	1,864	2,626	13,292
Miscellaneous revenues	693	16,674	9,988	1,092	6,249	34,696
Total revenues	<u>280,013</u>	<u>114,383</u>	<u>71,888</u>	<u>23,939</u>	<u>105,342</u>	<u>595,565</u>
EXPENDITURES:						
Current:						
General government	44,236	-	61	651	13,932	58,880
Public safety	171,002	-	-	-	38,451	209,453
Public works	38,754	-	-	-	450	39,204
Culture and recreation	-	-	-	48,702	42	48,744
Health and welfare	3,649	-	-	-	9,609	13,258
Community & economic development	3,366	74,504	32,901	-	17,693	128,464
Capital outlay	-	-	-	46,141	-	46,141
Debt Service:						
Principal retirement	-	-	-	-	90,825	90,825
Interest and fiscal charges	-	-	-	-	62,456	62,456
Total expenditures	<u>261,007</u>	<u>74,504</u>	<u>32,962</u>	<u>95,494</u>	<u>233,458</u>	<u>697,425</u>
Excess (deficiency) of revenues over (under) expenditures	<u>19,006</u>	<u>39,879</u>	<u>38,926</u>	<u>(71,555)</u>	<u>(128,116)</u>	<u>(101,860)</u>
OTHER FINANCING SOURCES (USES):						
Transfers from other funds	17,981	14,502	2,531	169	124,481	159,664
Transfers (to) other funds	(44,777)	(71,232)	(35,531)	(6,876)	(21,420)	(179,836)
Bonds issued	-	4,935	-	54,421	-	59,356
Refunding bonds issued	-	-	-	2,135	69,250	71,385
Premium (Discount)	-	-	-	710	3,583	4,293
Payments to escrow agents	-	-	-	-	(74,820)	(74,820)
Total other financing sources (uses)	<u>(26,796)</u>	<u>(51,795)</u>	<u>(33,000)</u>	<u>50,559</u>	<u>101,074</u>	<u>40,042</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(7,790)</u>	<u>(11,916)</u>	<u>5,926</u>	<u>(20,996)</u>	<u>(27,042)</u>	<u>(61,818)</u>
Fund balances - January 1	<u>61,352</u>	<u>248,509</u>	<u>29,924</u>	<u>42,496</u>	<u>95,079</u>	<u>477,360</u>
Fund balances - December 31	<u>\$ 53,562</u>	<u>\$ 236,593</u>	<u>\$ 35,850</u>	<u>\$ 21,500</u>	<u>\$ 68,037</u>	<u>\$ 415,542</u>

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

**Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds to the
Statement of Activities - Governmental Activities
For the Fiscal Year Ended December 31, 2005**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

Net increase (decrease) in fund balances - total governmental funds		(61,818)
Amounts reported for governmental activities in the statement of activities are different because:		
Interest receivable is not recorded within the fund level statements.		226
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net expense of certain activities of the internal service funds is reported with governmental activities with amounts related to business type activities shown as an internal balance.		7,037
Transfers from business-type funds for internal service fund activity		2,163
Governmental funds report capital outlay 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.		
Expenditures for general capital assets, infrastructure, and other related capital assets:		59,253
Less loss on retirement of capital assets		(105)
Less current year depreciation		(21,812)
Revenues and expenses in the statement of activities that do not provide current financial resources are not reported as revenues and expenses in the funds.		4,992
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets:		
Bonds Principal Payments	161,495	
Bond Proceeds	(135,034)	26,461
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:		
Change in accrued interest payable	28,073	
Change in compensated absences	(1,223)	26,850
Increase (decrease) in net assets of governmental activities		<u><u>43,247</u></u>

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

**PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
December 31, 2005**

**CITY OF MINNEAPOLIS, MINNESOTA
(Continued)
(In Thousands)**

	Business-type Activities - Enterprise Funds						Governmental Activities	
	Sanitary Sewer	Stormwater	Water Works	Municipal Parking	Solid Waste and Recycling	Community Planning and Economic Development	Total	Internal Service Funds
ASSETS								
Current assets:								
Cash and cash equivalents	\$ 6,181	\$ 3,517	\$ 1,992	\$ 2,230	\$ 347	\$ 1,390	\$ 15,657	\$ 5,820
Deposits with fiscal agents	-	-	-	1,132	-	40,676	41,808	-
Investments with trustees	-	-	-	-	-	-	-	-
Receivables:								
Accounts - net	3,425	2,189	5,210	2,702	3,483	90	17,099	335
Special assessments:								
Current	-	9	18	4	1	-	32	-
Delinquent	-	49	104	3	21	-	177	-
Deferred	-	132	799	-	1	-	932	-
Loans	-	-	-	-	-	987	987	-
Notes	-	-	-	-	-	620	620	-
Interest	-	-	-	-	-	162	162	-
Intergovernmental	-	-	-	-	-	-	-	182
Capital leases	-	-	-	-	-	2,230	2,230	-
Due from other funds	-	5,471	-	4,573	13,600	-	23,644	8,245
Due from component unit	-	-	-	-	-	-	-	157
Inventories	-	-	2,465	-	981	-	3,446	4,625
Properties held for resale	-	-	-	-	-	12	12	-
Prepaid items	-	-	-	-	-	-	-	195
Total current assets	9,606	11,367	10,588	10,644	18,434	46,167	106,806	19,559
Long-term assets:								
Receivables:								
Loans	-	-	-	-	-	2,545	2,545	-
Notes	-	-	-	-	-	3,260	3,260	-
Capital leases	-	-	-	-	-	48,545	48,545	-
Deferred charges	-	74	99	884	-	75	1,132	108
Capital assets:								
Nondepreciable								
Land, leaseholds and easements	1	7,191	2,993	120,625	16	4,250	135,076	23,850
Construction in progress	178	59,332	25,314	956	-	-	85,780	13,972
Depreciable								
Less accumulated depreciation								
Buildings and structures	-	-	155,941	347,689	2,047	16,934	522,611	55,732
Less accumulated depreciation	-	-	(35,472)	(105,768)	(1,921)	(8,801)	(151,962)	(22,416)
Public improvements	125,957	256,590	127,879	53	-	-	510,479	3,066
Less accumulated depreciation	(49,124)	(76,787)	(46,175)	(2)	-	-	(172,088)	(2,392)
Machinery and equipment	1,182	1,374	3,034	1,374	9,499	453	16,916	68,496
Less accumulated depreciation	(914)	(1,097)	(2,057)	(718)	(6,175)	(404)	(11,365)	(31,170)
Computer equipment	10	193	249	1,729	178	-	2,359	41,252
Less accumulated depreciation	(8)	(152)	(227)	(1,389)	(164)	-	(1,940)	(34,414)
Software	-	1,488	1,847	136	955	-	4,426	14,459
Less accumulated depreciation	-	(1,198)	(1,639)	(104)	(771)	-	(3,712)	(5,620)
Other capital outlay	-	-	19	15	-	-	34	51
Less accumulated depreciation	-	-	(15)	(7)	-	-	(22)	(43)
Total long-term assets	77,282	247,008	231,790	365,473	3,664	66,857	992,074	124,931
Total assets	\$ 86,888	\$ 258,375	\$ 242,378	\$ 376,117	\$ 22,098	\$ 113,024	\$ 1,098,880	\$ 144,490

**PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
December 31, 2005**

**CITY OF MINNEAPOLIS, MINNESOTA
(Continued)
(In Thousands)**

	Business-type Activities - Enterprise Funds						Total	Governmental
	Sanitary Sewer	Stormwater	Water Works	Municipal Parking	Solid Waste and Recycling	Community Planning and Economic Development		Internal Service Funds
LIABILITIES								
Current liabilities:								
Salaries payable	\$ 195	\$ 365	\$ 1,309	\$ 341	\$ 449	\$ 11	\$ 2,670	\$ 2,352
Accounts payable	216	174	1,690	3,196	1,006	112	6,394	5,954
Intergovernmental payable	-	-	110	-	-	-	110	-
Due to other funds	-	-	-	13,600	-	-	13,600	1,045
Deposits held for others	13	224	239	2,064	4	3,467	6,011	-
Advances from other funds	-	-	-	-	-	10	10	-
Interest payable	-	122	682	1,704	-	307	2,815	375
Unearned revenue	-	-	-	-	-	661	661	6,474
Bonds payable-current portion	-	8,360	7,476	14,174	-	8,515	38,525	15,630
Notes payable-current portion	-	-	840	-	-	106	946	-
Compensated absences payable-current portion	47	107	321	86	117	1	679	549
Total current liabilities	471	9,352	12,667	35,165	1,576	13,190	72,421	32,379
Long-term liabilities:								
Interest payable	-	4,239	6,906	3,070	-	-	14,215	-
Bonds payable	-	28,166	26,689	266,675	-	53,466	374,996	85,525
Unamortized premium (discounts)	-	(35)	273	(877)	-	-	(639)	1,523
Advances from other funds	-	-	-	-	-	-	-	14,549
Notes payable	-	-	57,533	-	-	950	58,483	-
Compensated absences payable	110	249	748	202	274	1	1,584	1,286
Unpaid claims payable	-	-	-	-	-	-	-	31,101
Total long-term liabilities	110	32,619	92,149	269,070	274	54,417	448,639	133,984
Total liabilities	581	41,971	104,816	304,235	1,850	67,607	521,060	166,363
NET ASSETS								
Invested in capital assets, net of related debt	77,282	210,443	138,879	84,617	3,664	8,188	523,073	27,541
Restricted	-	-	-	-	-	37,030	37,030	-
Unrestricted	9,025	5,961	(1,317)	(12,735)	16,584	199	17,717	(49,414)
Total net assets	86,307	216,404	137,562	71,882	20,248	45,417	577,820	(21,873)
Total liabilities and net assets	\$ 86,888	\$ 258,375	\$ 242,378	\$ 376,117	\$ 22,098	\$ 113,024	\$ 1,098,880	\$ 144,490

Net assets - total enterprise funds \$ 577,820

Some amounts reported for business-type activities in the statement of net assets are different because certain internal service fund assets and liabilities are included with business-type activities.

(17,397)

Net assets of business-type activities

\$ 560,423

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

**PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS
For the Fiscal Year Ended December 31, 2005**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Business-type Activities - Enterprise Funds						Total	Governmental
	Sanitary Sewer	Stormwater	Water Works	Municipal Parking	Solid Waste and Recycling	Community Planning and Economic Development		Internal Service Funds
Operating revenues:								
Charges for services and sales	\$ 36,904	\$ 28,812	\$ 59,495	\$ 55,091	\$ 27,715	\$ 8,976	\$ 216,993	\$ 110,937
Interest	6	-	-	-	-	3,064	3,070	-
Rents and commissions	-	-	-	144	-	-	144	27,692
Other	-	2,263	50	-	1,790	85	4,188	-
Total operating revenues	36,910	31,075	59,545	55,235	29,505	12,125	224,395	138,629
Operating expenses:								
Personal services	3,408	6,004	18,884	5,549	8,022	103	41,970	41,549
Contractual services	6,600	11,955	17,469	33,392	16,492	9,985	95,893	71,589
Materials, supplies, services and other	26,325	2,121	6,301	593	1,138	492	36,970	17,786
Rent	-	-	-	-	-	-	-	865
Cost of stores issuance	-	-	1,462	-	-	-	1,462	7,385
Depreciation	1,229	3,666	6,451	6,552	963	1,343	20,204	12,751
Total operating expenses	37,562	23,746	50,567	46,086	26,615	11,923	196,499	151,925
Operating income (loss)	(652)	7,329	8,978	9,149	2,890	202	27,896	(13,296)
Non-operating revenues (expenses):								
Interest revenue	-	89	54	211	-	1,005	1,359	7
Interest expense	-	(2,152)	(3,623)	(12,058)	-	(4,513)	(22,346)	(4,538)
Gain (loss) on disposal of capital assets	-	-	-	2	-	(8,081)	(8,079)	251
Special assessments	-	261	825	107	76	-	1,269	-
Damages/losses recovered	-	-	-	-	-	-	-	257
Other revenues	-	11	1,523	46	-	-	1,580	5,633
Total non-operating revenues (expenses)	-	(1,791)	(1,221)	(11,692)	76	(11,589)	(26,217)	1,610
Income (loss) before transfers	(652)	5,538	7,757	(2,543)	2,966	(11,387)	1,679	(11,686)
Transfers in (out):								
Transfers from other funds	-	292	382	15,878	199	2,000	18,751	19,643
Transfers to other funds	(203)	(322)	(730)	(11,137)	(758)	(4,152)	(17,302)	(920)
Total transfers	(203)	(30)	(348)	4,741	(559)	(2,152)	1,449	18,723
Change in net assets	(855)	5,508	7,409	2,198	2,407	(13,539)	3,128	7,037
Net assets - January 1	87,162	210,896	130,153	69,684	17,841	58,956		(28,910)
Net assets - December 31	\$ 86,307	\$ 216,404	\$ 137,562	\$ 71,882	\$ 20,248	\$ 45,417		\$ (21,873)

Some amounts reported for business-type activities in the statement of activities are different because the net revenue (expense) of certain internal service funds is reported with business-type activities.

(2,163)

Change in net assets of business-type activities

\$ 965

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

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended December 31, 2005**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Sanitary Sewer	Stormwater	Water Works	Municipal Parking	Solid Waste and Recycling	Community Planning and Economic Development	Total	Governmental Activities Internal Service Funds
Cash flows from operating activities:								
Cash received from customers and users	\$ 37,465	\$ 37,981	\$ 66,466	\$ 50,825	\$ 14,874	\$ (4,896)	\$ 202,715	\$ 143,010
Payments to suppliers and users	(32,709)	(14,993)	(28,196)	(30,297)	(17,877)	(10,465)	(134,537)	(101,772)
Payments to employees	(3,056)	(6,273)	(19,183)	(5,554)	(7,984)	(97)	(42,147)	(38,706)
Net Cash Provided (used) by operating Activities	1,700	16,715	19,087	14,974	(10,987)	(15,458)	26,031	2,532
Cash flows from non-capital financing activities:								
Bonds issued	-	-	-	-	-	21,055	21,055	-
Transfers from other funds	-	292	382	15,878	199	2,000	18,751	19,643
Advances from other funds	-	-	-	-	-	-	-	1,749
Interfund loans payable	-	-	-	-	-	-	-	(279)
Principal paid on bonds and notes	-	-	-	-	-	(31,853)	(31,853)	(890)
Interest paid on bonds and notes	-	-	-	-	-	(4,599)	(4,599)	(142)
Transfers to other funds	(203)	(322)	(730)	(11,137)	(758)	(4,152)	(17,302)	(921)
Other non-operating revenues	-	11	-	46	-	-	57	-
Net cash provided (used) by non-capital financing activities	(203)	(19)	(348)	4,787	(559)	(17,549)	(13,891)	19,160
Cash Flows from capital and related financing activities								
Bonds issued	-	5,079	4,250	20,650	-	-	29,979	12,385
Refunding bonds issued	-	715	-	45,330	-	-	46,045	-
Notes issued	-	-	8,120	-	-	-	8,120	-
Payments to escrow agents	-	(720)	-	(47,371)	-	-	(48,091)	-
Principal paid on bonds	-	(9,609)	(10,069)	(12,834)	-	-	(32,512)	(11,744)
Interest paid on bonds	-	(2,352)	(4,078)	(12,127)	-	-	(18,557)	(4,526)
Principal paid on notes	-	-	(750)	-	-	-	(750)	-
Acquisition and construction of capital assets	(191)	(10,572)	(18,463)	(18,659)	(892)	(1,163)	(49,940)	(16,065)
Premium (discount)	-	113	95	2,460	-	-	2,668	231
Bond issuance costs	-	(10)	(9)	(285)	-	-	(304)	(61)
Proceeds from sale of capital assets	-	-	-	-	-	20,838	20,838	876
Net cash provided (used) by capital and related financing activities	(191)	(17,356)	(20,904)	(22,836)	(892)	19,675	(42,504)	(18,904)
Cash flows from investing activities:								
Purchase of investments	-	-	-	-	-	(7,355)	(7,355)	-
Sale of investments	-	-	-	-	-	15,208	15,208	-
Interest	-	89	54	211	-	1,059	1,413	7
Net cash provided (used) by investing activities	-	89	54	211	-	8,912	9,266	7
Net increase (decrease) in cash and cash equivalents	1,306	(571)	(2,111)	(2,864)	(12,438)	(4,420)	(21,098)	2,795
Cash and cash equivalents, beginning of year	4,875	4,088	4,103	5,094	12,785	5,810	36,755	3,025
Cash and cash equivalents, end of year	\$ 6,181	\$ 3,517	\$ 1,992	\$ 2,230	\$ 347	\$ 1,390	\$ 15,657	\$ 5,820
Reconciliation of operating income to net cash provided (used) by operating activities								
Operating income (loss)	\$ (652)	\$ 7,329	\$ 8,978	\$ 9,149	\$ 2,890	\$ 202	\$ 27,896	\$ (13,298)
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:								
Depreciation	1,229	3,666	6,451	6,552	963	1,343	20,204	12,751
Accounts receivable (net)	541	(1,595)	4,483	29	(1,108)	9,532	11,882	689
Loans receivable	-	-	-	-	-	1,405	1,405	-
Notes Receivable	-	-	-	-	-	585	585	-
Interest receivable	-	-	-	-	-	25	25	-
Special assessments receivable	-	(6)	45	(3)	2	-	38	-
Capital lease receivable	-	-	-	-	-	(17,264)	(17,264)	-
Intergovernmental Receivable	-	-	-	-	130	-	130	(25)
Inventories	-	-	(212)	-	-	34	(178)	304
Prepays	-	-	-	-	-	53	53	(106)
Deferred charges	-	-	-	-	-	333	333	-
Due from other funds	-	8,486	-	(4,573)	(13,600)	-	(9,687)	(4,833)
Due to other funds	-	(211)	(497)	5,158	(50)	-	4,400	(4,586)
Salaries payable	196	(133)	(198)	-	34	10	(91)	282
Accounts payable	216	(707)	(2,245)	(1,468)	(391)	(379)	(4,974)	266
Intergovernmental payable	-	-	(10)	(2)	63	(29)	22	(6)
Deposit held for others	13	(239)	45	29	1	(11,182)	(11,333)	-
Unearned revenue	-	-	-	-	-	(121)	(121)	2,643
Compensated absences payable	157	(136)	(101)	(5)	3	(5)	(87)	(154)
Unpaid claims	-	-	-	-	-	-	-	2,715
Special assessments	-	261	825	108	76	-	1,270	-
Damages/losses recovered	-	-	-	-	-	-	-	257
Other non-operating revenues	-	-	1,523	-	-	-	1,523	5,633
Net cash provided (used) by operating activities	\$ 1,700	\$ 16,715	\$ 19,087	\$ 14,974	\$ (10,987)	\$ (15,458)	\$ 26,031	2,532
Non-cash investing, capital and financing activities:								
(Loss) on disposal of capital assets	\$ -	\$ -	\$ -	\$ (4,150)	\$ -	\$ -	\$ (4,150)	\$ (305)

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

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
December 31, 2005**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 791
Receivables:	
Accounts-net	<u>90</u>
Total assets	<u><u>881</u></u>
LIABILITIES	
Accounts payable	657
Deposits held for others	<u>224</u>
Total liabilities	<u><u>\$ 881</u></u>

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

**COMBINING STATEMENT OF NET ASSETS
DISCRETE COMPONENT UNITS
For the Fiscal Year Ended December 31, 2005**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	<u>Library Board</u>	<u>Park Board</u>	<u>Municipal Building Commission</u>	<u>Total Discrete Component Units</u>
<u>ASSETS</u>				
Cash and investments	\$ 17,125	\$ 14,145	\$ 1,164	\$ 32,434
Fund investments	6,078	-	-	6,078
Receivables (net)	5,585	2,939	904	9,428
Prepays and other assets	542	-	-	542
Inventories	32	630	-	662
Capital assets:				
Nondepreciable	126,387	86,267	4,055	216,709
Depreciable, net	43,009	189,464	12,167	244,640
Total assets	<u>198,758</u>	<u>293,445</u>	<u>18,290</u>	<u>510,493</u>
<u>LIABILITIES</u>				
Accounts payable	15,779	1,424	766	17,969
Interest payable	-	-	-	-
Accrued salaries and benefits	905	2,611	238	3,754
Note payable	-	-	-	-
Unpaid claims payable	-	7,612	-	7,612
Due to primary government	-	157	-	157
Compensated absences:				
Due within one year	757	2,749	133	3,639
Due beyond one year	420	1,508	91	2,019
Total liabilities	<u>17,861</u>	<u>16,061</u>	<u>1,228</u>	<u>35,150</u>
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	169,390	275,731	16,222	461,343
Restricted - Culture and recreation	1,354	-	-	1,354
Unrestricted	10,153	1,653	840	12,646
Total net assets	<u>180,897</u>	<u>277,384</u>	<u>17,062</u>	<u>475,343</u>
Total liabilities and net assets	<u>\$ 198,758</u>	<u>\$ 293,445</u>	<u>\$ 18,290</u>	<u>\$ 510,493</u>

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

**COMBINING STATEMENT OF ACTIVITIES
DISCRETE COMPONENT UNITS
For the Fiscal Year Ended December 31, 2005**

**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	Library Board	Park Board	Municipal Building Commission	Total Discrete Component Units
Library Board	\$ 19,372	\$ 742	\$ 1,572	\$ 47,095	\$ 30,037	\$ -	\$ -	\$ 30,037
Park Board	84,636	16,263	3,366	8,484	-	(56,523)	-	(56,523)
Municipal Building Commission	8,384	4,831	-	-	-	-	(3,553)	(3,553)
Total discrete component unit activities	\$ 112,392	\$ 21,836	\$ 4,938	\$ 55,579	30,037	(56,523)	(3,553)	(30,039)
General Revenues:								
Taxes:								
General property tax and fiscal disparities					11,666	34,573	3,490	\$ 49,729
Property tax increment					-	-	7	7
Other taxes					-	8,830	-	8,830
Local government aid					-	-	404	404
Grants and contributions not restricted to specific programs					6,963	10,334	-	17,297
Unrestricted interest and investment earnings					343	-	-	343
Other					-	-	-	-
Restricted interest and investment earnings					-	-	-	-
Miscellaneous					269	3	725	997
Total general revenues, special items, and transfers					19,241	53,740	4,626	77,607
Change in net assets					49,278	(2,783)	1,073	47,568
Net assets- January 1,					131,619	280,167	15,989	427,775
Net assets- December 31,					\$ 180,897	\$ 277,384	\$ 17,062	\$ 475,343

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

For the fiscal year ended December 31, 2005

(Dollar Amounts Expressed in Thousands)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Minneapolis (City) have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A - REPORTING ENTITY

The City is a municipal corporation governed by a Mayor-Council form of government. It was incorporated in 1867, and it adopted a Charter on November 2, 1920. The Mayor and 13 City Council Members from individual wards are elected for terms of four years without limit on the number of terms that may be served. The Mayor and City Council are jointly responsible for the annual preparation of a budget and a five-year capital improvement program. The Mayor has veto power, which the Council may override with a vote of nine members. The City employs a Finance Officer who is charged with maintaining and supervising the various accounts and funds of the City as well as several boards and commissions.

As required by GAAP, the basic financial statements present the reporting entity which consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the City's basic financial statements to be misleading or incomplete.

BLENDED COMPONENT UNIT

The following component unit has been presented as a blended component unit because the component unit's governing body is substantially the same as the governing body of the City, or the component unit provides services almost entirely to the primary government.

▪ Board of Estimate and Taxation

The Board of Estimate and Taxation (BET) is established under Chapter 15 of the City Charter. It is composed of seven members, two of whom are elected by voters of the City. The Mayor, or the Mayor's appointee, the President of the City Council, and the Chair of the City Council's Ways and Means/Budget Committee are ex-officio members of the board. The Minneapolis Park and Recreation Board and Minneapolis Library Board annually select one of its members to serve on the Board of Estimate and Taxation. By action of the City Council, or such other governing board of a department requesting the sale of bonds, the Board of Estimate and Taxation may vote to incur indebtedness and issue and sell bonds and pledge the full faith and credit of the City for payment of principal and interest. The Board of Estimate and Taxation also establishes the maximum property tax levies for most City funds and maintains responsibility for the internal audit function for the City including boards and commissions that are component units of the City.

DISCRETELY PRESENTED COMPONENT UNITS

The component unit column in the government-wide financial statements includes the financial data of the City's other component units. The units are reported in a separate column to emphasize that they are legally separate from the City but are included because the primary government is financially accountable and is able to impose its will on the organizations. These units subscribe to the accounting policies and procedures of the primary government.

▪ Minneapolis Library Board

The Minneapolis Library Board (Library Board) was established according to Chapter 17 of the City Charter. It is an eight-member board, six of whom are elected for four-year terms by voters of the City. The Mayor and the City Council each appoint one member. The Library Board is responsible for operating and maintaining libraries located throughout the City. The Mayor recommends the tax levies and budget for the Library Board and the City Council and Mayor approve the allocations of the state's local government aid for Library Board operations. The Board of Estimate and Taxation approves the property tax levy for the Library Board, and the full faith and credit of the City

For the fiscal year ended December 31, 2005

(Dollar Amounts Expressed in Thousands)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**▪ Minneapolis Library Board (continued)**

secure debt issued for projects benefiting the Library Board. The City Finance Officer serves as Treasurer of the Library Board. Complete financial statements for the Library Board can be obtained from the Minneapolis Public Library at 300 Nicollet Mall, Minneapolis, Minnesota, 55401-2188.

▪ Minneapolis Park and Recreation Board

The Minneapolis Park and Recreation Board (Park Board) was established according to Chapter 16 of the City Charter. The nine-member board is elected by the voters of the City and is responsible for developing and maintaining parkland and parkways as well as planting and maintaining the City's boulevard trees. The Mayor recommends the tax levies and budget for the Park Board, and the City Council and Mayor approve the allocation of the state's local government aid for Park Board operations. All Park Board actions are submitted to the Mayor and a mayoral veto may be overridden by a vote of two thirds of the members of the Park Board. The Board of Estimate and Taxation approves the maximum property tax levy for the Park Board, and the full faith and credit of the City secure debt issued for Park Board projects. The City Finance Officer acts as Treasurer of the Park Board. Complete financial statements for the Park Board can be obtained from the Minneapolis Park and Recreation Board at 2117 West River Road, Minneapolis, Minnesota, 55411.

▪ Municipal Building Commission

The Municipal Building Commission (MBC) is an organization established January 4, 1904, by the State of Minnesota, to operate and maintain the City Hall/County Court House Building, which was erected pursuant to Chapter 395 of the Special Laws of 1887. The four commissioners are, the Chairman of the Hennepin County Board of Commissioners, the Mayor of the City of Minneapolis, an appointee of the Hennepin County Board, and an appointee of the Minneapolis City Council. The Mayor recommends the tax levy and budget for the City's share of the MBC's operations and the City Council and Mayor approve the allocation of the state's local governmental aid to the MBC. The MBC does not issue separate financial statements.

RELATED ORGANIZATIONS

The City's officials are also responsible for appointing members of the boards of other organizations, but the City's accountability for these organizations does not extend beyond making the appointments. The following organizations are related organizations, which have not been included in the reporting entity:

▪ Metropolitan Sports Facilities Commission

The Metropolitan Sports Facilities Commission (Commission) is an appointed commission established under 1977 Minnesota laws. Of the seven members of the Commission, the City of Minneapolis appoints six. The Commissioners serve four-year terms and removal is for cause only. The primary responsibility of the Commission is to serve as owners, operators, and landlords of the Hubert H. Humphrey Metrodome Sports Facility in Minneapolis. Major tenants of the Metrodome Sports Facility are the Minnesota Twins and the Minnesota Vikings. Complete financial statements for the Commission can be obtained from the Metropolitan Sports Facilities Commission at 900 South Fifth Street, Minneapolis, Minnesota, 55415-1903.

▪ Minneapolis Public Housing Authority

The Minneapolis Public Housing Authority (MPHA) is the public agency responsible for administering public housing and Section 8 rental assistance programs for eligible individuals and families in Minneapolis. A nine-

For the fiscal year ended December 31, 2005

(Dollar Amounts Expressed in Thousands)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**RELATED ORGANIZATIONS****▪ Minneapolis Public Housing Authority (continued)**

member Board of Commissioners governs MPHA. The Mayor of Minneapolis appoints the Board Chairperson and four Commissioners; four Commissioners (one of whom must be a public housing family development resident) are appointed by the City Council. The mission of the MPHA is to provide well-managed high-quality housing for eligible families and individuals; to increase the supply of affordable rental housing; and to assist public housing residents in realizing goals of economic independence and self-sufficiency. Complete financial statements for the MPHA can be obtained from the Minneapolis Public Housing Authority at 1001 Washington Avenue North, Minneapolis, Minnesota, 55401-1043.

JOINT VENTURES

The City is a participant in several joint ventures in which it retains an ongoing financial interest or an ongoing financial responsibility.

• Minneapolis/Saint Paul Housing Finance Board

The Minneapolis/Saint Paul Housing Finance Board was established in accordance with a Joint Powers Agreement entered into between the Housing and Redevelopment Authority of the City of Saint Paul and the City of Minneapolis and accepted by both cities under State of Minnesota laws. The City of Minneapolis oversight responsibility of the Board is limited to its governing body's ability to appoint only three of the six members of the Board. The territorial jurisdiction of the Board extends beyond the corporate limits of the City of Minneapolis. The percentage share of the City in the Board's assets, liabilities and equity cannot be determined at fiscal year-end. Complete financial statements for the Minneapolis/Saint Paul Housing Finance Board can be obtained from the City of Minneapolis CPED office at Suite 700, Crown Roller Mill, 105 Fifth Avenue South, Minneapolis, Minnesota 55401-2534.

• Minneapolis Neighborhood Revitalization Program Policy Board

The Minneapolis Neighborhood Revitalization Program Policy Board (NRP) was established in accordance with a Joint Powers Agreement entered into between the Hennepin County Board of Commissioners, the Board of Directors of Special School District No. 1, the Library Board, the Park Board, and the Mayor and City Council under authority of State of Minnesota laws. The NRP is composed of 20 members and includes public officials as well as representatives of neighborhood and community interest organizations.

The majority of members are persons other than the representatives of the jurisdictions, which entered into the Joint Powers Agreement. The percentage of each jurisdiction's share in the NRP's assets, liabilities, and equity cannot be determined at fiscal year-end. Complete financial statements for the NRP can be obtained from the Minneapolis Neighborhood Revitalization Program Policy Board at Suite 425, Crown Roller Mill, 105 Fifth Avenue South, Minneapolis, Minnesota, 55401-2585.

▪ Minneapolis Youth Coordinating Board

The Minneapolis Youth Coordinating Board (YCB) was established in accordance with a Joint Powers Agreement entered into between the Hennepin County Board of Commissioners, the Board of Directors of Special School District No. 1, the Library Board, the Park Board, the Mayor and the City Council under authority of State of Minnesota laws. The YCB, which numbers 12 in size, includes the Mayor, two members each from the Hennepin County Board of Commissioners and the Board of Directors of Special School District No. 1, two representatives from the City Council, one member each from the Park Board and Library Board, one member each from the Minneapolis State Legislature House and Senate delegations, and a Judge assigned by the Chief Judge of the District Court. The percentage of each jurisdiction's share in the YCB's assets, liabilities, and equity cannot be determined at fiscal year-end. Complete financial statements for the YCB can be obtained from the Minneapolis Youth Coordinating Board at the Towle Building, 330 2nd Avenue South, Room 540, Minneapolis, Minnesota 55401.

For the fiscal year ended December 31, 2005

(Dollar Amounts Expressed in Thousands)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**B – BASIS OF PRESENTATION****GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The *statement of net assets* and *statement of activities* display information about the primary government (the City) and its component units using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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, if any, have been met. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between *governmental* and *business-type activities* of the City and between the City and its discretely presented component units. *Governmental* activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type* activities, which rely, to a significant extent on fees charged to external parties.

The *statement of activities* presents a comparison between direct expenses and program revenues for each segment of the *business-type* activities of the City and for each function of the City's *governmental* activities. Direct expenses are those that are specifically associated with a program or function, and therefore, are clearly identifiable to a particular function. Program revenues include 1) charges paid by the recipients of goods and services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues, including all taxes, are presented as general revenues.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

FUND FINANCIAL STATEMENTS

The accounts of the City are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. 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. The minimum number of funds is maintained consistent with legal and managerial requirements.

The fund financial statements provide information about the City's funds. Funds are classified into three categories: *Governmental*, *Proprietary*, and *Fiduciary*, each category is divided into separate fund types. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are separately aggregated and reported as non-major funds.

Proprietary fund *operating* revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. *Nonoperating* revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

GOVERNMENTAL FUNDS

All governmental funds are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Tax revenues are recognized in the year for which the taxes are levied. Property tax levies are approved and certified to the County in December prior to the year collectible. The County acts as a collection agency. Such tax levies constitute a lien on the property on January 1st of the year collectible. Taxes are payable to the County in two installments by the fifteenth day of May and the fifteenth day of October. City property taxes are recognized as revenues when they become measurable and available to finance expenditures of the current period.

For the fiscal year ended December 31, 2005

(Dollar Amounts Expressed in Thousands)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**B – BASIS OF PRESENTATION****GOVERNMENTAL FUNDS (continued)**

Major revenues that are determined to be susceptible to accrual include property taxes, special assessments, grants-in-aid, intergovernmental revenues, rentals, and Intra-city charges. Interest on investments, short-term notes and loans receivable are accrued; interest on special assessments receivable is not accrued. Major revenues that are determined not to be susceptible to accrual because they are not available soon enough to pay liabilities of the current period or are not objectively measurable include delinquent property taxes and assessments, licenses, permits, fines and forfeitures.

Governmental fund expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for principal and interest on general long-term debt which is recognized when due. Compensated absences, which include accumulated unpaid vacation, compensatory time and severance pay, are not payable from expendable available financial resources, except to the extent there are available resources in the Self-Insurance Internal Service Fund for vested severance pay. Compensated absences are considered expenditures when paid to employees.

The accounting and reporting treatment applied to the assets and liabilities associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending, or "financial flow," measurement focus. This means that only current assets and current liabilities, as defined by GAAP, are generally included on the balance sheets. Reported fund balance (net current assets) is considered a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, governmental funds are said to present a summary of sources and uses of "available spendable resources" during a period.

Special reporting treatments are also applied to governmental fund inventories to indicate that the inventories do not represent "available spendable resources," even though they are a component of net current assets.

Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by non-current liabilities. Since they do not affect net current assets, long-term amounts are not recognized as governmental fund type expenditures or fund liabilities. They are instead reported as liabilities in the government-wide statement of net assets and statement of activities.

The City reports the following major governmental funds:

- **General Fund**

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. For the City, the General Fund includes such activities as public safety, public works, health and welfare, and general government administration.

- **Special Revenue Fund - Community Planning and Economic Development**

This fund is used to account for the activities of the Department of Community Planning and Economic Development (CPED). CPED is responsible for promoting the City's planning and community development goals in the areas of housing development, economic development, community planning, development services, workforce development and strategic partnerships.

- **Special Revenue Fund - Convention Center**

This fund is used to account for the ownership, maintenance and operations of the Minneapolis Convention Center, along with the proceeds of local sales and use taxes.

- **Capital Project Fund - Permanent Improvement**

This fund is used to account for capital acquisition, construction and improvement projects including bridge construction, sidewalk construction, street construction, completion of the Heritage Park Project, infrastructure projects, and many information and technology system projects.

For the fiscal year ended December 31, 2005

(Dollar Amounts Expressed in Thousands)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**B – BASIS OF PRESENTATION (continued)****PROPRIETARY FUNDS**

Proprietary funds are accounted for using the accrual basis of accounting. Revenues are recognized when they are earned. Unbilled utility service receivables are recorded at year-end. Expenses are recognized when they are incurred. Compensated absences are considered expenses when they are incurred.

In accordance with GASB Statement No. 20-Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting, the City has chosen not to apply accounting standards issued by the Financial Accounting Standards Board after November 30, 1989, to its proprietary funds.

All proprietary funds are accounted for on an economic resources management focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on the balance sheets. Their reported net assets are categorized as invested in capital assets net of related debt, restricted, and unrestricted. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Depreciation of all exhaustible capital assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets.

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project against interest earned on invested proceeds over the same period.

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 business operations. The principal operating revenues of the City's enterprise and internal service funds are charges to customers for sales and services. *Operating* expenses for the City's 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.

Enterprise Funds

Enterprise funds are used to account for operations: (a) that are financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The City reports the following major enterprise funds:

▪ Sanitary Sewer Fund

This fund is used to account for sewage fees collected from customers connected to the City's sanitary sewer system and for all expenses of operating this system. This activity was previously reported in the Sewer Rental Fund, which was split into this fund and the Stormwater Fund as of January 1, 2005.

▪ Stormwater Fund

This fund is used to account for stormwater fees collected from customers, and for City street cleaning and other storm water management activities. This activity was previously reported in the Sewer Rental Fund, which was split into this fund and the Sanitary Sewer Fund as of January 1, 2005.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B – BASIS OF PRESENTATION

Enterprise Funds (continued)

- **Water Works Fund**
This fund is used to account for the operation, maintenance, and construction projects related to the water delivery system. This fund also accounts for the operations related to the billings for water, sewage, and solid waste fees.
- **Municipal Parking Fund**
This fund is used to account for the operation, maintenance, and construction of the City’s parking facilities as well as on-street parking and the Municipal Impound Lot.
- **Solid Waste and Recycling Fund**
This fund is used to account for the revenues and expenses for solid waste collection, disposal and recycling activities.
- **Community Planning and Economic Development Fund**
This fund is used to account for the enterprise fund activities of the Department of Community Planning and Economic Development.

NON-MAJOR FUNDS

The City reports the following non-major governmental funds:

<p>Special Revenue Funds: Arena Reserve Board of Estimate and Taxation Convention Facilities Reserve Employee Retirement Grants- Federal Grants- Other Community Development Block Grant Police</p>	<p>Debt Service Funds: CPED Development General Debt Service Special Assessment</p>
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Additionally, the City reports the following fund types:

- **Internal Service Funds**
Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments, on a cost- reimbursement basis. The internal service funds used by the City include:
 - Public Works Stores** – This fund is used to account for centralized procurement, warehousing, and distribution of stocked inventory items, as well as the purchase of special goods and services.
 - Engineering Materials and Testing** – This fund is used to account for operations of the City’s paving products laboratory.
 - Intergovernmental Services** – This fund is used to account for information technology service, central mailing and printing services, and the City’s telecommunication operations.
 - Equipment Services** – This fund is used to account for the ownership and operation of various equipment and vehicles. The fund operates as a rental agent to various departments to support the construction and maintenance of city infrastructure, fire protection services, and police services.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B – BASIS OF PRESENTATION

PROPRIETARY FUNDS (continued)

Property Services – This fund is used to account for the physical management and maintenance of various City buildings, except for the City Hall/County Court House building.

Self-Insurance – This fund is used to account for employee benefit programs and administrative costs, occupational health services and severance payments to employees who have retired or resigned, a tort liability program and a workers’ compensation program.

▪ **Agency Funds**

Financial statements of agency funds, which are used to account for assets held by the City as an agent for individuals, private organizations, other governments, and/or other funds, are reported using the economic resources measurement focus and the accrual basis of accounting. Agency funds assets, liabilities, and net assets are included in the fiduciary statement of net assets.

- **The Minneapolis Agency** - Used to account for collection and remittance of funds to other governments and agencies.
- **The Skyway Debt Service Agency** - Used to account for the collection and payment of funds related to the debt service for the skyway system.

C – BUDGETS

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and special revenue funds. Capital projects funds adopt project-length budgets and budgetary control for debt service funds is achieved through general obligation bond indenture provisions.

The 2004 process for the 2005 budget involved the following:

January - March	City department heads presented annual work plans and accomplishments to Executive Committee; referred then to relevant Policy Committee for review and file. Finance Department presented preliminary year-end budget status report to Ways and Means/Budget Committee.
March - April	Capital Improvement Budget Development – Capital improvement proposals were reviewed by the Budget Coordination Unit, the City Planning Commission and the Capital Long-Range Improvement Committee (CLIC).
April - June	Operating Budget Development – Departments prepared department operating budget requests; “Current Service Level Budgets” reflected current year costs of providing the same level of service as provided in the prior year, and proposals which describe policy and organizational changes with financial implications.
June - August	The Mayor held departmental hearings to review operating budgets and met with representatives from CLIC in preparation of finalizing the capital budget recommendation. The Mayor prepared and submitted a budget framework to the City Council no later than August 15, including a recommendation on annual property tax levy amounts.
September – October	The Board of Estimate and Taxation set the maximum property tax levy for the City, Municipal Building Commission, Public Housing Authority, Library Board and Park Board by September 15, as required by state law.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C – BUDGETS (continued)

- November - “Truth in Taxation” property tax statements mailed by the County to property owners indicating the maximum amount of property taxes that the owner will be required to pay.
- December “Truth in Taxation” public hearings held. The City Council adopted a final budget and tax levy.

The legal level of budgetary control is at the department level within a fund. The City Coordinator’s Office and the Public Works Department are considered to be legal levels of budgetary control within a fund even though budgetary data is presented at the level of the Departments within the Coordinator’s Office and the Divisions within the Public Works Department. Budgetary amendments at the department/fund level must be approved by the City Council. Appropriations lapse at year-end.

Purchase orders, contracts, and other commitments are recorded as encumbrances, which reserve appropriation authority. This accounting practice is an extension of formal budgetary integration in the general and special revenue funds. Encumbrances outstanding at year-end are reported as reservations of fund balance and do not represent GAAP expenditures.

Supplemental budget revisions were made during the course of the year and the effects of these revisions are summarized below:

	Expenditure Budget at beginning of year	Changes during year	Expenditure Budget at end of year
General Fund	\$ 291,860	\$ 17,100	\$ 308,960
Grants – Federal	17,372	26,087	43,549
CDBG	23,612	10,599	34,211
Grants - Other	11,236	3,386	14,622
Convention Center	71,799	248	72,047
Employee Retirement	23,425	40,889	64,314
Board of Estimate and Taxation	266	-	266
Police Special Revenue	2,280	400	2,680
CPED Special Revenue	71,301	234,128	305,429
TOTAL	\$ 513,151	\$ 332,927	\$ 846,078

D – NON-CURRENT GOVERNMENTAL ASSETS/LIABILITIES

GASB Statement No. 34 eliminates the presentation of account groups, but provides for these records to be maintained and incorporates the information into the *Governmental Activities* column in the government-wide *Statement of Net Assets*.

E - DEPOSITS AND INVESTMENTS

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and investments with original maturities of three months or less from the date of purchase. The City maintains a general portfolio which is a pool of investments covering pooled cash and cash equivalents for the primary government as well as the discretely presented component units of the Municipal Building Commission, Park and Recreation Board, and the Library Board. The City has contracted with investment management firms for management of some of these investments. The City also, from time to time, invests non-pooled cash within individual funds, which are reported as fund investments. All investments are reported at fair value.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

E - DEPOSITS AND INVESTMENTS (continued)

Investment earnings in the investment pool, net of daily amortization of premiums and discounts, are calculated monthly and allocated to participating funds based on each fund’s share of equity (positive or negative) in the investment pool. Some funds, such as debt service funds, retain their monthly allocation of investment earnings while other funds, which are not required to retain their allocated interest, pass the interest on to either the City General Fund or to the Community Planning and Economic Development Special Revenue Fund. Also, periodically the City distributes investment earnings from its General Fund to various projects below the fund level, as may be required, on the basis of the calculated average daily cash balance of the project and the average yield of the City’s general portfolio.

F - INVENTORIES OF MATERIALS AND SUPPLIES

Depending on the nature of the item, inventories are valued using the moving average valuation method or using the last price of the item purchased. Also, and depending on the nature of the item or the fund in which the inventory is recorded, the costs of inventories are recorded as expenses/expenditures when purchased, or when consumed rather than when purchased. Governmental fund inventories are recorded as expenditures at the time the inventory is consumed. Reported inventories of governmental funds are equally offset by a fund balance reservation to indicate that portion of fund balance not available for future appropriation. Inventory recorded in the proprietary funds is expensed as the supplies and materials are consumed.

G - LOANS RECEIVABLE

Loans receivable recorded in the governmental funds consist of business loans using funds provided through state and federal grants and loan recaptures. The loans have been collateralized and call for periodic payments of principal and interest. Loans receivable recorded in the enterprise funds consist primarily of low interest home improvement and home mortgage loans, which are secured by either a first or second mortgage. Interest on loans is recorded where applicable.

Several developers under various financial arrangements have agreed to pay back development loans only if certain events occur. Because the likelihood of these events occurring is unknown, these loans are not presented in the accompanying financial statements. These loans include redevelopment agreements, neighborhood economic, commercial, and housing development loans, and second mortgages on rehabilitated homes. Some of these loans may be forgiven for continued owner occupancy, the attainment of certain employment goals, or the continuation of specified services.

H – CAPITAL ASSETS

Capital assets (including infrastructure) are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Infrastructure assets acquired prior to December 31, 1980 are included. Contributed capital assets are valued at their estimated fair market value on the date contributed. Capital assets include infrastructure (e.g. roads, bridges, water/sewer, and lighting systems), land, buildings, improvements, and equipment. The City defines capital assets as assets with an individual cost of more than \$5,000; or \$35,000 per group of assets by year for bike paths, street signage, street lighting and traffic signals; and \$100,000 per group of assets for parking meters. Capital assets used in operations are depreciated or amortized (assets under capital leases) using the straight-line method over the lesser of the capital lease period or their estimated useful lives in the government-wide statements and proprietary funds.

The estimated useful lives are as follows:

Infrastructure	15 to 100 years
Structures and Improvements	25 to 50 years
Equipment	5 to 15 years
Public Improvements	20 to 40 years

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements, which significantly increase values, change capacities or extend useful lives, are capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

For the fiscal year ended December 31, 2005

(Dollar Amounts Expressed in Thousands)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**I – COMPENSATED ABSENCES**

The City accrues compensated absences (annual and sick leave benefits) when vested. The current portions of the governmental funds' compensated absences liabilities are recorded as other liabilities in the Self-Insurance Internal Service Fund. The non-current portions are recorded in the government-wide financial statements and represent a reconciling item between the fund and government-wide presentation. The City typically liquidates the liability for compensated absences to the fund where employees' salaries were originally charged.

J – INTERFUND TRANSACTIONS

Interfund transactions are reflected as loans, services provided, reimbursements or transfers. Loans are reported as receivables or payables where appropriate, are subject to elimination upon consolidation and are referred to as either "due to/from other funds" (i.e., current portion of interfund loans) or "advances to/from other funds" (i.e. non current portion of interfund loans). Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." Advances to other funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not available financial resources.

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when a fund incurs costs that are eventually repaid through charges to the benefiting fund. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

K - PROPERTIES HELD FOR RESALE - ENTERPRISE FUNDS

Properties held for resale in the Community Planning and Economic Development Enterprise Fund have been obtained as a result of repossessions in default situations. Repossessed properties are held solely to be re-marketed as part of the ongoing operations of the programs. They are valued at the outstanding principal balance of the related bonds, which is not in excess of the realizable value; or are valued at the amount of the related loan balance at the time of default plus subsequent improvement costs.

L - DEBT SERVICE AND REQUIREMENTS

The debt service funds service all long-term obligations with the exception of bonds payable recorded within the proprietary funds. Some general long-term debt obligations are serviced in part by Council approved transfers from enterprise funds. Minnesota State Law requires agencies issuing general obligation bonds to certify an irrevocable tax levy to the County Auditor covering annual principal and interest requirements plus 5% (deducting, in certain cases, estimated tax increments and certain other revenue) at the time bonds are issued. The annual tax levy can be reduced by an amount equal to the issuing agency's annual certification of funds on hand.

M – ESTIMATES

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits and investments appear in the financial statements consistent with the following analysis:

Deposits	\$ 11,400
Investments	478,335
Imprest cash held by City	230
Total	<u>\$ 489,965</u>
Primary Government:	
Cash and cash equivalents	\$ 321,229
Cash in Agency Funds	791
Fund investments	34,398
Deposits with fiscal agents	41,808
Investment with trustees	53,227
Total primary government	<u>451,453</u>
Discretely Presented Component Units:	
Park and Recreation Board:	
Cash and cash equivalents	<u>14,145</u>
Library Board:	
Cash and cash equivalents	17,125
Fund investments	6,078
Total Library Board	<u>23,203</u>
Municipal Building Commission:	
Cash and cash equivalents	<u>1,164</u>
Total	<u>\$ 489,965</u>

A. Deposits

Minnesota Statutes Chapter 118A and the City Charter require the city to collateralize deposits at designated depositories. The City Finance Officer has arranged for the Federal Reserve Bank of Minneapolis to act as the City's agent in the safekeeping of securities as collateral.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the City's deposits may not be returned to it. The City does not have a specific deposit policy for custodial credit risk. However, the City complies with Minnesota Statutes in establishing authorized collateral for its deposits. At December 31, 2005, the City was not exposed to custodial credit risk.

B. Investments

In accordance with Minnesota Statutes Chapter 118A, and with the City Charter, the City invested in (1) direct, guaranteed or insured obligations of the U.S. Treasury, (2) shares of an investment company (with restrictions), (3) general obligations of government jurisdictions (with restrictions), (4) bankers acceptances, (5) commercial paper, (6) guaranteed investment contracts (with restrictions), (7) repurchase agreements (with restrictions) and (8) common stock (restricted to Library Board and as authorized by 1967 Minnesota laws).

The City and its investment management firms will exercise extreme caution in the use of derivative instruments, keeping abreast of future information on risk management issues and will consider derivatives only when a

NOTE 2 - DEPOSITS AND INVESTMENTS

B. Investments (Continued)

sufficient understanding of the products and expertise to manage them has been developed and analyzed. Any derivatives will also be required to pass the stress testing requirements of Minnesota Statutes Chapter 118A.

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. The City minimizes its exposure to interest rate risk by investing in both shorter and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time, taking into account the City’s investment risk constraints, cash flow characteristics of the portfolio, and prudent investment principles.

The following table presents the City of Minneapolis’ investment balances at December 31, 2005, and information relating to interest rate risks:

Investment Type	Weighted Average Maturity (Years)	Carrying (Fair) Value
U.S. Federal Agency obligations	1.4	\$ 241,215
U.S. Treasury obligations	3.0	58,932
Municipal bonds	3.3	37,465
Commercial paper	0.3	297
Guaranteed investment contracts	1.0	42,120
Mutual funds	N/A	96,708
Negotiable certificates of deposit	2.6	495
Total investments		\$ 477,232
Deposits		3,167
Imprest cash		230
Total cash and investments		\$ 480,629

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. It is the City’s policy to invest only in securities that meet the ratings requirements set by state statute or, in the case of the Minneapolis Library Board (discrete component unit), the requirements established through special laws. At December 31, 2005, the City’s investments were rated by Moody’s and Standard & Poor’s as follows:

NOTE 2 - DEPOSITS AND INVESTMENTS

Credit Risk (Continued)

Investment Type	Standard & Poor's		Moody's	
U.S. Federal agency obligations	AAA	\$ 238,100	Aaa	\$ 238,100
	Not rated	<u>3,516</u>	Not rated	<u>3,516</u>
Total U.S. Federal agency obligations		<u>\$ 241,616</u>		<u>\$ 241,616</u>
U.S. Treasury obligations	Not rated	<u>\$ 58,932</u>	Not rated	<u>\$ 58,932</u>
Municipal bonds	AAA	\$ 17,299	Aaa	\$ 21,252
	AA+	2,912	Aa1	2,940
	AA	2,577	Aa2	7,517
	AA-	8,445	Aa3	3,894
	A+	248	A1	693
	Not rated	<u>5,984</u>	Not rated	<u>1,169</u>
Total municipal bonds		<u>\$ 37,465</u>		<u>\$ 37,465</u>
Guaranteed investment contracts	Not rated	<u>\$ 42,721</u>	Not rated	<u>\$ 42,721</u>
Commercial paper	A-1+	<u>\$ 297</u>	P-1	<u>\$ 297</u>
Negotiable certificates of deposit	Not rated	<u>\$ 494</u>	Not rated	<u>\$ 494</u>
Mutual funds	AAA m	\$ 46,533	Not rated	\$ 96,810
	AAA m-G	570		
	Not rated	<u>49,707</u>		
Total mutual funds		<u>\$ 96,810</u>		<u>\$ 96,810</u>
Total		<u>\$ 478,335</u>		<u>\$ 478,335</u>

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City does not have a policy on custodial credit risk.

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the City's investment in a single issuer. It is the City's policy to diversify its investment portfolio. Assets held shall be diversified to eliminate the risk of loss resulting from over-concentration of assets in a specific maturity, a specific issuer, or a specific class of securities. Portfolio maturities are to be staggered in a way that avoids undue concentration of assets in a specific maturity sector. Maturities shall be selected which provide for stability of income and reasonable liquidity.

Investments in any one issuer that represent 5 percent or more of the City's investments are as follows:

NOTE 2 - DEPOSITS AND INVESTMENTS

Concentration of Credit Risk (continued)

Issuer	Reported Amount
U.S. Federal Agency obligations	
Federal National Mortgage Association	\$ 98,403
Federal Home Loan Bank	93,681
Federal Home Loan Mortgage Corporation	42,237
U.S. Department of the Treasury	58,932

NOTE 3 - RECEIVABLES

Receivables at year-end for the City’s major individual governmental and enterprise funds and non-major and internal service funds in the aggregate, including applicable allowances for uncollectible amounts are as follows:

	General Fund	CPED	Convention Center	Permanent Improvement	Non-major Governmental Funds	Internal Service Funds	Total Governmental Activities
Governmental Activities							
Accounts	\$ 5,605	\$ 773	\$ 6,457	\$ 1,193	\$ 1,327	\$ 370	\$ 15,725
Taxes	2,676	428	-	55	916	-	4,075
Special assessments	598	-	-	2,951	28,998	-	32,547
Loans	-	3,158	4,356	-	8,643	-	16,157
Gross receivables	8,879	4,359	10,813	4,199	39,884	370	68,504
Add: Interest receivable on loans	-	-	-	-	482	-	482
Less: Allowance for uncollectibles	(573)	-	(284)	(85)	(369)	(35)	(1,346)
Total receivables (due within one year)	<u>\$ 8,306</u>	<u>\$ 4,359</u>	<u>\$ 10,529</u>	<u>\$ 4,114</u>	<u>\$ 39,997</u>	<u>\$ 335</u>	<u>\$ 67,640</u>
Long-term portion of loans and notes receivable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 195</u>	<u>\$ -</u>	<u>\$ 195</u>
							Total Business-type Activities
Business-type Activities	Sanitary Sewer	Stormwater	Water Works	Municipal Parking	Solid Waste and Recycling	CPED	
Accounts	\$ 3,425	\$ 3,101	\$ 5,461	\$ 2,715	\$ 3,483	\$ 90	\$ 18,275
Special assessments	-	190	921	7	23	-	1,141
Loans	-	-	-	-	-	987	987
Notes	-	-	-	-	-	620	620
Interest	-	-	-	-	-	162	162
Gross receivables	3,425	3,291	6,382	2,722	3,506	1,859	21,185
Less: Allowance for uncollectibles	-	(912)	(251)	(13)	-	-	(1,176)
Total receivables (due within one year)	<u>\$ 3,425</u>	<u>\$ 2,379</u>	<u>\$ 6,131</u>	<u>\$ 2,709</u>	<u>\$ 3,506</u>	<u>\$ 1,859</u>	<u>\$ 20,009</u>
Long-term portion of loans and notes receivable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,805</u>	<u>\$ 5,805</u>

According to the Basic Resolution and Indenture of the General Agency Reserve Fund System (GARFS) within the CPED Enterprise Fund, agreements are to be formed with developers receiving funds for construction. Such agreements are in the form of capitalized leases or notes receivable.

The annual lease and loan payments approximate the principal and interest requirements on the outstanding bonds. The leases are capitalized in an amount equal to the principal of the related bonds, net of any unexpended construction fund proceeds. Each lease agreement includes a bargain purchase option exercisable at the end of the lease term. In addition, the leased property may be purchased at various anniversaries during the lease term at amounts at least equal to the outstanding principal amount of the underlying bonds. In the event developers are unable to continue with lease and loan payments, the City takes possession of the developed property.

For the fiscal year ended December 31, 2005

(Dollar Amounts Expressed in Thousands)

NOTE 3 – RECEIVABLES (CONTINUED)

The future payment requirements for these agreements are as follows:

	Capitalized Leases	Notes Receivable
Scheduled Lease Payments:		
2006	\$ 5,269	\$ 842
2007	5,259	835
2008	5,136	836
2009	5,022	839
2010	4,888	840
2011 and thereafter	67,544	418
Subtotal	93,118	4,610
Less: Interest over lease te	(41,413)	(730)
Total Principal	51,705	3,880
Less: Unexpended construction funds	(930)	-
Net Capitalized Leases and Notes receivable	50,775	3,880
Less: Current Portion	(2,230)	(620)
Noncurrent Portion	\$ 48,545	\$ 3,260

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2005 was as follows:

	Balance January 1, 2005	Additions	Retirements	Balance December 31, 2005
Governmental activities				
<i>Capital assets, not being depreciated</i>				
Land and easements	\$ 111,288	\$ 344	\$ -	\$ 111,632
Construction in progress	169,993	43,558	(12,118)	201,433
Total capital assets, not being depreciated	281,281	43,902	(12,118)	313,065
<i>Capital assets, being depreciated</i>				
Infrastructure	389,228	16,602	(297)	405,533
Structures and improvements	530,712	9,168	-	539,880
Equipment	136,890	17,609	(2,953)	151,546
Total capital assets, being depreciated	1,056,830	43,379	(3,250)	1,096,959
Less accumulated depreciation for:				
Infrastructure	(266,750)	(10,959)	30	(277,679)
Structures and improvements	(111,937)	(10,450)	-	(122,387)
Equipment	(76,273)	(13,142)	2,632	(86,783)
Total accumulated depreciation	(454,960)	(34,551)	2,662	(486,849)
Total capital assets, being depreciated, net	601,870	8,828	(588)	610,110
Governmental activities capital assets, net	\$ 883,151	\$ 52,730	\$ (12,706)	\$ 923,175

For the fiscal year ended December 31, 2005

(Dollar Amounts Expressed in Thousands)

NOTE 4 – CAPITAL ASSETS (CONTINUED)

	January 1, 2005	Additions	Retirements	December 31, 2005
Business-type Activities				
<i>Capital assets, not being depreciated</i>				
Land and easements	\$ 136,425	\$ 3,451	\$ (4,800)	\$ 135,076
Construction in progress	157,360	29,076	(100,656)	85,780
Total capital assets, not being depreciated	<u>293,785</u>	<u>32,527</u>	<u>(105,456)</u>	<u>220,856</u>
<i>Capital assets, being depreciated</i>				
Infrastructure	382,547	-	-	382,547
Structures and improvements	564,517	116,558	(30,533)	650,542
Equipment	24,179	1,513	(1,259)	24,433
Total capital assets, being depreciated	<u>971,243</u>	<u>118,071</u>	<u>(31,792)</u>	<u>1,057,522</u>
Less accumulated depreciation for:				
Infrastructure	(121,504)	(4,406)	-	(125,910)
Structures and improvements	(191,341)	(14,238)	6,739	(198,840)
Equipment	(16,407)	(1,560)	931	(17,036)
Total accumulated depreciation	<u>(329,252)</u>	<u>(20,204)</u>	<u>7,670</u>	<u>(341,786)</u>
Total capital assets, being depreciated, net	<u>641,991</u>	<u>97,867</u>	<u>(24,122)</u>	<u>715,736</u>
Business-type activities capital assets, net	<u>\$ 935,776</u>	<u>\$ 130,394</u>	<u>\$ (129,578)</u>	<u>\$ 936,592</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 164
Public Safety	1,132
Public Works	11,211
Health and Welfare	35
Community Development	9,258
Depreciation on capital assets held in the City's internal service fund is charged to the various functions based on their usage of assets.	<u>12,751</u>
Total depreciation expense – governmental functions	<u>\$ 34,551</u>

Depreciation expense was charged to the business-type functions as follows:

Sanitary Sewer	\$ 1,229
Stormwater	3,666
Water Works	6,451
Municipal Parking	6,552
Solid Waste and Recycling	963
Economic Development	<u>1,343</u>
Total depreciation expense – business-type functions	<u>\$20,204</u>

Construction in Progress

Construction in progress for the governmental activities represents work in the following areas:

Property Services	\$17,631
Convention Center	2,911
Street Lighting	4,765
Street Signage	930
Traffic Signals	7,619
Bicycle Trail	3,288
Street Construction	82,883

NOTE 4 – CAPITAL ASSETS

Construction in Progress (continued)

Construction in progress for the governmental activities (continued)

Bridge Construction	15,007
Heritage Park	52,427
Equipment	932
Business Information Services	13,040
Total CIP for Governmental Activities	<u>\$201,433</u>

Construction in progress for the business-type activities represents work in the following areas:

Sewers - Sanitary	\$ 178
Sewers – Stormwater	59,332
Water	25,314
Parking	956
Total CIP for Business-type Activities	<u>\$85,780</u>

Capital Project Commitments

For the year 2005, the City of Minneapolis made Capital Project Commitments for the following

Property Services	\$14,877
Sewer Construction	9,942
Street Construction	25,310
Bridge Construction	2,171
Sidewalk Construction	2,200
Street Lighting	1,042
Traffic Signals	2,572
Bicycle Trails	1,470
Non-Departmental	3,147
Equipment	6,361
Information Technology	3,200
Water	41,165
Parking	2,335
Total Capital Project Commitments	<u>\$115,792</u>

NOTE 5 - LONG-TERM DEBT

The City’s full faith, credit and taxing power are pledged to pay general obligation debt principal and interest.

Property Tax Supported General Obligation Bonds

Various issues of general obligation (GO) bonds are recorded in the Governmental Funds and are backed by the full faith and credit of the City. Annual property tax levies are used to pay debt service on these bonds.

Self- Supporting General Obligation Bonds

Self-supporting bonds issued by the City are recorded in the Enterprise Funds, Internal Service Funds or Governmental Funds. While these bonds are backed by the full faith and credit of the City, they are payable from revenue derived from the function for which they were issued.

For the fiscal year ended December 31, 2005

(Dollar Amounts Expressed in Thousands)

NOTE 5 - LONG-TERM DEBT (CONTINUED)General Obligation Improvement Bonds

Improvement bonds are recorded in the Governmental Funds and are payable from special assessments levied and collected for local improvements and are backed by the full faith and credit of the City. The general credit of the City is obligated only to the extent that liens foreclosed against properties involved in special assessment districts are insufficient to retire outstanding bonds.

Tax Increment General Obligation Bonds

Tax increment bonds are payable primarily from the increase in property taxes resulting from replacing older improvements with new or remodeled improvements. These bonds are recorded in the Governmental Funds and are also backed by the full faith and credit of the City.

Revenue Bonds and Notes

Revenue bonds and notes are recorded in the Enterprise Funds or Governmental Funds. These bonds and notes are payable solely from revenues of the respective Enterprise Funds or tax increment districts. In addition, the City has pledged one-half percent of tax capacity to secure payment of bond principal and interest on all bonds issued after May 22, 1987, for the General Agency Reserve Fund System (GARFS) bonds within the Community Planning and Economic Development Agency Enterprise Fund.

Sinking Fund Provisions

Sinking fund provisions on certain general obligation bonds require sufficient deposits on or before October 1st of each year to pay all principal and interest amounts coming due on such bonds for the remainder of the current year, and during all of the following year. If this provision is not met, a general tax levy will be made for the balance required.

Minnesota State Laws generally require initial tax levies for general obligation bonds to be at least five percent in excess of the bond and interest maturities less estimated pledged assessments and revenues. The initial tax levies cannot be repealed and can only be modified as they relate to current levies and then only upon certification to the Director of Property Taxation that funds are available to pay current maturities in whole or in part.

For Tax Increment Revenue Refunding Bonds, a separate sinking fund has been provided. These bonds are special limited obligations of the City payable from tax increments and investment earnings in the sinking fund. The City is required to have a reserve in the sinking fund equal to the lesser of maximum principal and interest due on the bonds in any succeeding bond year or 125 percent of average principal and interest due on the bonds in the succeeding bond years. In addition, the Municipal Bond Insurance Association insures payment of principal and interest on the bonds.

2005 Bond Sales and Refunding Transactions

In 2005, the City of Minneapolis issued bonds totaling \$240,205. Of this amount, \$138,485 was issued to refund existing debt. The following information provides details of Year 2005 bond sales:

In March 2005, the City issued \$16,400 of General Obligation Guthrie Parking Ramp Bonds, Series 2005 and \$4,250 of General Obligation Tax Increment Bonds (Mill Quarter Ramp), Series 2005. The Guthrie bonds will finance the second half of construction and capitalized interest for a parking ramp to serve the new Guthrie Theater. The Mill Quarter Ramp Bonds, in conjunction with a State of Minnesota Grant, will finance construction and capitalized interest for a parking ramp to serve a subsidized apartment complex, the Mill Quarter Museum and the Park Avenue East luxury condominium development. The Bonds were issued in variable rate mode with a starting interest rate of 1.83%. The Guthrie series has a final maturity date of December 1, 2033 and the Mill Quarter series has a final maturity date of March 1, 2032.

In June 2005, the City issued \$29,915 of General Obligation Library Bonds, Series 2005 for construction of the new Central Library in downtown Minneapolis and for improvements to the North Regional Community Library. These bonds were issued as part of a voter approved referendum in November of

For the fiscal year ended December 31, 2005

(Dollar Amounts Expressed in Thousands)

NOTE 5 - LONG-TERM DEBT2005 Bond Sales and Refunding Transactions (continued)

2000 authorizing \$110,000 for the new Central Library and \$30,000 for community library capital improvements. The 2005 Series, Library Bonds have interest rates ranging from 4.00% to 4.375% and a final maturity date of December 1, 2025.

In June 2005, the City issued \$37,240 of General Obligation Various Purpose Bonds, Series 2005 to support the five-year capital plan. These bonds were issued for a variety of public works infrastructure improvements, park, library, municipal building commission, public safety initiative, fleet equipment and technology improvements. The 2005 Series, Various Purpose Bonds have interest rates ranging from 3.00% to 4.00% and a final maturity date of December 1, 2020.

In June 2005, the City also issued \$61,410 of General Obligation Refunding Bonds, Series 2005A. The net proceeds of the bonds \$65,574 (after payment of \$204 in underwriting and cost of issuance fees) plus investment earnings of \$321 were used on September 1, 2005 for a current refunding of the remaining balances of \$65,985 of General Obligation Refunding Bonds, Series 1993B. The net proceeds above also include a premium of \$4,368 received on this sale. The original bonds of \$134,250 were issued for improvements to the Nicollet Mall, the Convention Center and several tax increment related projects from 1987 to 1990. The maturity structure of the new bonds was consistent with the structure of the refunded bonds and resulted in aggregate debt service savings of \$5,294 over the next eight years, and an economic gain of \$4,722. The bonds have interest rates ranging from 3.50% to 5.00% and a final maturity date of March 1, 2013.

In October 2005, the City issued \$11,670 of General Obligation Various Purpose Bonds, Series 2005A. Of this amount, \$7,300 of the par amount was used on December 1, 2005 for a current refunding of the remaining balances of the General Obligation Refunding Bonds, Series 1993A. The balance of \$4,370 is being used for telecommunications equipment and facility modifications necessary to replace the City's current telephone system. For the refunding portion above, the net proceeds of \$7,339 (after payment of \$35 in underwriting and cost of issuance fees) plus investment earnings of \$31 were used to call in \$7,765 of bonds remaining from the General Obligation Refunding Bonds, Series 1993A. The net proceeds above include a premium of \$74 received on this sale and the City also contributed \$395 from available debt service fund balances to complete the refunding. The original bonds were related to a variety of purposes including special assessment projects, parking facilities, sewer system improvements and Nicollet Mall improvements. The maturity structure of the new bonds is one year shorter than the refunded bonds and resulted in aggregate debt service savings of \$420 over the next five years, and an economic gain of \$348. The bonds have interest rates ranging from 3.50% to 4.00% and a final maturity date of December 1, 2012.

In October 2005, the City also issued \$14,000 of General Obligation Taxable Block E Refunding Bonds. The proceeds, together with funds on hand, were used on December 1, 2005 to call the entire outstanding balance of \$18,390 of Variable Rate General Obligation Taxable Block E Bonds, Series 2000B, originally issued in October 2000. This refunding was performed to minimize interest rate risk associated with the underlying variable rate debt and to decrease the total outstanding amount of debt using funds on hand. The bonds have interest rates ranging from 4.60% to 5.33% and a final maturity date of December 1, 2027.

In November 2005, the City issued \$30,290 of General Obligation Various Purpose Refunding Bonds, Series 2005B with an average interest rate of 4.69% to advance refund \$30,215 of outstanding bonds from various bond series with an average interest rate of 5.06%. The net proceeds of \$31,749 (after payment of \$163 in underwriting and cost of issuance fees) were provided to an escrow agent (trustee) to purchase an irrevocable trust containing U.S. Government securities to pay all remaining debt service on the bonds and to call in the outstanding bonds on their optional call dates. The call dates ranged from December 1, 2006 to December 1, 2009 and the original purposes of the bonds included special assessment, various purpose infrastructure improvements, tax increment and parking projects. As a result of this transaction, the bonds

For the fiscal year ended December 31, 2005

(Dollar Amounts Expressed in Thousands)

NOTE 5 - LONG-TERM DEBT2005 Bond Sales and Refunding Transactions (continued)

to be called are defeased in-substance and the liability for these bonds has been removed from the general long-term debt account group and parking enterprise fund. The City advance refunded the various series of bonds to reduce its total debt service over the next 16 years by \$976 and to obtain an economic gain of \$1,238. The transaction resulted in total bond premiums of \$1,623 which were pro-rated between the governmental funds and the parking enterprise fund. In addition, the parking enterprise recorded an aggregate loss of \$686 on the refunding transaction. The premiums and accounting losses are being amortized in the respective funds over the life of the new bonds which is the same as the old bonds. The Series 2005B, Refunding Bonds have interest rates ranging from 3.50% to 5.00% and a final maturity date of December 1, 2021.

In November 2005, the City also issued \$4,610 of General Obligation Improvement Bonds, Series 2005 for construction of various special assessment projects. The Improvement Bonds have interest rates ranging from 4.00% to 4.50% and a final maturity date of December 1, 2025.

In December 2005, the City issued \$4,430 of Tax Increment Revenue Refunding Bonds (Village at St. Anthony Falls Project), Series 2005 to refund the Taxable Tax Increment Revenue Refunding Notes (Village at St. Anthony Falls Project), Series 2004. The original notes financed certain public redevelopment costs in connection with the development of a 62-unit residential condominium apartment project and 12 brownstone condominiums within the East Hennepin & University Tax Increment Financing District. These bonds have interest rates ranging from 4.00% to 5.65% and a final maturity date of February 1, 2027.

In December 2005, the City issued \$4,935 of Tax Increment Revenue Bonds (Ivy Tower Project), Series 2005 to finance certain public redevelopment costs in connection with the renovation and restoration of the historic Ivy Tower Building and construction of an 86-unit owner-occupied condominium housing development, a 136 room luxury hotel and an underground on-site parking garage with approximately 200 spaces. These bonds have interest rates ranging from 5.10% to 5.70% and a final maturity date of February 1, 2029.

In December 2005, the City also issued \$21,055 of Taxable Limited Tax Supported Development Revenue Bonds, Common Bond Fund Series 2005-1 to provide financing for refunding a prior issuance of the City's \$22,225 Limited Tax Supported Revenue Bonds, Series 2001G-3. The prior bonds financed the acquisition and renovation of three historic theatres in the City of Minneapolis. The three facilities included the Orpheum, State and Pantages theatres. This refunding was done to convert tax exempt bonds to taxable bonds to accommodate a possible future ownership change as well as to restructure the principal, there were no interest savings as part of this transaction. The bonds have interest rates ranging from 5.23% to 6.30% and a final maturity date of December 1, 2035.

2005 Notes Issued

In March 2005, the City issued a \$12,500 General Obligation Water Revenue Note to the Minnesota Public Facilities Authority as part of the State of Minnesota's Drinking Water Revolving Fund, a federally sponsored below market financing program related to the Safe Drinking Water Act. For this note, the subsidized interest rate is at 2.53% or 1.5% below the market rate on bonds sold by the State of Minnesota to fund the revolving fund. This is the third note related to the construction of the Columbia Heights Water Ultrafiltration Plant. The final maturity of this note is August 20, 2019. As of 12/31/05, the City had received total note proceeds of \$7,633 to reimburse construction expenses from this third note and during 2005 the City also received the final \$498 from the second note.

For the fiscal year ended December 31, 2005

(Dollar Amounts Expressed in Thousands)

NOTE 5 - LONG-TERM DEBT (CONTINUED)Discrete Component Unit Debt

Due to current debt issuance policies, the City issues debt on behalf of the Park & Recreation Board, the Library Board and the Municipal Building Commission. As of December 31, 2005, \$142,356 of the outstanding governmental debt is related to activities of these discretely presented component units and is reported within the debt balances of the primary government. The capital assets purchased with the funds obtained from this debt issuance are held by the respective discrete component units and are reported with their capital assets on the Statement of Net Assets.

Subsequent Events

There were no subsequent events to report.

Long-term liabilities at December 31, 2005 are detailed below.

	Balance			Balance	Amounts
	1/1/2005	Additions	Retirements	12/31/2005	Due Within
					One Year
Governmental activities:					
<u>Bonds and Notes</u>					
Property Tax Supported GO Bonds	\$ 268,115	\$ 49,311	\$ 46,446	\$ 270,980	\$ 21,415
Self Supporting GO Bonds	266,800	120	8,580	258,340	7,995
GO Improvement Bonds	49,298	15,190	19,082	45,406	5,116
Tax Increment GO Bonds	206,310	56,755	73,705	189,360	10,105
Revenue Bonds	74,682	9,365	16,962	67,085	11,874
Revenue Notes	41,998	-	746	41,252	842
Internal Service Fund Related GO Bonds	101,155	12,385	12,615	100,925	15,630
Total Governmental Bonds and Notes	1,008,358	143,126	178,136	973,348	72,977
<u>Other Long-term Liabilities</u>					
Operating Lease Payable	94	129	41	182	18
Contracts Payable	194	-	32	162	34
Unamortized Premium (Discount)	12,713	4,546	1,301	15,958	-
Compensated Absences	23,031	16,240	15,173	24,098	13,241
Total Other Long-term Liabilities	36,032	20,915	16,547	40,400	13,293
Total Long-term Liabilities Governmental	1,044,390	164,041	194,683	1,013,748	86,270
Business-type activities:					
<u>Bonds and Notes</u>					
Sewer Fund GO Bonds	41,061	5,794	10,329	36,526	8,360
Water Fund GO Bonds	39,984	4,250	10,069	34,165	7,476
Water Fund GO Note	51,002	8,131	760	58,373	840
Municipal Parking Fund GO Bonds	273,943	65,980	59,074	280,849	14,174
CPED GO Bonds	1,290	-	940	350	10
CPED Related Non GO Fund					
General Agency Reserve Fund System	67,795	21,055	27,610	61,240	8,505
Mortgage Revenue Bonds	3,595	-	3,204	391	-
Revenue Notes	1,155	-	99	1,056	106
Total Bonds and Notes	479,825	105,210	112,085	472,950	39,471

For the fiscal year ended December 31, 2005

(Dollar Amounts Expressed in Thousands)

NOTE 5 - LONG-TERM DEBT (CONTINUED)

Business-type activities:	Balance 1/1/2005	Additions	Retirements	Balance 12/31/2005	Amounts Due Within One Year
<u>Other Long-term Liabilities</u>					
Unamortized Premium (Discount)	(2,639)	790	(1,210)	(639)	-
Compensated Absences	2,350	2,342	2,429	2,263	679
Total Other Long-term Liabilities	(289)	3,132	1,219	1,624	679
Total Long-term Liabilities Business-type	479,536	108,342	113,304	474,574	40,150
Total Long-term Liabilities	\$ 1,523,926	\$ 272,383	\$ 307,987	\$ 1,488,322	\$ 126,420

For governmental activities, debt service is generally paid from the Debt Service Funds, claims and judgments are generally liquidated by the General Fund or the Self-Insurance Internal Service Fund and compensated absences are generally liquidated by the General Fund or Convention Center Special Revenue Fund.

Amortization of Outstanding Governmental City Debt

As of December 31, 2005, annual debt service requirements for Governmental activities to maturity are as follows:

Governmental Activities – Non-Proprietary					
Year Ending	Bonds		Notes		
	Principal	Interest	Principal	Interest	
Dec 31:					
2006	\$ 56,505	\$ 62,988	\$ 842	\$ 2,005	
2007	50,751	61,656	12,127	1,660	
2008	45,560	60,524	1,321	809	
2009	41,638	58,690	725	757	
2010	34,571	31,173	802	719	
2011 – 2015	177,908	131,005	6,582	2,448	
2016 - 2020	221,993	86,171	4,293	1,420	
2021 - 2025	134,365	36,844	3,450	532	
2026 - 2030	59,805	9,090	1,540	132	
2031 - 2032	8,075	540	9,570	7	
	831,171	538,681	41,252	10,489	

Year Ending	Internal Service Fund Bonds		Total Governmental Activity Bonds & Notes	
	Principal	Interest	Principal	Interest
Dec 31:				
2006	15,630	4,620	72,977	69,613
2007	9,475	3,905	72,353	67,221
2008	5,270	3,512	52,151	64,845

NOTE 5 - LONG-TERM DEBT

Amortization of Outstanding Governmental City Debt (Continued)

Year Ending	Internal Service Fund Bonds		Total Governmental Activity Bonds & Notes	
	Principal	Interest	Principal	Interest
Dec 31:				
2009	11,170	3,284	53,533	62,731
2010	11,540	2,772	46,913	34,664
2011 – 2015	30,725	7,243	215,215	140,696
2016 - 2020	14,525	2,667	240,811	90,258
2021 - 2025	2,590	137	140,405	37,513
2026 - 2030	-	-	61,345	9,222
2031 - 2032	-	-	17,645	547
	<u>\$ 100,925</u>	<u>\$ 28,140</u>	<u>\$ 973,348</u>	<u>\$ 577,310</u>

Amortization of Outstanding Business-type City Debt

As of December 31, 2005, annual debt service requirements for Business-type activities to maturity are as follows:

Year Ending	Bonds		Notes		Total		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
		\$		\$				
2006	38,525	\$ 22,948	\$ 946	\$ 1,682	\$ 39,471	\$ 24,630		
2007	31,307	21,301	1,012	1,651	32,319	22,952		
2008	32,149	19,948	1,070	1,649	33,219	21,597		
2009	26,460	16,935	1,752	1,585	28,212	18,520		
2010	25,634	15,814	1,785	1,533	27,419	17,347		
2011 – 2015	95,873	64,568	14,630	6,574	110,503	71,142		
2016 - 2020	61,992	34,700	20,583	4,370	82,575	39,070		
2021 - 2025	52,510	21,684	17,650	1,005	70,160	22,689		
2026 - 2030	33,245	8,560	-	-	33,245	8,560		
2031 - 2035	15,825	2,220	-	-	15,825	2,220		
Total	<u>\$ 413,520</u>	<u>\$ 228,678</u>	<u>\$ 59,428</u>	<u>\$ 20,049</u>	<u>\$ 472,948</u>	<u>\$ 248,727</u>		

NOTE 6 – INDUSTRIAL, COMMERCIAL, AND HOUSING REVENUE BONDS AND NOTES

As of December 31, 2005, outstanding industrial, commercial, and housing revenue bonds and notes approximated \$2,126 million. The bonds are payable solely from revenues of the respective enterprises and do not constitute an indebtedness of the City. They are not a charge against the City’s general credit or taxing power.

NOTE 7 – PRIOR YEAR DEFEASANCE

In 2005 and prior years, the City defeased certain general obligation bonds and self supporting revenue bonds by placing the proceeds of the refunding issues with a trustee who maintains special escrow accounts invested in securities of the U.S. Government and its Agencies. The maturities of these investments coincide with the principal

NOTE 7 – PRIOR YEAR DEFEASANCE (CONTINUED)

and interest payment dates of the refunded bonds and have been certified to be sufficient to pay all principal and interest on the bonds when due as required by applicable laws. Accordingly, the original refunded bonds have been eliminated and the new advance refunding bonds added to the appropriate financial statements. The City remains contingently liable to pay the refunded bonds. The outstanding balance of the extinguished debt as of December 31, 2005 is \$44,642, including \$30,215 for an advance refunding completed in 2005.

NOTE 8 – DEMAND BONDS

General Obligation Demand Bonds

The City has issued General Obligation demand bonds maturing serially through December 1, 2033, in the original issue amounts of \$88,400, \$80,000, \$8,800, \$10,610, \$17,900, \$57,000, \$15,985, \$16,100, \$19,170, \$16,400 and \$4,250. The bonds were issued pursuant to resolutions adopted by the City Council and the proceeds were used to finance a portion of the cost of constructing certain local improvements.

The remaining redemption schedule for these bonds is as follows:

Year	Amount
2006	5,180
2007	5,690
2008	5,450
2009	5,460
2010	7,045
2011	5,865
2012	6,580
2013	6,415
2014	4,265
2015	21,510
2016	21,855
2017	22,230
2018	22,140
2019	1,525
2020	1,295
2021	1,620
2022	1,990
2023	1,765
2024	2,150
2025	4,675
2026	11,135
2027	11,840
2028	11,790
2029	10,445
2030	9,490
2031	8,335
2032	5,935
2033	3,100
Total	\$ 226,775

The bonds are subject to purchase on demand of the holder at a price equal to principal plus accrued interest on delivery to the City's Remarketing agent. The Remarketing agent is authorized to use their best effort to sell the repurchased bonds at a price equal to 100 percent of the principal amount by adjusting the interest rate. These demand bonds are backed by the full faith, credit and taxing power of the City and are included in long-term debt. Under irrevocable Standby Bond Purchase Agreements issued by Dexia Credit Local, acting through its New York branch, the trustee is entitled to draw an amount sufficient to pay the purchase price of bonds delivered to it. The letters of credit are for the original sale amount and are subject to extension with the agreement of the Bank. They carry a rate equal to the Federal Funds rate plus one-half of one

NOTE 8 – DEMAND BONDS

General Obligation Demand Bonds (continued)

percent per annum with respect to amounts advanced. The expiration dates for the Standby Bond Purchase Agreements are October 31, 2012. The City is required to pay Dexia Credit Local an annual commitment fee of 10.50 basis points on the outstanding principal amount of the bonds and on the maximum interest payments of these issues. The Remarketing Agent receives an annual fee of 10 basis points on the outstanding principal amount of bonds held by the public. The City has the option to convert all of the bonds from a variable interest rate to a fixed interest rate by giving written notice to Dexia, the Tender Agent, the Remarketing Agent and the Trustee. The conversion date must be on a business day not less than 15 days from the date of the written notice.

NOTE 9 – LEASES

Operating Leases

The City of Minneapolis leases office space, equipment and right of ways for its operations. The lease for office space expires in the year 2016 and the office space lease payments were \$1,209 in 2005. The equipment lease expire the end of 2006.

The future minimum lease payments for operating leases are as follows:

	Government Activity <u>Amount</u>	Business Type Activity <u>Amount</u>
Year ending December 31		
2006	\$ 594	\$ 350
2007	518	
2008	518	
2009	518	
2010	516	
2011 – 2015	3,709	
2016 - 2019	523	
Total minimum lease payments	<u>\$ 6,898</u>	<u>\$ 350</u>

Operating leases with scheduled rent increases

The City leases office space for various operations. The leases contain scheduled rent increases with terms varying from three to twelve years. The operating lease transactions are measured on a straight-line basis over the lease term per GASB Statement No. 13-Accounting for Operating Leases with Scheduled Rent Increases. Application of the straight-line basis to the total lease expenditures of \$7,631 over the lease terms results in a total annual lease amount of \$586.

For 2005 the amount of lease expenditures is as follows:

Operating leases	<u>\$ 586</u>
Additional Straight Line Basis	<u>(78)</u>
Total expenditures	<u>\$ 508</u>

NOTE 9 – LEASES

Operating leases with scheduled rent increases (Continued)

The future minimum lease expenditures for operating leases with scheduled rent increases are as follows:

<u>Year</u>	Government Activity <u>Amount</u>	Business Type Activity <u>Amount</u>
2006	\$ 336	\$ 67
2007	327	69
2008	317	70
2009	290	71
2010	-	71
2010 -2015	-	367
2016 - 2019	-	309
Total minimum lease payments	<u>\$ 1,270</u>	<u>\$ 1,024</u>

NOTE 10 – INTERFUND TRANSACTIONS

Interfund Receivables/Payables

The composition of interfund balances as of December 31, 2005 are as follows:

Due to/from other funds:

General Fund	Permanent Improvement Fund	\$ 1,250
	Nonmajor Governmental Funds	1,751
	Internal Service Funds	522
CPED Special Revenue Fund	Nonmajor Governmental Funds	1,041
Convention Center Special Revenue Fund	General Fund	233
Internal Service Funds	General Fund	37
	Permanent Improvement Fund	7,685
	Internal Service Funds	523
Stormwater Enterprise Fund	Permanent Improvement Fund	5,471
Municipal Parking Enterprise Fund	Permanent Improvement Fund	4,537
	Nonmajor Governmental Funds	36
Solid Waste and Recycling Enterprise Fund	Municipal Parking Enterprise Fund	13,600
Nonmajor Governmental Funds	Convention Center Special Revenue Fund	233
	CPED Special Revenue Fund	53
	Nonmajor Governmental Funds	7
Total		<u>\$ 36,979</u>

NOTE 10 – INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Continued)

Interfund balances are either due to timing differences or to the elimination of negative cash balances within the various funds. All interfund balances are expected to be repaid within one year.

Advances to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Intergovernmental Services Internal Service Fund	\$ 1,749
CPED Special Revenue Fund	CPED Enterprise Fund	10
Convention Center Special Revenue Fund	Internal Service Funds	<u>12,800</u>
	Total	<u>\$ 14,559</u>

Advances to other funds are to provide working capital for general operations of the other fund.

Transfers

Transfers are indicative of funding for capital projects, lease payments or debt service, subsidies of various City operations and re-allocations of special revenues. The following schedule briefly summarizes the City’s transfer activity:

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Total Transfers In</u>
Governmental Funds:		
General Fund	Convention Center	\$ 7,249
	Non-Major Governmental Funds	1,232
	Municipal Parking	8,800
	Solid Waste & Recycling	<u>700</u>
		\$ 17,981
CPED Special Revenue Fund	General Fund	100
	Non-Major Governmental Funds	11,075
	CPED Enterprise Fund	<u>3,327</u>
		14,502
Convention Center	Non-Major Governmental Funds	<u>2,531</u>
		2,531
Permanent Improvement	Internal Service Funds	47
	CPED Special Revenue Fund	83
	Stormwater	20
	Water Works	<u>19</u>
		169
Non-Major Governmental Funds	General Fund	26,216
	CPED Special Revenue Fund	61,059
	Convention Center	20,038
	Permanent Improvement	6,375
	Non-Major Governmental Funds	5,630
	Internal Service Funds	873
	Sanitary Sewer	203
	Stormwater	302
	Water Works	711
	Municipal Parking	2,191
	Solid Waste & Recycling	58
	CPED Enterprise Fund	<u>825</u>
Total Governmental Funds		\$ <u>159,664</u>

NOTE 10 – INTERFUND TRANSACTIONS

Transfers (Continued)

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Total Transfers In</u>	
Proprietary Funds:			
Business Type Activities			
Stormwater	Permanent Improvement	\$ 292	292
Water Works	Permanent Improvement	382	382
Municipal Parking	CPED Special Revenue Fund	7,634	
	Convention Center	8,244	15,878
Solid Waste & Recycling	General Fund	50	
	Non-Major Governmental Funds	3	
	Municipal Parking	146	199
CPED Enterprise Fund	CPED Special Revenue Fund	2,000	2,000
	Total Business Type Activities	\$ 18,751	
Governmental Type Activities			
Internal Service Funds	General Fund	18,411	
	CPED Special Revenue Fund	283	
	Non-Major Governmental Funds	949	19,643
	Total Governmental Type Activities	\$ 19,643	

Transfers are made throughout the year between various funds. The majority of the transfers are funding the repayment of debt in the Development Debt and the General Debt Service Funds, transfers to Internal Service Funds for intergovernmental services and transfers to pass through grant resources between funds. Other significant transfers are to support economic development projects and capital projects.

NOTE 11 – NET ASSETS/FUND BALANCES

The government-wide and business-type activities fund financial statements use a net asset presentation. Net assets are categorized as invested in capital assets (net of related debt), restricted and unrestricted.

- Invested in capital assets, net of related debt – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- Restricted net assets – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net assets – This category represents net assets of the City, not restricted for any project or other purpose.

In the fund financial statements, reserves segregate portions of fund balance that are either not available or have been earmarked for specific purposes. The various reserves are established by actions of the City Council and management and can be increased, reduced, or eliminated by similar actions.

As of December 31, 2005, reservations of fund balance are described below:

Reservations

- Loans and Advances – to reflect the amount due from other funds that are long-term in nature. Such amounts do not represent available spendable resources.
- Land held for development – a segregation of fund balance to indicate that land held for development does not represent available spendable resources.
- Specific development projects – to indicate that a portion of fund balance is reserved for specific development projects that are restricted by state law.
- Encumbrances – to reflect the outstanding contractual obligations for which goods and services have not been received.

NOTE 11 – NET ASSETS/FUND BALANCES (CONTINUED)

- Prepaid items – to reflect the portion of assets, which do not represent available spendable resources.
- Pension Liability – to reflect that a portion of fund balance is reserved for pension liabilities.

NOTE 12 – RESTRICTED NET ASSETS – GOVERNMENTAL ACTIVITIES

Certain net assets are classified on the statement of net assets as restricted because their use is limited. The Governmental activities report restricted net assets for amounts that are not available for operations or are legally restricted by outside parties for use for a specific purpose. As of December 31, 2005, the Governmental activities restricted net assets are as follows:

Debt service	<u>\$ 42,667</u>
Total Restricted Net Assets – Governmental Activities	<u>\$ 42,667</u>

NOTE 13 – RESTRICTED NET ASSETS – BUSINESS TYPE ACTIVITIES

Certain net assets are classified on the statement of net assets as restricted because their use is limited. The Business-type activities report restricted net assets for amounts that are not available for operations or are legally restricted by outside parties for use for a specific purpose.

As of December 31, 2005, the Business-type restricted net assets are as follows:

Debt service	<u>\$ 37,030</u>
Total Restricted Net Assets-Business-type Activities	<u>\$ 37,030</u>

NOTE 14 - DEFICIT NET ASSETS

The following funds had deficit net assets as of December 31, 2005:

Internal Service Funds:	
Intergovernmental Services	\$(34,256)
Self Insurance	\$(36,040)

The City has developed strategies to control costs and increase annual financial resources and eliminate the net asset deficits, over several years, in the Business Information Services Internal Service Fund. In September of 2000, the City adopted a workout plan for the Intergovernmental Services fund.

The City does not intend to fully fund the actuarially determined liability and intends to pay annual claims in the Self-Insurance Internal Service Fund as they arise while maintaining a modest cash reserve.

NOTE 15 - DEFINED BENEFIT PENSION PLAN – STATEWIDE PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Plan Description

All firefighters and police officers hired after June 15, 1980, and other full-time and certain part-time employees of the City hired after June 30, 1978, except employees covered under the CPED Defined Contribution Plan, are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). The PERA administers the Public Employees Retirement Fund (PERF) and the Public Employees Police and Fire Fund (PEPFF), which are cost sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minnesota Statutes chapters 353 and 356.

NOTE 15 - DEFINED BENEFIT PENSION PLAN – STATEWIDE PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Plan Description (Continued)

The police officers and firefighters are covered by the PEPFF. All other full-time and certain part-time employees covered by the defined benefit pension plans administered by the PERA are members of the PERF. PERF members of the City belong to the Coordinated Plan and are covered by Social Security.

The 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 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 ten years of service and 2.7 percent for each remaining year. For a Coordinated Plan member, the annuity accrual rate is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each remaining year. Using 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 the Public Employees Police and Fire Fund members, the annuity accrual rate is 3 percent for each year of service.

For all Public Employees Police and Fire Fund members and Public Employees Retirement Fund members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. A reduced retirement annuity is also available to eligible members seeking early retirement.

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not yet receiving them are bound by the provisions in effect at the time they last terminated public service.

The PERA issues a publicly available financial report that includes financial statements and required supplementary information for the Public Employees Retirement Fund and the Public Employees Police and Fire Fund. That report may be obtained on the Internet at www.mnpera.org, by writing to PERA, 60 Empire Drive, Suite 200, Saint Paul, Minnesota 55103-2088, or by calling (651) 296-7460 or 1-800-652-9026.

Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. Public Employees Retirement Fund Coordinated Plan members were required to contribute 5.10 percent of their annual covered salary in 2005. Contribution rates in the Coordinated Plan increased in 2006 to 5.5 percent. Public Employees Police and Fire Fund members were required to contribute 6.20 percent of their annual covered salary in 2005. That rate increased to 7.00 percent in 2006.

The City is required to contribute the following percentages of annual covered payroll:

Public Employees Retirement Fund	<u>2005</u>	<u>2006</u>
Coordinated Plan members	5.53 %	6.00 %
Public Employees Police and Fire Fund	9.30 %	10.50 %

NOTE 15 - DEFINED BENEFIT PENSION PLAN – STATEWIDE PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Funding Policy (Continued)

The City contributions for the years ending December 31, 2003, 2004, and 2005 for the Public Employees Retirement Fund and the Public Employees Police and Fire Fund were:

	<u>PERF</u>	<u>PEPFF</u>
2003	\$6,022	\$6,403
2004	\$6,253	\$6,704
2005	\$6,508	\$7,293

These contribution amounts are equal to the contractually required contributions for each year as set by state statute.

NOTE 16 - DEFINED BENEFIT PENSION PLAN - MULTIPLE EMPLOYER MINNEAPOLIS EMPLOYEES RETIREMENT FUND

Plan Description

All full-time City employees hired on or before June 30, 1978, other than firefighters, and police officers, are covered by the Minneapolis Employees Retirement Fund (MERF), a defined benefit pension plan which is a cost-sharing, multiple-employer retirement plan. This plan is administered in accordance with Minnesota Statutes Chapter 422A. The MERF pension plan provides pension benefits, deferred annuity, and death and disability benefits as set by state statute. Members are eligible for service retirement either:

- 1) With 30 or more years of service at any age; or
- 2) At age 60 with three or more years of service; or
- 3) At age 65 with one year of service; or
- 4) With 20 or more years of service at age 55 under the Two Dollar Bill method of retirement (money purchase plan), if a MERF member prior to June 28, 1973.

The MERF provides a number of retirement options from which the member may choose. The maximum benefit one may receive is a retirement allowance payable throughout life. Participants may receive lesser retirement allowances if they choose payments for a guaranteed number of years, request a certain percent or dollar amount of their retirement allowances to go to a beneficiary or if they chose to provide for a certain amount to be paid out upon death. The benefit amount for all options, except the money purchase plan, is calculated based on the average of the highest five years salary within the last ten years of employment and years of creditable service at the date of retirement. The member will receive a benefit amount equal to 2 percent of that average salary for each of the first ten years of service, and 2.5 percent of that salary for each year over ten years of service.

A monthly retirement benefit is available to employees who have under three years of service in the MERF, but only when these years, combined with service in other Minnesota statewide retirement systems, total three or more years. A monthly retirement benefit is also available to employees who have less than three years of combined allowable service in any of the qualifying funds, provided the employee works until age 65.

Employees who leave public service before retirement and before age 60 may receive a refund of all personal contributions, with interest, except for the survivor benefit contribution, which is the equivalent of a non-refundable term insurance premium. Employees who leave public service after age 60 may not withdraw personal contributions with interest unless they have worked under three years and do not qualify for monthly retirement benefits.

Pension provisions include death benefits for a beneficiary or surviving spouse, and disability benefits for a disabled employee, as defined by the fund.

NOTE 16 - DEFINED BENEFIT PENSION PLAN - MULTIPLE EMPLOYER MINNEAPOLIS EMPLOYEES RETIREMENT FUND

Plan Description (continued)

The MERF issues a publicly available financial report that includes financial statements and required supplementary information for the MERF. This report may be obtained by writing to MERF, 706 – Second Avenue South, #800, Minneapolis, Minnesota 55402, or by calling (612) 335-5950.

Funding Policy

Minnesota Statutes Chapter 422A sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. Employees contribute 9.25% of salary into the Deposit Accumulation Reserve and .50% of salary (subject to annual adjustment) into the Survivor Benefits Reserve. Employers, including the City contribute any excess of normal cost contributions of 9.75% of salary. The unfunded actuarial liability is funded partially by payments each year of 2.68% of salary plus \$3,900 from all employers. MERF has a target date of June 30, 2020 to fully amortize the unfunded liability. The City levies taxes to finance the employer’s share of pension costs for the General Fund.

The City's contributions for the years ended June 30, 2003, 2004, and 2005 for the MERF were:

2003	\$35,626
2004	\$28,974
2005	\$5,227

These contribution amounts are equal to the contractually required contributions for each year as set by state statute.

**NOTE 17 - DEFINED BENEFIT PENSION PLAN - SINGLE EMPLOYER
MINNEAPOLIS FIREFIGHTER’S RELIEF ASSOCIATION
MINNEAPOLIS POLICE RELIEF ASSOCIATION**

Plan Description

Firefighters and police officers hired prior to June 15, 1980, are members of their respective relief associations. Each Association is the administrator of a single-employer defined benefit pension plan. The Minneapolis Firefighter’s Relief Association (MFRA) was established November 24, 1886. It operates under the provisions its bylaws and Minnesota State Law. The Minneapolis Police Relief Association (MPRA) was established on August 23, 1905, and it operates under the provisions of Minnesota Statutes, sections 423B.01-.18 and 69.80.

Each member who is at least 50 years of age and has five years of service with the Minneapolis Fire Department or the Minneapolis Police Department is eligible to receive a service pension, monthly, for the remainder of the member’s life. All benefits are based on a plan of a number of units. A unit is 1/80th of the maximum current monthly salary of a first grade firefighter (MFRA) or a first grade patrol officer (MPRA). Pensions are based on current Minneapolis Fire Department payroll or Minneapolis Police Department payroll and are fully escalated for all persons receiving a pension benefit. Each vested MFRA member also receives a lump sum amount, at the time of separation, from the MFRA's General Fund based on the number of years the member has belonged to the MFRA.

A member is entitled to disability benefits in conformity with the provisions applicable to the association and the circumstances of the disability, not to exceed 41 units (MFRA) or 34 units (MPRA). Death benefits for a beneficiary or surviving spouse are also available.

The MFRA issues a publicly available financial report that includes financial statements and required supplementary information for the MFRA. The most recent report, dated December 31, 2003, may be obtained by writing to the Minneapolis Firefighter’s Relief Association at 2021 East Hennepin Avenue, Suite 360, Minneapolis, Minnesota 55413. The MPRA issues a publicly available financial report that includes financial statements and required supplementary information

For the fiscal year ended December 31, 2005

(Dollar Amounts Expressed in Thousands)

**NOTE 17 - DEFINED BENEFIT PENSION PLAN - SINGLE EMPLOYER
MINNEAPOLIS FIREFIGHTER'S RELIEF ASSOCIATION
MINNEAPOLIS POLICE RELIEF ASSOCIATION**

Plan Description (Continued)

for the MPRA. The most recent report, dated December 31, 2003, may be obtained by writing to the Minneapolis Police Relief Association, 10 - Second Street Northeast, Suite 103, Minneapolis, Minnesota, 55413.

Funding Policy

Authority for contributions to the MFRA and the MPRA pension plans is established by Minnesota Statutes, section 69.77 and may be amended only by the Minnesota State Legislature. The MFRA and the MPRA funding policies provide for

contributions from the City, the State of Minnesota, and active plan members. City contributions are actuarially determined and requires full funding of the MFRA's accrued liability with a 15-year amortization of any unfunded liabilities and full funding of the MPRA's accrued liability by the year 2020. The City contributed \$2,150 to MFRA and \$27,890 to MPRA for the fiscal year ended December 31, 2004. Employees under these plans contribute annually an amount equal to eight percent of the maximum first grade firefighter's salary or eight percent of the maximum top grade patrol officer's salary from which pension benefits are determined. The State of Minnesota annually contributes two percent fire premium insurance aid and the amortization state aid to the MFRA and two percent peace officers' state aid to the MPRA.

The City's annual pension cost for the fiscal year ended December 31, 2004, and related information for each plan is as follows:

	<u>MFRA</u>	<u>MPRA</u>
Annual pension cost	\$2,150	\$27,890
Contributions made	\$2,150	\$27,890
Actuarial valuation date	12/31/2004	12/31/2004
Actuarial cost method	Entry Age Normal Cost	Entry Age Normal Cost
Amortization method	Level Percentage of Payroll	Level Percentage of Payroll
Remaining amortization period	14 years, closed	6 years, closed
Asset valuation method	Book value plus the average unrealized gain for the last three years minus excess investment income as defined by state law.	Book value plus the average unrealized gain for the last three years minus excess investment income as defined by state law.
Actuarial assumptions:		
Investment rate of return	6% per annum	6% per annum
Projected salary increases:	4% per annum	4% per annum
Inflation	NA	NA
Cost-of-living adjustments	NA	NA

Three-Year Trend Information:

	<u>Year</u> <u>Ending</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed (%)</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
MFRA	2002	\$1,030	100	-
	2003	\$1,333	100	-
	2004	\$2,150	100	-
MPRA	2002	\$8,326	100	-
	2003	\$19,420	100	-
	2004	\$27,890	100	-

**NOTE 17 - DEFINED BENEFIT PENSION PLAN - SINGLE EMPLOYER
MINNEAPOLIS FIREFIGHTER'S RELIEF ASSOCIATION
MINNEAPOLIS POLICE RELIEF ASSOCIATION (CONTINUED)**

Funding Policy (Continued)

There have been no significant changes to plan provisions and actuarial methods and assumptions in the last six years.

Schedules of Funding Progress:

MFRA:

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Liability (AAL) --Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (%) (a/b)	Annual Covered Payroll (Previous Fiscal Year) (c)	UAAL as a Percentage of Covered Payroll (%) ((b - a)/c)
2002	\$ 255,194	\$ 292,678	\$ 37,484	87.2	\$ 5,540	676.6
2003	\$ 236,991	\$ 293,955	\$ 56,964	80.6	\$ 4,397	1295.5
2004	\$ 248,546	\$ 275,513	\$ 26,967	90.2	\$ 3,142	858.3

MPRA:

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Liability (AAL) --Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (%) (a/b)	Annual Covered Payroll (Previous Fiscal Year) (c)	UAAL as a Percentage of Covered Payroll (%) ((b - a)/c)
2002	\$ 309,667	\$ 463,487	\$ 153,820	66.8	\$ 3,955	3889.3
2003	\$ 300,154	\$ 465,276	\$ 165,122	64.5	\$ 1,860	8877.5
2004	\$ 322,278	\$ 455,753	\$ 133,474	70.7	\$ 1,429	9340.4

NOTE 18 - DEFINED CONTRIBUTION PLAN – CPED

Plan Description

Qualified CPED employees belong to a defined contribution pension plan administered by Union Central Life Insurance Company. A permanent employee becomes a participant in the plan on April 1 or October 1, following completion of his or her probationary period and after attaining age 20 1/2.

Benefits and contribution requirements are established and can be amended by the City of Minneapolis City Council. All provisions are within limitations established by Minnesota Statutes.

The payroll for employees covered by the CPED's defined contribution plan for the year ended December 31, 2005, was \$1,634 and the CPED's total payroll was \$8,517.

Contributions Required and Made

The City of Minneapolis and CPED employee participants are each required to contribute five percent of the participants' annual compensation to an investment fund administered by Union Central Life Insurance Company, which will provide retirement benefits under a Money Purchase Plan. Participants are vested at the rate of 20 percent per year, for the employer's share of the contribution, and are 100 percent vested immediately for their individual contribution.

For the fiscal year ended December 31, 2005

(Dollar Amounts Expressed in Thousands)

NOTE 18 - DEFINED CONTRIBUTION PLAN – CPED**Contributions Required and Made (Continued)**

The City and CPED employee participants contributed \$90 and 83 respectively to the plan during the year, which amounts represented 5.53% and 5.1% respectively of the covered payroll.

NOTE 19 - POST EMPLOYMENT BENEFITS

In addition to the pension benefits described in the Notes to the Financial Statements, the City provides post retirement health care premium offset, in accordance with Council Action, for Police and Fire Relief Association retirees. The City reimburses each pension organization the difference between the full premium and the amount withheld for health care coverage from retiree pension checks. Each year the Council appropriates \$100 for this post employment benefit.

NOTE 20 - VACATION, SEVERANCE, SICK AND COMPENSATORY TIME PAY

Depending on the terms of their collective bargaining contract, or the policies applicable to their classification, employees may accumulate up to 50 days vacation.

Sick leave may be accumulated indefinitely by employees. Also, employees have the option of being paid once a year for current unused sick leave accumulated over a minimum base of 60 days or, under certain circumstances, CPED employees may be allowed to have unused sick leave converted to vacation and added to their vacation balance. Payments are based on a sliding scale ranging from 50 percent to 100 percent depending on the base level attained. In addition, under certain circumstances, employees leaving City employment may qualify to receive payment for 50 percent of their unused sick leave at their current rate of pay.

Employees, depending on their classification, and subject to prior approval of their supervisor, may earn compensatory time in lieu of paid overtime. Policies are in effect which are designed to place constraints on the amount of compensatory time an employee may accumulate.

NOTE 21 - RISK MANAGEMENT & CLAIMS

The City is self insured and exposed to a variety of risks related to liability claims; theft of, damage to, and destruction of assets, bodily injuries, and accidents. The City is self-insured for workers' compensation, general liability, and re-employment. Claims under \$25,000 and unrepresented are handled by Risk Mgmt. & Claims. Claims represented and over \$25,000 are handled by the City Attorneys' Office.. The workers' compensation program includes the BET, the MBC, and all City departments. The Library Board and the Park Board maintained their own workers' compensation programs. The City, CPED, and the BET are self-insured for general liability. The MBC, Library Board and the Park Board maintain their separate liability programs. The City, including all discrete and blended component units of government, also maintain a self-funded dental plan for covered employees. The claims liability of \$31.1 million is reported in the Self-Insurance Internal Service Fund at December 31, 2005, is based on the requirements of GASB Statement No. 10-Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, and covers the exposures of workers' compensation, liability, dental and re-employment. Per State Statute, the City purchases excess insurance for its workers' compensation program from the Workers' Compensation Reinsurance Association (WCRA). The WCRA reimburses members for individual claim losses exceeding the City's retention limit. Workers' compensation coverage is governed by State of Minnesota statutes.

Claims liabilities are reported when it is probable that a loss has occurred and the amount of the loss can reasonably be estimated. Liabilities include an amount for estimated claims administration expenses and an amount for claims that have been incurred but are not reported (IBNR).

Dental coverage is based on plan design and includes Delta Preferred coverage of up to \$1,000 or Delta Premier coverage of up to \$750 per person annually. Based on an actuarial review of the dental plan, it has been determined that the premium rates are sufficient.

NOTE 21 - RISK MANAGEMENT & CLAIMS (CONTINUED)

Changes in the tort claims liabilities during fiscal 2004 and 2005 were:

	2004		2005
Liability balance – January 1	\$ 27,848	\$	28,386
Current year claims and changes in estimates	7,415		11,280
Claim payments	<u>(6,877)</u>		<u>(8,565)</u>
Liability balance – December 31	\$ <u>28,386</u>	\$	<u>31,101</u>

NOTE 22 – OTHER COMMITMENTS AND CONTINGENCIES

Amounts received or receivable from grantors, principally the federal and state governments, are subject to regulatory requirements and adjustments by the grantor agencies. Any disallowed claims, including amounts previously recognized by the City as revenue, would constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantors cannot be determined at this time. City officials expect such amounts, if any, to be immaterial.

In connection with the normal conduct of its affairs, the City is involved in various claims and litigations pending against the City involving claims for monetary damages. Except as follows, these pending cases are not unusual in number and amount.

The City is a defendant in various cases that allege injuries and wrongful death, as a result of police misconduct.

A lawsuit has been filed by a Minneapolis police officer against the City and fellow officers, as a result of a friendly fire incident in which the plaintiff was shot and permanently injured.

The City is involved in a dispute with one of its parking ramp operators and the operator’s indemnity company. The City is claiming that the parking ramp operator breached its contract to guarantee payment of operating costs and debt service, and failed to pay over the security bond for these costs. A counterclaim has been filed by the operator.

NOTE 23-SUBSEQUENT EVENT

In 2006, the City loaned \$1,340 to the Greater Minneapolis Convention and Visitor’s Association from the Convention Center Special Revenue Fund.

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - SUMMARY
For the Fiscal Year Ended December 31, 2005**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	2005					2004 Actual
	Budgeted Amounts		Actual	Variance		
	Original	Final				
REVENUES:						
Taxes	\$ 124,036	\$ 120,092	\$ 125,203	\$ 5,111		\$ 111,126
Licenses and permits	22,532	22,462	25,044	2,582		24,148
Intergovernmental revenues	75,357	79,301	80,290	989		77,469
Charges for services and sales	32,957	34,263	33,976	(287)		28,182
Fines and forfeits	8,512	8,512	10,016	1,504		8,910
Special assessments	2,743	2,888	2,839	(49)		2,628
Interest	1,830	2,120	1,952	(168)		541
Miscellaneous revenues	794	865	693	(172)		1,030
Total revenues	<u>268,761</u>	<u>270,503</u>	<u>280,013</u>	<u>9,510</u>		<u>254,034</u>
CURRENT EXPENDITURES:						
Current:						
General government:						
Mayor	1,054	1,102	1,076	26		904
Council	3,323	2,799	2,715	84		2,868
Assessor	3,101	3,101	2,967	134		2,526
Attorney	5,602	5,603	5,055	548		4,631
Civil rights	2,338	2,348	2,110	238		1,791
Clerk	1,305	1,949	1,928	21		1,134
Clerk-Elections and registration	964	1,021	1,019	2		956
Coordinator	693	793	704	89		361
Coordinator-Communications	2,368	2,468	2,237	231		1,905
Coordinator-Finance	17,614	17,764	17,409	355		9,931
Coordinator-Grants and special projects	213	213	179	34		166
Coordinator-Human resources	5,527	5,827	5,827	-		3,682
Coordinator-Intergovernmental relations	828	828	759	69		789
Contingency	1,983	933	165	768		45
Miscellaneous	928	(472)	86	(558)		434
Total general government	<u>47,841</u>	<u>46,277</u>	<u>44,236</u>	<u>2,041</u>		<u>32,123</u>
Public safety:						
Coordinator-Regulatory services	\$ 20,892	20,408	20,353	55		18,750
Corrections	820	820	686	134		781
Emergency communications	6,684	6,884	6,800	84		6,174
Fire	45,200	47,931	47,186	745		39,495
Police	94,749	96,049	95,977	72		87,603
Total public safety	<u>168,345</u>	<u>172,092</u>	<u>171,002</u>	<u>1,090</u>		<u>152,803</u>
Public works:						
Administration	2,365	2,515	2,507	8		2,095
Engineering design	1,192	889	885	4		920
Field services	21,613	24,591	24,591	-		22,267
Transportation and special projects	10,984	10,784	10,771	13		10,404
Total public works	<u>36,154</u>	<u>38,779</u>	<u>38,754</u>	<u>25</u>		<u>35,686</u>
Culture and recreation - Library	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>900</u>
Health and welfare - Health and family support	<u>3,653</u>	<u>3,653</u>	<u>3,649</u>	<u>4</u>		<u>3,446</u>
Community & economic development	<u>3,075</u>	<u>3,367</u>	<u>3,366</u>	<u>1</u>		<u>2,179</u>
Total expenditures	<u>259,068</u>	<u>264,168</u>	<u>261,007</u>	<u>3,161</u>		<u>227,137</u>
Excess (deficiency) of revenues over (under) expenditures	<u>9,693</u>	<u>6,335</u>	<u>19,006</u>	<u>12,671</u>		<u>26,897</u>
OTHER FINANCING SOURCES (USES):						
Transfers from other funds	17,032	17,032	17,981	949		12,698
Transfers (to) other funds	(32,792)	(44,792)	(44,777)	15		(31,790)
Total other financing sources (uses)	<u>(15,760)</u>	<u>(27,760)</u>	<u>(26,796)</u>	<u>964</u>		<u>(19,092)</u>
Net change in fund balance	(6,067)	(21,425)	(7,790)	13,635		7,805
Fund balance - January 1	<u>\$ 61,352</u>	<u>61,352</u>	<u>61,352</u>	<u>-</u>		<u>53,547</u>
Fund balance - December 31	<u>\$ 55,285</u>	<u>\$ 39,927</u>	<u>\$ 53,562</u>	<u>\$ 13,635</u>		<u>\$ 61,352</u>

COMMUNITY PLANNING AND ECONOMIC DEVELOPMENT CITY OF MINNEAPOLIS, MINNESOTA
SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended December 31, 2005 **(In Thousands)**

	2005				2004 Actual
	Budgeted Amounts		Actual	Variance	
	Original	Final			
REVENUES:					
Taxes:					
General property tax	\$ -	\$ -	\$ 774	\$ 774	\$ 67
Property tax increment	69,956	69,956	63,402	(6,554)	63,745
Total taxes	69,956	69,956	64,176	(5,780)	63,812
Intergovernmental revenues:					
Federal grantor agencies	4,189	4,189	159	(4,030)	63
State grants and shared revenues	-	4,738	13,892	9,154	10,937
County grants	-	-	5,568	5,568	-
Other local grants	-	-	571	571	728
Total intergovernmental revenues	4,189	8,927	20,190	11,263	11,728
Charges for services and sales	5,432	5,519	7,109	1,590	6,407
Interest	726	726	6,234	5,508	3,975
Miscellaneous revenues:					
Rents and commissions	4,098	4,098	4,177	79	3,136
Sale of land	-	-	6,639	6,639	4,201
Loan recapture	-	-	5,032	5,032	8,313
Other	5,267	5,267	826	(4,441)	856
Total miscellaneous revenues	9,365	9,365	16,674	7,309	16,506
Total revenues	89,668	94,493	114,383	19,890	102,428
CURRENT EXPENDITURES:					
Community & economic development	28,444	212,496	74,504	137,992	62,502
Total expenditures	28,444	212,496	74,504	137,992	62,502
Excess (deficiency) of revenues over (under) expenditures	61,224	(118,003)	39,879	157,882	39,926
OTHER FINANCING SOURCES (USES):					
Transfers from other funds	4,393	4,393	14,502	10,109	10,914
Transfers (to) other funds	(68,457)	(92,934)	(71,232)	21,702	(66,229)
Notes issued	-	-	4,935	4,935	6,500
Total other financing sources (uses)	(64,064)	(88,541)	(51,795)	36,746	(48,815)
Net change in fund balance	(2,840)	(206,544)	(11,916)	194,628	(8,889)
Fund balance - January 1	248,509	248,509	248,509	-	257,398
Fund balance - December 31	\$ 245,669	\$ 41,965	\$ 236,593	\$ 194,628	\$ 248,509

**CONVENTION CENTER SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended December 31, 2005**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	2005					2004 Actual
	Budgeted Amount		Actual	Variance		
	Original	Final				
REVENUES:						
Taxes:						
Sales and use tax	\$ 26,698	\$ 26,698	\$ 27,404	\$ 706	\$ 26,366	
Entertainment tax	8,682	8,682	9,193	511	8,670	
Food tax	7,948	7,948	9,474	1,526	8,802	
Liquor tax	2,914	2,914	3,487	573	3,432	
Lodging tax	4,659	4,659	5,506	847	4,899	
Total taxes	50,901	50,901	55,064	4,163	52,169	
Charges for services and sales	5,230	5,230	6,220	990	5,000	
Interest	215	215	616	401	132	
Miscellaneous revenues:						
Rents and commissions	7,063	7,063	6,867	(196)	6,468	
Privileges	2,500	2,500	3,106	606	2,564	
Other	5	5	15	10	130	
Total miscellaneous revenues	9,568	9,568	9,988	420	9,162	
Total revenues	65,914	65,914	71,888	5,974	66,463	
CURRENT EXPENDITURES:						
General government	62	62	61	1	360	
Public safety	100	100	-	100		
Community & economic development	33,822	34,070	32,901	1,169	28,622	
Total expenditures	33,984	34,232	32,962	1,270	28,982	
Excess (deficiency) of revenues over (under) expenditures	31,930	31,682	38,926	7,244	37,481	
OTHER FINANCING SOURCES (USES):						
Transfers from other funds	2,531	2,531	2,531	-	-	
Transfers (to) other funds	(37,815)	(37,815)	(35,531)	2,284	(31,956)	
Total other financing sources (uses)	(35,284)	(35,284)	(33,000)	2,284	(31,956)	
Net change in fund balance	(3,354)	(3,602)	5,926	9,528	5,525	
Fund balance - January 1	29,924	29,924	29,924	-	24,399	
Fund balance - December 31	\$ 26,570	\$ 26,322	\$ 35,850	\$ 9,528	\$ 29,924	

NOTE 1 – BUDGETS

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and special revenue funds.

Non-Major Special Revenue Funds

Arena Reserve – This fund is a holding fund for various finance plan revenues to be used for future costs relating to the acquisition and capital maintenance of the downtown sports, entertainment and health complex.

Board of Estimate and Taxation – This fund is used to account for the operations of the Board of Estimate and Taxation which issues and sells bonds, and establishes the maximum levies for the City, its Boards and Commissions.

Community Development Block Grant – This fund is used to account for the federal grants received under the Community Development Block Grant provisions.

Convention Facilities Reserve – This fund is used to account for the ownership, maintenance, and operation of the Minneapolis Convention Center and the proceeds of the local sales and use taxes.

Employee Retirement - This fund is used to account for the activities of the three closed retirement funds of the City including the Minneapolis Employees Retirement Fund, the Minneapolis Firefighter's Relief Association and the Minneapolis Police Relief Association.

Grants– Federal – This fund is used to account for all federal grants, except for the Community Development Block grant, which is accounted for in a separate fund.

Grants-Other – This fund is used to account for grants received from the State of Minnesota, Hennepin County, local governmental units and private sources.

Police – This fund is used to account for the revenues and expenditures related to federal and state administrative forfeitures, lawful gambling, and the automated pawn system.

Non-Major Debt Service Funds

Community Planning and Economic Development – This fund is used to account for the debt service activity of Community Planning and Economic Development. It includes the Arena Acquisition Project (Target Center) Series A and B bonds, Tax Increment Bonds of 1990, debt of the Orpheum Theatre project and tax Increment Revenue Notes.

Development – This fund is used primarily to account for debt of projects supported by property tax increments, transfers of sales tax revenues from the Convention Center Special Revenue Fund for related debt, and a state grant relating to the completion of the Convention Center

General Debt Service – This fund is used to account for General Obligation Bonds supported by a property tax levy, Business Information System debt supported, by the General Fund, Great River Road Bonds, and Edison Hockey, Community Health, Excel Revenue and Section 108 HUD Notes.

Special Assessment – This fund is used to account for debt supported by special assessments including Park Diseased Tree debt.

**GOVERNMENTAL FUNDS
BALANCE SHEET NONMAJOR FUNDS
December 31, 2005**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

<u>ASSETS</u>	Special Revenue	Debt Service	Total Nonmajor Governmental
Cash and cash equivalents	\$ 29,495	\$ 38,391	67,886
Investments with trustees	-	3,778	3,778
Receivables:			
Accounts - net	704	254	958
Taxes	102	814	916
Special assessments	-	28,998	28,998
Loans	8,838	-	8,838
Intergovernmental	8,807	-	8,807
Due from other funds	293	-	293
Prepaid items	1	-	1
Total assets	\$ 48,240	\$ 72,235	\$ 120,475
<u>LIABILITIES and FUND BALANCES</u>			
Liabilities:			
Salaries payable	\$ 606	\$ -	\$ 606
Accounts payable	2,746	24	2,770
Due to other funds	2,799	36	2,835
Deferred revenue	16,719	29,508	46,227
Total liabilities	22,870	29,568	52,438
Fund balances:			
Reserved for:			
Prepaid items	1	-	1
Pension liability	14,739	-	14,739
Unreserved			
Designated for debt service	-	42,667	42,667
Undesignated	10,630	-	10,630
Total fund balances	25,370	42,667	68,037
Total liabilities and fund balances	\$ 48,240	\$ 72,235	\$ 120,475

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES NONMAJOR FUNDS
For the Fiscal Year Ended December 31, 2005**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Total Nonmajor Governmental</u>
REVENUES:			
Taxes	\$ 3,258	\$ 27,842	\$ 31,100
Licenses and permits	446	-	446
Intergovernmental revenues	54,856	1,001	55,857
Charges for services and sales	1,090	-	1,090
Fines and forfeits	664	-	664
Special assessments	-	7,310	7,310
Interest	1,024	1,602	2,626
Miscellaneous revenues	3,784	2,465	6,249
	<u>65,122</u>	<u>40,220</u>	<u>105,342</u>
EXPENDITURES:			
Current:			
General government	13,932	-	13,932
Public safety	38,451	-	38,451
Public works	450	-	450
Culture and recreation	42	-	42
Health and welfare	9,609	-	9,609
Community & economic development	17,693	-	17,693
Debt Service:			
Principal retirement	-	90,825	90,825
Interest and fiscal charges	-	62,456	62,456
	<u>80,177</u>	<u>153,281</u>	<u>233,458</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(15,055)</u>	<u>(113,061)</u>	<u>(128,116)</u>
OTHER FINANCING SOURCES (USES):			
Transfers from other funds	14,961	109,520	124,481
Transfers (to) other funds	(20,587)	(833)	(21,420)
Refunding bonds issued	-	69,250	69,250
Premium (discount)	-	3,583	3,583
Payments to escrow agents	-	(74,820)	(74,820)
	<u>(5,626)</u>	<u>106,700</u>	<u>101,074</u>
Net change in fund balance	(20,681)	(6,361)	(27,042)
Fund balances - January 1	<u>46,051</u>	<u>49,028</u>	<u>95,079</u>
Fund balances - December 31	<u>\$ 25,370</u>	<u>\$ 42,667</u>	<u>\$ 68,037</u>

**SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET - NONMAJOR FUNDS
December 31, 2005**

**CITY OF MINNEAPOLIS, MINNESOTA
(In Thousands)**

	Non-major										2004 Total
	Arena Reserve	Board of Estimate and Taxation	Community Development Block Grant	Convention Facilities Reserve	Employee Retirement	Grants- Federal	Grants- Other	Police	2005 Total	2004 Total	
ASSETS											
Cash and cash equivalents	\$ 2,405	\$ 179	\$ 28	\$ 6,881	\$ 14,948	\$ 477	\$ 4,357	\$ 220	\$ 29,495	\$ 21,008	
Deposits with fiscal agents	-	-	-	-	-	-	-	-	-	396	
Investments with trustees	-	-	-	-	-	-	-	-	-	29,708	
Receivables:											
Accounts - net	-	-	-	-	285	-	36	383	704	241	
Taxes	-	4	-	-	98	-	-	-	102	153	
Loans	-	-	-	-	-	2,870	5,968	-	8,838	8,817	
Intergovernmental	-	-	3,528	-	-	4,868	611	-	8,807	9,834	
Due from other funds	233	-	50	-	-	-	60	-	343	2,543	
Prepaid items	-	-	-	-	-	-	1	-	1	1	
Total assets	\$ 2,638	\$ 183	\$ 3,406	\$ 6,881	\$ 15,331	\$ 8,215	\$ 11,033	\$ 603	\$ 48,290	\$ 72,701	

LIABILITIES AND FUND BALANCES

Liabilities:										
Salaries payable	\$ -	\$ 18	\$ 172	\$ -	\$ -	\$ 177	\$ 156	\$ 83	\$ 606	\$ 676
Accounts payable	-	1	408	-	520	1,315	371	131	2,746	4,378
Intergovernmental payable	-	-	-	-	-	-	-	-	-	50
Due to other funds	-	-	2,826	-	-	23	-	-	2,849	5,701
Deferred revenue	-	3	-	-	72	6,700	9,935	9	16,719	15,845
Total liabilities	-	22	3,406	-	592	8,215	10,462	223	22,920	26,650

Fund balances:

Reserved for:										
Prepaid items	-	-	-	-	-	-	1	-	1	1
Pension liability	-	-	-	-	14,739	-	-	-	14,739	32,527
Unreserved:										
Undesignated	2,638	161	-	6,881	-	-	570	380	10,630	13,523
Total fund balances	2,638	161	-	6,881	14,739	-	571	380	25,370	46,051
Total liabilities and fund balances	\$ 2,638	\$ 183	\$ 3,406	\$ 6,881	\$ 15,331	\$ 8,215	\$ 11,033	\$ 603	\$ 48,290	\$ 72,701

CITY OF MINNEAPOLIS, MINNESOTA

**SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - NONMAJOR FUNDS
For the Fiscal Year Ended December 31, 2005**

(In Thousands)

	Non-major Funds											
	Arena Reserve	Board of Estimate and Taxation	Community Development Block Grant	Convention Facilities Reserve	Employee Retirement	Grants-Federal	Grants-Other	Police	2005 Total	2004 Total		
REVENUES:												
Taxes	\$ -	\$ 156	\$ -	\$ -	\$ 2,883	\$ -	\$ 13	\$ 206	\$ 3,258	\$ 7,275		
Licenses and permits	-	-	-	-	-	-	-	446	446	401		
Intergovernmental revenues	-	-	23,658	-	8,687	16,607	5,904	-	54,856	49,333		
Charges for services and sales	-	-	-	-	-	-	189	901	1,090	929		
Fines and forfeits	-	-	-	-	210	-	-	454	664	731		
Interest	76	-	-	-	850	75	23	-	1,024	278		
Miscellaneous revenues	-	-	-	-	791	2,382	607	4	3,784	663		
Total revenues	76	156	23,658	-	13,421	19,064	6,736	2,011	65,122	59,610		
CURRENT EXPENDITURES:												
General government	-	258	2,330	-	10,265	986	93	-	13,932	24,437		
Public safety	-	-	542	-	29,138	5,965	597	2,209	38,451	37,835		
Public works	-	-	149	-	-	301	-	-	450	4,363		
Culture and Recreation	-	-	42	-	-	-	-	-	42	1,075		
Health and welfare	-	-	1,829	-	-	4,163	3,617	-	9,609	5,957		
Community & economic development	-	-	7,690	-	-	7,624	2,379	-	17,693	13,045		
Total expenditures	-	258	12,582	-	39,403	19,039	6,686	2,209	80,177	86,712		
Excess (deficiency) of revenues over (under) expenditures	76	(102)	11,076	-	(25,982)	25	50	(198)	(15,055)	(27,102)		
OTHER FINANCING SOURCES (USES):												
Transfers from other funds	3,292	98	-	1,150	10,000	-	87	334	14,961	5,805		
Transfers (to) other funds	(5,030)	-	(11,076)	(2,531)	(1,806)	(25)	(119)	-	(20,587)	(11,968)		
Bonds issued	-	-	-	-	-	-	-	-	-	29,710		
Premium(Discout)	-	-	-	-	-	-	-	-	-	80		
Total other financing sources (uses)	(1,738)	98	(11,076)	(1,381)	8,194	(25)	(32)	334	(5,626)	23,627		
Net change in fund balances	(1,662)	(4)	-	(1,381)	(17,788)	-	18	136	(20,681)	(3,475)		
Fund balances - January 1	4,300	165	-	8,262	32,527	-	553	244	46,051	49,526		
Fund balances - December 31	\$ 2,638	\$ 161	\$ -	\$ 6,881	\$ 14,739	\$ -	\$ 571	\$ 380	\$ 25,370	\$ 46,051		

**DEBT SERVICE FUNDS
COMBINING BALANCE SHEET - NONMAJOR FUNDS
DECEMBER 31, 2005**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Community Planning and Economic Development	Development	General Debt Service	Special Assessment	2005 Total	2004 Total
ASSETS						
Cash and cash equivalents	\$ 12,492	\$ 272	\$ 16,244	\$ 9,383	\$ 38,391	\$ 46,637
Investments with trustees	2,471	1,307	-	-	3,778	2,087
Receivables:						
Accounts - net	-	-	251	3	254	161
Taxes:						
Current	-	-	243	-	243	117
Delinquent	-	-	571	-	571	530
Special assessments:						
Current	-	-	-	61	61	54
Delinquent	-	-	-	265	265	186
Deferred	-	-	-	28,672	28,672	23,569
Total assets	14,963	1,579	17,309	38,384	72,235	73,341
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	-	2	22	-	24	29
Due to other funds	-	-	-	36	36	-
Deferred revenue	-	-	571	28,937	29,508	24,284
Total liabilities	-	2	593	28,973	29,568	24,313
Fund balances:						
Unreserved:						
Designated for debt service	14,963	1,577	16,716	9,411	42,667	49,028
Total liabilities and fund balances	\$ 14,963	\$ 1,579	\$ 17,309	\$ 38,384	\$ 72,235	\$ 73,341

DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - NONMAJOR FUNDS
For the Fiscal Year Ended December 31, 2005

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Community Planning and Economic Development	Development	General Debt Service	Special Assessment	2005 Total	2004 Total
REVENUES:						
Taxes:						
General property tax	\$ -	\$ -	\$ 24,814	\$ -	\$ 24,814	\$ 25,445
Fiscal disparities	-	-	3,028	-	3,028	\$ 3,685
Total taxes	-	-	27,842	-	27,842	29,130
Intergovernmental revenues	-	-	1,001	-	1,001	35
Special assessments	-	-	-	7,310	7,310	7,046
Interest	322	295	577	408	1,602	365
Miscellaneous revenues:						
Rents and commissions	-	302	460	-	762	916
Other	-	-	1,701	2	1,703	2,031
Total miscellaneous revenues	-	302	2,161	2	2,465	2,947
Total revenues	322	597	31,581	7,720	40,220	39,523
EXPENDITURES:						
Principal retirement on bonds	12,962	21,245	47,261	8,611	90,079	63,251
Principal retirement on notes	-	-	746	-	746	12,924
Interest and fiscal charges	26,572	20,125	13,553	2,206	62,456	57,462
Total expenditures	39,534	41,370	61,560	10,817	153,281	133,637
Excess (deficiency) of revenues over (under) expenditures	(39,212)	(40,773)	(29,979)	(3,097)	(113,061)	(94,114)
OTHER FINANCING SOURCES (USES):						
Transfers from other funds	40,564	40,835	25,914	2,207	109,520	82,436
Transfers (to) other funds	-	-	(833)	-	(833)	(1,211)
Refunding bonds issued	4,430	56,094	-	8,726	69,250	51,210
Premium (Discount)	-	2,994	-	589	3,583	2,573
Payments to escrow agents	(4,094)	(59,160)	(120)	(11,446)	(74,820)	(39,370)
Total other financing sources (uses)	40,900	40,763	24,961	76	106,700	95,638
Net change in fund balances	1,688	(10)	(5,018)	(3,021)	(6,361)	1,524
Fund balances - January 1	13,275	1,587	21,734	12,432	49,028	47,504
Fund balances - December 31	\$ 14,963	\$ 1,577	\$ 16,716	\$ 9,411	\$ 42,667	\$ 49,028

**BOARD OF ESTIMATE AND TAXATION SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended December 31, 2005**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	2005				
	Budgeted Amount		Actual	Variance	2004 Actual
	Original	Final			
REVENUES:					
Taxes:					
General property tax	\$ 133	\$ 133	\$ 135	\$ 2	\$ 129
Property tax increment	-	-	-	-	1
Fiscal disparities	21	21	21	-	21
Total taxes	154	154	156	2	151
Total revenues	154	154	156	2	151
CURRENT EXPENDITURES:					
General government	266	266	258	8	247
Excess (deficiency) of revenues over (under) expenditures	(112)	(112)	(102)	10	(96)
OTHER FINANCING SOURCES (USES):					
Transfers from other funds	-	-	98	98	92
Proceeds from bonds	100	100	-	(100)	-
Total other financing sources (uses)	100	100	98	(2)	92
Net change in fund balance	(12)	(12)	(4)	8	(4)
Fund balance - January 1	165	165	165	-	169
Fund balance - December 31	\$ 153	\$ 153	\$ 161	\$ 8	\$ 165

**COMMUNITY DEVELOPMENT BLOCK GRANT
SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended December 31, 2005**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	2005					2004 Actual
	Budgeted Amounts		Actual	Variance		
	Original	Final				
REVENUES:						
Intergovernmental revenues:						
Federal grantor agencies	\$ 21,778	\$ 30,649	\$ 23,658	\$ (6,991)	\$ 17,198	
Miscellaneous revenues:						
Loan recapture	600	600	-	(600)	-	
Other	850	850	-	(850)	-	
Total miscellaneous revenues	1,450	1,450	-	(1,450)	-	
Total revenues	23,228	32,099	23,658	(8,441)	17,198	
CURRENT EXPENDITURES:						
General government	3,240	3,174	2,330	844	2,007	
Public safety	332	700	542	158	302	
Culture and recreation	-	-	42	(42)	23	
Public works	107	255	149	106	250	
Health and welfare	2,120	3,670	1,829	1,841	2,435	
Community & economic development	13,902	13,923	7,690	6,233	4,227	
Total expenditures	19,701	21,722	12,582	9,140	9,244	
Excess (deficiency) of revenues over (under) expenditures	3,527	10,377	11,076	699	7,954	
OTHER FINANCING SOURCES (USES):						
Transfers (to) other funds	(3,911)	(12,489)	(11,076)	1,413	(7,954)	
Net change in fund balance	(384)	(2,112)	-	2,112	-	
Fund balance - January 1	-	-	-	-	-	
Fund balance - December 31	\$ (384)	\$ (2,112)	\$ -	\$ 2,112	\$ -	

**CONVENTION FACILITIES RESERVE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended December 31, 2005**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	<u>2005</u>				<u>2004 Actual</u>
	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>	
	<u>Original</u>	<u>Final</u>			
OTHER FINANCING SOURCES (USES):					
Transfers from other funds	\$ 1,150	\$ 1,150	\$ 1,150	\$ -	\$ 1,150
Transfers (to) other funds	(2,531)	(2,531)	(2,531)	-	-
Total other financing sources (uses)	(1,381)	(1,381)	(1,381)	-	1,150
Net change in fund balance	(1,381)	(1,381)	(1,381)	-	1,150
Fund balance - January 1	8,262	8,262	8,262	-	7,112
Fund balance - December 31	<u>\$ 6,881</u>	<u>\$ 6,881</u>	<u>\$ 6,881</u>	<u>\$ -</u>	<u>\$ 8,262</u>

**EMPLOYEE RETIREMENT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended December 31, 2005**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	2005				2004 Actual
	Budgeted Amounts		Actual	Variance	
	Original	Final			
REVENUES:					
Taxes:					
General property tax	\$ 5,836	\$ 2,551	\$ 2,477	\$ (74)	\$ 5,860
Property tax increment	-	-	6	6	22
Fiscal disparities	978	398	400	2	976
Other taxes	-	-	-	-	1
Total taxes	6,814	2,949	2,883	(66)	6,859
Intergovernmental revenues:					
State grants and shared revenues	5,443	7,190	8,687	1,497	9,249
Fines and forfeits	-	-	210	210	206
Interest	-	-	850	850	233
Miscellaneous revenues:					
Other	-	-	791	791	-
Total miscellaneous revenues	-	-	791	791	-
Total revenues	12,257	10,139	13,421	3,282	16,547
CURRENT EXPENDITURES:					
General government	4,445	10,950	10,265	685	21,319
Public safety	18,980	52,766	29,138	23,628	29,618
Total expenditures	23,425	63,716	39,403	24,313	50,937
Excess (deficiency) of revenues over (under) expenditures	(11,168)	(53,577)	(25,982)	27,595	(34,390)
OTHER FINANCING SOURCES (USES):					
Transfers from other funds	12,500	10,000	10,000	-	-
Transfers (to) other funds	-	(598)	(1,806)	(1,208)	(2,402)
Bonds issued	-	-	-	-	29,710
Premium (Discount)	-	-	-	-	80
Total other financing sources (uses)	12,500	9,402	8,194	(1,208)	27,388
Net change in fund balance	1,332	(44,175)	(17,788)	26,387	(7,002)
Fund balance - January 1	39,529	32,527	32,527	-	39,529
Fund balance - December 31	\$ 40,861	\$ (11,648)	\$ 14,739	\$ 26,387	\$ 32,527

**GRANTS - FEDERAL SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended December 31, 2005**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	2005				2004 Actual
	Budgeted Amounts		Actual	Variance	
	Original	Final			
REVENUES:					
Intergovernmental revenues:					
Federal grantor agencies	\$ 17,852	\$ 32,566	\$ 16,607	\$ (15,959)	\$ 16,126
Interest	-	-	75	75	10
Miscellaneous revenues:					
Other	-	-	2,382	2,382	-
Total revenues	<u>17,852</u>	<u>32,566</u>	<u>19,064</u>	<u>(13,502)</u>	<u>16,136</u>
CURRENT EXPENDITURES:					
General government	440	5,620	986	4,634	685
Public safety	3,616	14,473	5,965	8,508	4,803
Culture and recreation	-	-	-	-	4
Public works	-	700	301	399	1,052
Health and welfare	3,296	6,525	4,163	2,362	3,813
Community & economic development	9,970	14,643	7,624	7,019	5,965
Total expenditures	<u>17,322</u>	<u>41,961</u>	<u>19,039</u>	<u>22,922</u>	<u>16,322</u>
Excess (deficiency) of revenues over (under) expenditures	<u>530</u>	<u>(9,395)</u>	<u>25</u>	<u>9,420</u>	<u>(186)</u>
OTHER FINANCING SOURCES (USES):					
Transfers from other funds	-	-	-	-	743
Transfers (to) other funds	(50)	(1,498)	(25)	1,473	(557)
Total other financing sources (uses)	<u>(50)</u>	<u>(1,498)</u>	<u>(25)</u>	<u>1,473</u>	<u>186</u>
Net change in fund balance	480	(10,893)	-	10,893	-
Fund balance - January 1	-	-	-	-	-
Fund balance - December 31	<u>\$ 480</u>	<u>\$ (10,893)</u>	<u>\$ -</u>	<u>\$ 10,893</u>	<u>\$ -</u>

**GRANTS - OTHER SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended December 31, 2005**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	2005				2004 Actual
	Budgeted Amounts		Actual	Variance	
	Original	Final			
REVENUES:					
Taxes:					
Other taxes	\$ 45	\$ 45	\$ 13	\$ (32)	\$ 11
Intergovernmental revenues:					
State grants and shared revenues	7,193	8,411	5,249	(3,162)	6,149
Other local grants	3,058	3,082	655	(2,427)	611
Total intergovernmental revenues	10,251	11,493	5,904	(5,589)	6,760
Charges for services	90	135	189	54	83
Interest	10	10	23	13	36
Miscellaneous revenues:					
Loan recapture	44	44	2	(42)	1
Private contributions	312	1,234	452	(782)	434
Other	263	273	153	(120)	218
Total miscellaneous revenues	619	1,551	607	(944)	653
Total revenues	11,015	13,234	6,736	(6,498)	7,543
CURRENT EXPENDITURES:					
General government	2,083	2,156	93	2,063	179
Public safety	916	2,477	597	1,880	694
Public works	-	-	-	-	300
Health and welfare	3,869	5,606	3,617	1,989	3,518
Community & economic development	4,253	4,264	2,379	1,885	2,853
Total expenditures	11,121	14,503	6,686	7,817	7,544
Excess (deficiency) of revenues over (under) expenditures	(106)	(1,269)	50	1,319	(1)
OTHER FINANCING SOURCES (USES):					
Transfers from other funds	-	-	87	87	103
Transfers (to) other funds	(115)	(119)	(119)	-	(137)
Total other financing sources (uses)	(115)	(119)	(32)	87	(34)
Net change in fund balance	(221)	(1,388)	18	1,406	(35)
Fund balance - January 1	553	553	553	-	588
Fund balance - December 31	\$ 332	\$ (835)	\$ 571	\$ 1,406	\$ 553

**POLICE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended December 31, 2005**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	2005				2004 Actual
	Budgeted Amounts		Actual	Variance	
	Original	Final			
REVENUES:					
Taxes:					
Lawful gambling	\$ 280	\$ 280	\$ 206	\$ (74)	\$ 254
Licenses and permits	403	403	446	43	401
Charges for services and sales	996	996	901	(95)	846
Fines and forfeits	600	600	454	(146)	525
Miscellaneous revenues:					
Other	-	400	4	(396)	-
Total revenues	<u>2,279</u>	<u>2,679</u>	<u>2,011</u>	<u>(668)</u>	<u>2,026</u>
CURRENT EXPENDITURES:					
Public safety	<u>2,280</u>	<u>2,680</u>	<u>2,209</u>	<u>471</u>	<u>2,418</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1)</u>	<u>(1)</u>	<u>(198)</u>	<u>(197)</u>	<u>(392)</u>
OTHER FINANCING SOURCES (USES):					
Transfers from other funds	<u>-</u>	<u>-</u>	<u>334</u>	<u>334</u>	<u>500</u>
Net change in fund balance	(1)	(1)	136	137	108
Fund balance - January 1	<u>244</u>	<u>244</u>	<u>244</u>	<u>-</u>	<u>136</u>
Fund balance - December 31	<u><u>\$ 243</u></u>	<u><u>\$ 243</u></u>	<u><u>\$ 380</u></u>	<u><u>\$ 137</u></u>	<u><u>\$ 244</u></u>

**INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
December 31, 2005**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Engineering Materials Testing	Inter- governmental Services	Property Services	Equipment Services	Public Works Stores	Self-Insuranc	2005 Total	2004 Total
ASSETS								
Current assets:								
Cash and cash equivalents	\$ 652	\$ 339	\$ 1,689	\$ 1,251	\$ 92	\$ 1,797	\$ 5,820	\$ 3,025
Receivables:								
Accounts - net	1	64	80	132	17	41	335	1,022
Intergovernmental	-	-	-	-	-	182	182	182
Due from other funds	-	2,513	-	5,186	-	546	8,245	3,545
Due from component unit	-	24	-	-	-	133	157	-
Inventories	10	-	478	1,041	3,096	-	4,625	4,929
Prepaid items	-	179	-	-	-	16	195	88
Total current assets	663	3,119	2,247	7,610	3,205	2,715	19,559	12,791
Long-term assets:								
Deferred charges	-	51	11	46	-	-	108	55
Capital assets:								
Land, leaseholds and easements	-	-	21,664	2,186	-	-	23,850	23,850
Construction in progress	-	13,040	-	932	-	-	13,972	11,297
Buildings and structures	-	-	25,671	30,061	-	-	55,732	55,732
Less accumulated depreciation	-	-	(18,777)	(3,639)	-	-	(22,416)	(21,386)
Public improvements	-	-	2,736	330	-	-	3,066	3,363
Less accumulated depreciation	-	-	(2,273)	(119)	-	-	(2,392)	(2,321)
Machinery and equipment	287	1,710	12,185	54,182	132	-	68,496	59,916
Less accumulated depreciation	(186)	(1,361)	(1,515)	(27,989)	(119)	-	(31,170)	(27,436)
Computer equipment	61	40,985	162	37	7	-	41,252	40,904
Less accumulated depreciation	(55)	(34,172)	(147)	(33)	(7)	-	(34,414)	(29,752)
Software	-	14,442	8	-	9	-	14,459	11,829
Less accumulated depreciation	-	(5,604)	(8)	-	(8)	-	(5,620)	(3,880)
Other capital outlay	15	-	21	-	15	-	51	145
Less accumulated depreciation	(14)	-	(16)	-	(13)	-	(43)	(125)
Total long-term assets	108	29,091	39,722	55,994	16	-	124,931	122,191
Total assets	\$ 771	\$ 32,210	\$ 41,969	\$ 63,604	\$ 3,221	\$ 2,715	\$ 144,490	\$ 134,982
LIABILITIES AND NET ASSETS								
Current liabilities:								
Salaries payable	\$ 53	\$ 408	\$ 435	\$ 1,007	\$ 38	\$ 411	\$ 2,352	\$ 2,070
Accounts payable	307	2,317	904	917	109	1,400	5,954	5,690
Intergovernmental payable	-	-	-	-	-	-	-	-
Due to other funds	-	-	1,045	-	-	-	1,045	5,920
Interfund loans payable	-	-	-	-	-	-	-	-
Interest payable	-	168	32	162	-	13	375	376
Unearned revenue	-	5,950	-	363	-	161	6,474	3,832
Bonds payable-current portion	-	8,300	655	5,740	-	935	15,630	12,140
Compensated absences payable-current portion	12	98	113	235	9	82	549	-
Total current liabilities	372	17,241	3,184	8,424	156	3,002	32,379	30,028
Long-term liabilities:								
Bonds payable	-	34,275	8,915	37,875	-	4,460	85,525	89,015
Unamortized premium (discounts)	-	171	-	1,352	-	-	1,523	1,673
Advances from other funds	-	14,549	-	-	-	-	14,549	12,800
Compensated absences payable	28	230	265	550	21	192	1,286	1,990
Unpaid claims payable	-	-	-	-	-	31,101	31,101	28,386
Total long-term liabilities	28	49,225	9,180	39,777	21	35,753	133,984	133,864
Total liabilities	400	66,466	12,364	48,201	177	38,755	166,363	163,892
Net Assets:								
Invested in Capital Assets, net of related debt	109	(13,706)	30,141	10,981	16	-	27,541	25,592
Restricted	-	-	-	-	-	-	-	-
Unrestricted	262	(20,550)	(536)	4,422	3,028	(36,040)	(49,414)	(54,502)
Total net assets	371	(34,256)	29,605	15,403	3,044	(36,040)	(21,873)	(28,910)
Total liabilities and net assets	\$ 771	\$ 32,210	\$ 41,969	\$ 63,604	\$ 3,221	\$ 2,715	\$ 144,490	\$ 134,982

INTERNAL SERVICE FUNDS
CITY OF MINNEAPOLIS, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
For the Fiscal Year Ended December 31, 2005
(In Thousands)

	Engineering Materials and Testing	Inter- governmental Services	Property Services	Equipment Services	Public Works Stores	Self- Insurance	2005 Total	2004 Total
Operating revenues:								
Charges for services and sales	\$ 4,181	\$ 22,307	\$ 8,397	\$ 10,015	\$ 4,906	\$ 61,131	\$ 110,937	\$ 84,345
Rents and commissions	-	-	6,368	21,324	-	-	27,692	27,534
Total operating revenues	4,181	22,307	14,765	31,339	4,906	61,131	138,629	111,879
Operating expenses:								
Personal services	797	6,278	7,378	15,688	577	10,831	41,549	39,611
Contractual Services	385	9,425	5,730	4,497	216	51,336	71,589	64,148
Materials, supplies, services and other	3,111	5,343	1,472	2,171	99	5,590	17,786	13,412
Rent	40	-	-	580	65	180	865	1,484
Cost of stores issuance	-	228	-	3,637	3,520	-	7,385	5,594
Depreciation	15	6,510	1,349	4,877	-	-	12,751	13,143
Total operating expenses	4,348	27,784	15,929	31,450	4,477	67,937	151,925	137,392
Operating income (loss)	(167)	(5,477)	(1,164)	(111)	429	(6,806)	(13,296)	(25,513)
Non-operating revenue (expenses)								
Interest revenue	-	-	6	1	-	-	7	12
Interest expense	-	(2,064)	(389)	(1,943)	-	(142)	(4,538)	(4,471)
Gain (loss) on disposal of capital assets	(1)	(304)	403	153	-	-	251	(13)
Damages/losses recovered	-	-	-	224	-	33	257	141
Other revenues	-	514	-	9	-	5,110	5,633	5,011
Total non-operating revenues (expenses)	(1)	(1,854)	20	(1,556)	-	5,001	1,610	680
Income (loss) before operating transfers	(168)	(7,331)	(1,144)	(1,667)	429	(1,805)	(11,686)	(24,833)
Transfers in (out):								
Transfers from other funds	-	10,781	812	4,180	-	3,870	19,643	30,480
Transfers to other funds	(61)	(219)	(139)	(376)	-	(125)	(920)	(594)
Total transfers	(61)	10,562	673	3,804	-	3,745	18,723	29,886
Change in net assets	(229)	3,231	(471)	2,137	429	1,940	7,037	5,053
Net assets - January 1	600	(37,487)	30,076	13,266	2,615	(37,980)	(28,910)	(33,963)
Net assets - December 31	\$ 371	\$ (34,256)	\$ 29,605	\$ 15,403	\$ 3,044	\$ (36,040)	\$ (21,873)	\$ (28,910)

**INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Fiscal Year Ended December 31, 2005**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Engineering Materials and Testing	Inter- governmental Services	Property Services	Equipment Services	Public Works Stores	Self- Insurance	2005 Total	2004 Total
Cash flows from operating activities:								
Cash received from customers and users	\$ 4,169	\$ 24,926	\$ 14,875	\$ 27,693	\$ 4,896	\$ 66,451	\$ 143,010	\$ 117,097
Payments to suppliers	(3,245)	(17,129)	(6,120)	(11,709)	(4,227)	(59,342)	(101,772)	(85,453)
Payments to employees	(800)	(6,179)	(7,263)	(15,564)	(577)	(8,323)	(38,706)	(38,676)
Net Cash Provided (used) by operating Activities	124	1,618	1,492	420	92	(1,214)	2,532	(7,032)
Cash flows from non-capital financing activities:								
Transfers from other funds	-	10,781	812	4,180	-	3,870	19,643	30,480
Advances from other funds	-	1,749	-	-	-	-	1,749	-
Interfund loans payable	-	-	-	(279)	-	-	(279)	-
Principal paid on bonds and notes	-	-	-	-	-	(890)	(890)	(860)
Interest paid on bonds and notes	-	-	-	-	-	(142)	(142)	(75)
Transfers to other funds	(61)	(219)	(139)	(376)	-	(126)	(921)	(594)
Net cash provided (used) by non-capital financing activities	(61)	12,311	673	3,525	-	2,712	19,160	28,951
Cash flows from capital and related financing activities								
Bonds issued	-	6,845	-	5,540	-	-	12,385	8,990
Principal paid on bonds	-	(6,670)	(659)	(4,415)	-	-	(11,744)	(9,590)
Interest paid on bonds	-	(2,111)	(390)	(2,025)	-	-	(4,526)	(4,583)
Acquisition and construction of capital assets	(44)	(11,711)	(176)	(4,134)	-	-	(16,065)	(16,894)
Premium (discount)	-	107	-	124	-	-	231	470
Bond issuance costs	-	(50)	-	(11)	-	-	(61)	(20)
Proceeds from sale of capital assets	-	-	402	474	-	-	876	610
Net cash provided (used) by capital and related financing activities	(44)	(13,590)	(823)	(4,447)	-	-	(18,904)	(21,017)
Cash flows from investing activities:								
Interest	-	-	6	1	-	-	7	12
Net cash provided (used) by investing activities	-	-	6	1	-	-	7	12
Net increase (decrease) in cash and cash equivalents	19	339	1,348	(501)	92	1,498	2,795	914
Cash and cash equivalents, beginning of year	633	-	341	1,752	-	299	3,025	2,111
Cash and cash equivalents, end of year	\$ 652	\$ 339	\$ 1,689	\$ 1,251	\$ 92	\$ 1,797	\$ 5,820	\$ 3,025
Reconciliation of operating income to net cash provided (used) by operating activities								
Operating income (loss)	\$ (167)	\$ (5,477)	\$ (1,164)	\$ (112)	\$ 428	\$ (6,806)	\$ (13,298)	\$ (25,513)
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:								
Depreciation	15	6,510	1,349	4,877	-	-	12,751	13,143
Accounts receivable	-	2	110	22	(10)	565	689	(335)
Intergovernmental receivable	-	(25)	-	-	-	-	(25)	-
Inventories	2	-	(14)	(248)	564	-	304	(926)
Prepays	-	(90)	-	-	-	(16)	(106)	-
Due from other funds	-	(425)	-	(3,901)	-	(507)	(4,833)	(213)
Due to other funds	-	(2,328)	1,006	-	(694)	(2,570)	(4,586)	(2,096)
Salaries payable	-	37	62	113	(1)	71	282	393
Accounts payable	288	309	90	(575)	(196)	350	266	2,045
Intergovernmental payable	(11)	-	-	-	-	5	(6)	(1)
Unearned revenue	-	2,529	-	-	-	114	2,643	662
Compensated absences payable	(3)	62	53	11	1	(278)	(154)	118
Unpaid claims	-	-	-	-	-	2,715	2,715	539
Damages/Losses recovered	-	-	-	224	-	33	257	141
Other non-operating revenue	-	514	-	9	-	5,110	5,633	5,011
Net cash provided (used) by operating activities	\$ 124	\$ 1,618	\$ 1,492	\$ 420	\$ 92	\$ (1,214)	\$ 2,532	\$ (7,032)
Non-cash investing, capital and financing activities:								
(Loss) on disposal of capital assets	\$ (1)	\$ (304)	\$ -	\$ -	\$ -	\$ -	\$ (305)	\$ (154)

ENGINEERING MATERIALS AND TESTING
INTERNAL SERVICE FUND
STATEMENT OF NET ASSETS
December 31, 2005

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	<u>2005</u>	<u>2004</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 652	\$ 633
Receivables:		
Accounts - net	1	1
Inventories	<u>10</u>	<u>12</u>
Total current assets	<u>663</u>	<u>646</u>
Capital assets:		
Machinery and equipment	287	248
Less accumulated depreciation	(186)	(177)
Computer equipment	61	61
Less accumulated depreciation	(55)	(55)
Other capital outlay	15	15
Less accumulated depreciation	<u>(14)</u>	<u>(12)</u>
Total capital assets	<u>108</u>	<u>80</u>
Total assets	<u>\$ 771</u>	<u>\$ 726</u>
LIABILITIES AND FUND EQUITY		
Current liabilities:		
Salaries payable	\$ 53	\$ 53
Accounts payable	307	19
Due to other funds	12	11
Compensated absences payable-current portion	<u>12</u>	<u>-</u>
Total current liabilities	<u>372</u>	<u>83</u>
Long-term liabilities:		
Compensated absences payable	<u>28</u>	<u>43</u>
Total long-term liabilities	<u>28</u>	<u>43</u>
Total liabilities	<u>400</u>	<u>126</u>
Net Assets		
Invested in net assets, net of related debt	109	80
Unrestricted	<u>262</u>	<u>520</u>
Total net assets	<u>371</u>	<u>600</u>
Total liabilities and net assets	<u>\$ 771</u>	<u>\$ 726</u>

ENGINEERING MATERIALS AND TESTING
INTERNAL SERVICE FUND
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS
For the fiscal year ended December 31, 2004

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	<u>2004</u>	<u>2004</u>
Operating revenues:		
Charges for services and sales	\$ 4,181	\$ 3,821
Operating expenses:		
Personal services	797	846
Contractual services	385	299
Materials, supplies, services and other	3,111	2,793
Rent	40	98
Depreciation	15	14
Total operating expenses	<u>4,348</u>	<u>4,050</u>
Operating income (loss)	<u>(167)</u>	<u>(229)</u>
Non-operating revenues (expenses):		
Gain (loss) on disposal of capital assets	<u>(1)</u>	<u>59</u>
Income (loss) before transfers	<u>(168)</u>	<u>(170)</u>
Transfers to other funds	<u>(61)</u>	<u>(10)</u>
Change in net assets	<u>(229)</u>	<u>(180)</u>
Net assets - January 1	<u>600</u>	<u>780</u>
Net assets - December 31	<u><u>\$ 371</u></u>	<u><u>\$ 600</u></u>

ENGINEERING MATERIALS AND TESTING
INTERNAL SERVICE FUND
STATEMENT OF CASH FLOWS
For the fiscal year ended December 31, 2005

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	2005	2004
Cash flows from operating activities:		
Cash received from customers and users	\$ 4,169	\$ 3,681
Payments to suppliers	(3,245)	(3,268)
Payments to employees	(800)	(837)
Net Cash Provided (used) by operating activities	<u>124</u>	<u>(424)</u>
Cash flows from non-capital financing activities:		
Transfers to other funds	(61)	(10)
Net cash provided (used) by non-capital financing activities	<u>(61)</u>	<u>(10)</u>
Cash Flows from capital and related financing activities		
Acquisition and construction of capital assets	(44)	-
Proceeds from sale of capital assets	-	132
Net cash provided (used) by capital and related financing activities	<u>(44)</u>	<u>132</u>
Net increase (decrease) in cash and cash equivalents	19	(302)
Cash and cash equivalents, beginning of year	633	935
Cash and cash equivalents, end of year	<u><u>652</u></u>	<u><u>633</u></u>
Reconciliation of operating income to net cash provided (used) by operating activities		
Operating income (loss)	(167)	(229)
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	15	14
Inventories	2	-
Due to other funds	-	11
Salaries payable	-	9
Accounts payable	288	(78)
Intergovernmental payable	(11)	(140)
Compensated absences payable	(3)	(11)
Net cash provided (used) by operating activities	<u><u>\$ 124</u></u>	<u><u>\$ (424)</u></u>
Non-cash investing, capital and financing activities:		
(Loss) on disposal of capital assets	\$ (1)	\$ -

INTERGOVERNMENTAL SERVICES
INTERNAL SERVICE FUND
STATEMENT OF NET ASSETS
December 31, 2005

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	2005	2004
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 339	\$ -
Receivables:		
Accounts - net	64	66
Due from other funds	2,513	88
Due from component unit	24	-
Prepaid expenses	179	2,088
Total current assets	<u>3,119</u>	<u>2,242</u>
Deferred charges	51	5
Capital assets:		
Construction in progress	13,040	4,421
Public improvements	-	297
Less accumulated depreciation	-	(59)
Machinery and equipment	1,710	1,739
Less accumulated depreciation	(1,361)	(1,339)
Computer equipment	40,985	40,637
Less accumulated depreciation	(34,172)	(29,510)
Software	14,442	11,812
Less accumulated depreciation	(5,604)	(3,865)
Other capital outlay	-	94
Less accumulated depreciation	-	(84)
Total capital assets	<u>29,040</u>	<u>24,148</u>
Total assets	<u>\$ 32,210</u>	<u>\$ 26,390</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Salaries payable	\$ 408	\$ 371
Accounts payable	2,317	2,008
Due to other funds	-	2,328
Interest payable	168	173
Unearned revenue	5,950	3,421
Bonds payable-current portion	8,300	6,195
Compensated absences payable-current portion	98	-
Total current liabilities	<u>17,241</u>	<u>14,496</u>
Long-term liabilities:		
Bonds payable	34,275	36,205
Unamortized premium (discounts)	171	110
Advances from other funds	14,549	12,800
Compensated absences payable	230	266
Total long-term liabilities	<u>49,225</u>	<u>49,381</u>
Total liabilities	<u>66,466</u>	<u>63,877</u>
Net Assets:		
Invested in capital assets, net of related debt	(13,706)	(18,366)
Unrestricted	<u>(20,550)</u>	<u>(19,121)</u>
Total net assets	<u>(34,256)</u>	<u>(37,487)</u>
Total liabilities and net assets	<u>\$ 32,210</u>	<u>\$ 26,390</u>

INTERGOVERNMENTAL SERVICES
INTERNAL SERVICE FUND
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS
For the fiscal year ended December 31, 2005

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	<u>2005</u>	<u>2004</u>
Operating revenues:		
Charges for services and sales	\$ 22,307	\$ 5,840
Operating expenses:		
Personal services	6,278	5,097
Contractual services	9,425	9,585
Materials, supplies, services and other	5,343	2,314
Rent	228	234
Depreciation	6,510	7,314
Total operating expenses	<u>27,784</u>	<u>24,544</u>
Operating income (loss)	<u>(5,477)</u>	<u>(18,704)</u>
Non-operating revenues (expenses):		
Interest revenue	-	1
Interest expense	(2,064)	(2,129)
Gain (loss) on disposal of capital assets	(304)	(152)
Other revenues	514	78
Total non-operating revenues (expenses)	<u>(1,854)</u>	<u>(2,202)</u>
Income (loss) before transfers	<u>(7,331)</u>	<u>(20,906)</u>
Transfers in (out):		
Transfers from other funds	10,781	23,398
Transfers to other funds	(219)	(185)
Total transfers	<u>10,562</u>	<u>23,213</u>
Change in net assets	<u>3,231</u>	<u>2,307</u>
Net assets - January 1	<u>(37,487)</u>	<u>(39,794)</u>
Net assets - December 31	<u>\$ (34,256)</u>	<u>\$ (37,487)</u>

INTERGOVERNMENTAL SERVICES
INTERNAL SERVICE FUND
STATEMENT OF CASH FLOWS
For the fiscal year ended December 31, 2005

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	2005	2004
Cash flows from operating activities:		
Cash received from customers and users	\$ 24,926	\$ 4,168
Payments to suppliers	(17,129)	(12,205)
Payments to employees	(6,179)	(4,927)
Net Cash Provided (used) by operating activities	<u>1,618</u>	<u>(12,964)</u>
Cash flows from non-capital financing activities:		
Transfers from other funds	10,781	23,398
Advances from other funds	1,749	
Transfers to other funds	(219)	(185)
Net cash provided (used) by non-capital financing activities	<u>12,311</u>	<u>23,213</u>
Cash Flows from capital and related financing activities		
Bonds issued	6,845	3,540
Principal paid on bonds	(6,670)	(5,740)
Interest paid on bonds	(2,111)	(2,237)
Acquisition and construction of capital assets	(11,711)	(5,992)
Premium (discount)	107	185
Bond issuance costs	(50)	(8)
Net cash provided (used) by capital and related financing activities	<u>(13,590)</u>	<u>(10,252)</u>
Cash flows from investing activities:		
Interest	-	1
Net cash provided (used) by investing activities	<u>-</u>	<u>1</u>
Net increase (decrease) in cash and cash equivalents	339	(2)
Cash and cash equivalents, beginning of year	-	2
Cash and cash equivalents, end of year	<u>339</u>	<u>-</u>
Reconciliation of operating income to net cash provided (used) by operating activities		
Operating income (loss)	(5,477)	(18,704)
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	6,510	7,314
A/R	2	(64)
Intergovernmental Receivable	(25)	
Prepays	(90)	
Due from other funds	(425)	(2,077)
Due to other funds	(2,328)	(922)
Salaries payable	37	109
Accounts payable	309	918
Unearned revenue	2,529	391
Compensated absences payable	62	(7)
Other non-operating revenues	514	78
Net cash provided (used) by operating activities	<u>\$ 1,618</u>	<u>\$ (12,964)</u>
Non-cash investing, capital and financing activities:		
(Loss) on disposal of capital assets	\$ (304)	\$ (152)

**PROPERTY SERVICES
INTERNAL SERVICE FUND
STATEMENT OF NET ASSETS
December 31, 2005**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	<u>2005</u>	<u>2004</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,689	\$ 341
Receivables:		
Accounts - net	80	190
Due from other funds	-	-
Inventories	478	464
Total current assets	<u>2,247</u>	<u>995</u>
Deferred charges	11	12
Capital assets:		
Land, leaseholds and easements	21,664	21,664
Construction in progress	-	5,785
Buildings and structures	25,671	25,671
Less accumulated depreciation	(18,777)	(18,347)
Public improvements	2,736	2,736
Less accumulated depreciation	(2,273)	(2,159)
Machinery and equipment	12,185	6,224
Less accumulated depreciation	(1,515)	(712)
Computer equipment	162	162
Less accumulated depreciation	(147)	(147)
Software	8	8
Less accumulated depreciation	(8)	(7)
Other capital outlay	21	21
Less accumulated depreciation	(16)	(16)
Total capital assets	<u>39,711</u>	<u>40,895</u>
Total assets	<u>\$ 41,969</u>	<u>\$ 41,890</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Salaries payable	\$ 435	\$ 374
Accounts payable	904	815
Intergovernmental payable	-	-
Due to other funds	1,045	38
Interest payable	32	34
Bonds payable-current portion	655	640
Compensated absences payable	113	-
Total current liabilities	<u>3,184</u>	<u>1,901</u>
Long-term liabilities:		
Bonds payable	8,915	9,340
Unamortized premium (discounts)	-	248
Compensated absences payable	265	325
Total long-term liabilities	<u>9,180</u>	<u>9,913</u>
Total liabilities	<u>12,364</u>	<u>11,814</u>
Net Assets:		
Invested in capital assets, net of related debt	30,141	30,654
Unrestricted	(536)	(578)
Total net assets	<u>29,605</u>	<u>30,076</u>
Total liabilities and net assets	<u>\$ 41,969</u>	<u>\$ 41,890</u>

**PROPERTY SERVICES
INTERNAL SERVICE FUND
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS
For the fiscal year ended December 31, 2005**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	2005	2004
Operating revenues:		
Charges for services and sales	\$ 8,397	\$ 6,573
Rents and commissions	6,368	6,269
Total operating revenues	<u>14,765</u>	<u>12,842</u>
Operating expenses:		
Personal services	7,378	6,462
Contractual services	5,730	4,452
Materials, supplies, services and other	1,472	1,421
Depreciation	1,349	1,054
Total operating expenses	<u>15,929</u>	<u>13,389</u>
Operating income (loss)	<u>(1,164)</u>	<u>(547)</u>
Non-operating revenues (expenses):		
Interest revenue	6	2
Interest expense	(389)	(412)
Gain (loss) on disposal of capital assets	403	(2)
Total non-operating revenues (expenses)	<u>20</u>	<u>(412)</u>
Income (loss) before transfers	<u>(1,144)</u>	<u>(959)</u>
Transfers in (out):		
Transfers from other funds	812	842
Transfers to other funds	(139)	(35)
Total transfers	<u>673</u>	<u>807</u>
Change in net assets	<u>(471)</u>	<u>(152)</u>
Net assets - January 1	<u>30,076</u>	<u>30,228</u>
Net assets - December 31	<u><u>\$ 29,605</u></u>	<u><u>\$ 30,076</u></u>

PROPERTY SERVICES
INTERNAL SERVICE FUND
STATEMENT OF CASH FLOWS
For the fiscal year ended December 31, 2005

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	2005	2004
Cash flows from operating activities:		
Cash received from customers and users	\$ 14,875	\$ 12,817
Payments to suppliers	(6,120)	(5,486)
Payments to employees	(7,263)	(6,291)
Net Cash Provided (used) by operating activities	<u>1,492</u>	<u>1,040</u>
Cash flows from non-capital financing activities:		
Transfers from other funds	812	842
Transfers to other funds	(139)	(35)
Net cash provided (used) by non-capital financing activities	<u>673</u>	<u>807</u>
Cash Flows from capital and related financing activities		
Principal paid on bonds	(659)	(730)
Interest paid on bonds	(390)	(432)
Acquisition and construction of capital assets	(176)	(574)
Proceeds from sale of capital assets	402	-
Net cash provided (used) by capital and related financing activities	<u>(823)</u>	<u>(1,736)</u>
Cash flows from investing activities:		
Interest	6	2
Net cash provided (used) by investing activities	<u>6</u>	<u>2</u>
Net increase (decrease) in cash and cash equivalents	1,348	113
Cash and cash equivalents, beginning of year	341	228
Cash and cash equivalents, end of year	<u>1,689</u>	<u>341</u>
Reconciliation of operating income to net cash provided (used) by operating activities		
Operating income (loss)	(1,164)	(547)
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	1,349	1,054
A/R	110	(179)
Inventories	(14)	(91)
Due from other funds	-	155
Due to other funds	1,006	38
Salaries payable	62	98
Accounts payable	90	478
Intergovernmental payable	-	(1)
Compensated absences payable	53	35
Net cash provided (used) by operating activities	<u>\$ 1,492</u>	<u>\$ 1,040</u>
Non-cash investing, capital and financing activities:		
(Loss) on disposal of capital assets	\$ -	\$ (2)

**EQUIPMENT SERVICES
INTERNAL SERVICE FUND
STATEMENT OF NET ASSETS
December 31, 2005**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	<u>2005</u>	<u>2004</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,251	\$ 1,752
Receivables:		
Accounts - net	132	153
Due from other funds	5,186	1,285
Inventories	1,041	793
Total current assets	<u>7,610</u>	<u>3,983</u>
Deferred charges	46	38
Capital assets:		
Land, leaseholds and easements	2,186	2,186
Construction in progress	932	1,091
Buildings and structures	30,061	30,061
Less accumulated depreciation	(3,639)	(3,039)
Public improvements	330	330
Less accumulated depreciation	(119)	(103)
Machinery and equipment	54,182	51,573
Less accumulated depreciation	(27,989)	(25,089)
Computer equipment	37	37
Less accumulated depreciation	(33)	(33)
Total capital assets	<u>55,948</u>	<u>57,052</u>
Total assets	<u>\$ 63,604</u>	<u>\$ 61,035</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Salaries payable	\$ 1,007	\$ 894
Accounts payable	917	1,493
Due to other funds	-	279
Interest payable	162	161
Unearned revenue	363	363
Bonds payable-current portion	5,740	4,415
Compensated absences payable-current portion	235	-
Total current liabilities	<u>8,424</u>	<u>7,605</u>
Long-term liabilities:		
Bonds payable	37,875	38,075
Unamortized premium (discounts)	1,352	1,315
Compensated absences payable	550	774
Total long-term liabilities	<u>39,777</u>	<u>40,164</u>
Total liabilities	<u>48,201</u>	<u>47,769</u>
Net Assets:		
Invested in capital assets, net of related debt	10,981	13,207
Unrestricted	4,422	59
Total net assets	<u>15,403</u>	<u>13,266</u>
Total liabilities and net assets	<u>\$ 63,604</u>	<u>\$ 61,035</u>

**EQUIPMENT SERVICES
INTERNAL SERVICE FUND
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS
For the fiscal year ended December 31, 2005**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	<u>2005</u>	<u>2004</u>
Operating revenues:		
Charges for services and sales	\$ 10,015	\$ 8,155
Rents and commissions	21,324	21,265
Total operating revenues	<u>31,339</u>	<u>29,420</u>
Operating expenses:		
Personal services	15,688	15,544
Contractual services	4,497	3,684
Materials, supplies, services and other	2,171	2,666
Rent	580	668
Cost of stores issuance	3,637	2,746
Depreciation	4,877	4,760
Total operating expenses	<u>31,450</u>	<u>30,068</u>
Operating income (loss)	<u>(111)</u>	<u>(648)</u>
Non-operating revenues (expenses):		
Interest revenue	1	9
Interest expense	(1,943)	(1,853)
Gain (loss) on disposal of capital assets	153	82
Damages/losses recovered	224	141
Other revenues	9	11
Total non-operating revenues (expenses)	<u>(1,556)</u>	<u>(1,610)</u>
Income (loss) before transfers	<u>(1,667)</u>	<u>(2,258)</u>
Transfers in (out):		
Transfers from other funds	4,180	2,543
Transfers to other funds	(376)	(344)
Total transfers	<u>3,804</u>	<u>2,199</u>
Change in net assets	<u>2,137</u>	<u>(59)</u>
Net assets - January 1	<u>13,266</u>	<u>13,325</u>
Net assets - December 31	<u>\$ 15,403</u>	<u>\$ 13,266</u>

EQUIPMENT SERVICES
INTERNAL SERVICE FUND
STATEMENT OF CASH FLOWS
For the fiscal year ended December 31, 2005

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	2005	2004
Cash flows from operating activities:		
Cash received from customers and users	\$ 27,693	\$ 31,960
Payments to suppliers	(11,709)	(9,114)
Payments to employees	(15,564)	(15,072)
Net Cash Provided (used) by operating activities	<u>420</u>	<u>7,774</u>
Cash flows from non-capital financing activities:		
Transfers from other funds	4,180	2,543
Interfund loans paid	(279)	-
Transfers to other funds	(376)	(344)
Net cash provided (used) by non-capital financing activities	<u>3,525</u>	<u>2,199</u>
Cash Flows from capital and related financing activities		
Bonds issued	5,540	5,450
Principal paid on bonds	(4,415)	(3,120)
Interest paid on bonds	(2,025)	(1,914)
Premium (discount)	124	285
Acquisition and construction of capital assets	(4,134)	(10,328)
Bond issuance costs	(11)	478
Proceeds from sale of capital assets	474	(12)
Net cash provided (used) by capital and related financing activities	<u>(4,447)</u>	<u>(9,161)</u>
Cash flows from investing activities:		
Interest	1	9
Net cash provided (used) by investing activities	<u>1</u>	<u>9</u>
Net increase (decrease) in cash and cash equivalents	(501)	821
Cash and cash equivalents, beginning of year	1,752	931
Cash and cash equivalents, end of year	<u>1,251</u>	<u>1,752</u>
Reconciliation of operating income to net cash provided (used) by operating activities		
Operating income (loss)	(112)	(648)
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	4,877	4,760
A/R	22	60
Inventories	(248)	(70)
Due from other funds	(3,901)	1,965
Due to other funds	-	279
Salaries payable	113	148
Accounts payable	(575)	720
Unearned revenue	-	363
Compensated absences payable	11	45
Damages/Losses recovered	224	141
Other non-operating revenues	9	11
Net cash provided (used) by operating activities	<u>\$ 420</u>	<u>\$ 7,774</u>
Non-cash investing, capital and financing activities:		
(Loss) on disposal of capital assets	\$ -	\$ -

**PUBLIC WORKS STORES
INTERNAL SERVICE FUND
STATEMENT OF NET ASSETS
December 31, 2005**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	<u>2005</u>	<u>2004</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 92	\$ -
Receivables:		
Accounts - net	17	7
Inventories	3,096	3,660
Total current assets	<u>3,205</u>	<u>3,667</u>
Capital assets:		
Machinery and equipment	132	132
Less accumulated depreciation	(119)	(119)
Computer equipment	7	7
Less accumulated depreciation	(7)	(7)
Software	9	9
Less accumulated depreciation	(8)	(8)
Other capital outlay	15	14
Less accumulated depreciation	(13)	(12)
Total capital assets	<u>16</u>	<u>16</u>
Total assets	<u>\$ 3,221</u>	<u>\$ 3,683</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Salaries payable	\$ 38	\$ 39
Accounts payable	109	305
Due to other funds	-	694
Compensated absences payable-current portion	9	-
Total current liabilities	<u>156</u>	<u>1,038</u>
Long-term liabilities:		
Compensated absences payable	21	30
Total long-term liabilities	<u>21</u>	<u>30</u>
Total liabilities	<u>177</u>	<u>1,068</u>
Net Assets:		
Invested in capital assets, net of related debt	16	17
Unrestricted	3,028	2,598
Total net assets	<u>3,044</u>	<u>2,615</u>
Total liabilities and net assets	<u>\$ 3,221</u>	<u>\$ 3,683</u>

**PUBLIC WORKS STORES
INTERNAL SERVICE FUND
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS
For the fiscal year ended December 31, 2005**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	<u>2005</u>	<u>2004</u>
Operating revenues:		
Charges for services and sales	\$ 4,906	\$ 3,920
Operating expenses:		
Personal services	577	627
Contractual services	216	34
Materials, supplies, services and other	99	200
Rent	65	62
Cost of stores issuance	3,520	2,848
Depreciation	-	1
Total operating expenses	<u>4,477</u>	<u>3,772</u>
Operating income (loss)	<u>429</u>	<u>148</u>
Transfers in (out):		
Transfers to other funds	-	(14)
Change in net assets	<u>429</u>	<u>134</u>
Net assets - January 1	<u>2,615</u>	<u>2,481</u>
Net assets - December 31	<u>\$ 3,044</u>	<u>\$ 2,615</u>

**PUBLIC WORK STORES
INTERNAL SERVICE FUND
STATEMENT OF CASH FLOWS
For the fiscal year ended December 31, 2005**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	<u>2004</u>	<u>2004</u>
Cash flows from operating activities:		
Cash received from customers and users	\$ 4,896	\$ 3,931
Payments to suppliers	(4,227)	(3,335)
Payments to employees	(577)	(585)
Net Cash Provided (used) by operating activities	<u>92</u>	<u>11</u>
Cash flows from non-capital financing activities:		
Transfers to other funds	-	(14)
Net cash provided (used) by non-capital financing activities	<u>-</u>	<u>(14)</u>
Net increase (decrease) in cash and cash equivalents	92	(3)
Cash and cash equivalents, beginning of year	-	3
Cash and cash equivalents, end of year	<u><u>92</u></u>	<u><u>-</u></u>
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income (loss)	428	148
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	-	1
A/R	(10)	11
Inventories	564	(765)
Due to other funds	(694)	539
Salaries payable	(1)	11
Accounts payable	(196)	62
Compensated absences payable	1	4
Net cash provided (used) by operating activities	<u><u>\$ 92</u></u>	<u><u>\$ 11</u></u>
Non-cash investing, capital and financing activities:		
(Loss) on disposal of capital assets	\$ -	\$ -

SELF-INSURANCE
INTERNAL SERVICE FUND
STATEMENT OF NET ASSETS
December 31, 2005

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	<u>2005</u>	<u>2004</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,797	\$ 299
Receivables:		
Accounts - net	41	605
Intergovernmental	182	182
Due from other funds	546	172
Due from component unit	133	-
Prepaid expense	16	-
Total current assets	<u>2,715</u>	<u>1,258</u>
Total assets	<u>\$ 2,715</u>	<u>\$ 1,258</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Salaries payable	\$ 411	\$ 339
Accounts payable	1,400	1,050
Due to other funds	-	2,570
Interest payable	13	8
Unearned revenue	161	48
Bonds payable-current portion	935	890
Compensated absences payable-current portion	82	-
Total current liabilities	<u>3,002</u>	<u>4,905</u>
Long-term liabilities:		
Bonds payable	4,460	5,395
Compensated absences payable	192	552
Unpaid claims payable	31,101	28,386
Total long-term liabilities	<u>35,753</u>	<u>34,333</u>
Total liabilities	<u>38,755</u>	<u>39,238</u>
Net Assets:		
Unrestricted	<u>(36,040)</u>	<u>(37,980)</u>
Total net assets	<u>(36,040)</u>	<u>(37,980)</u>
Total liabilities and net assets	<u>\$ 2,715</u>	<u>\$ 1,258</u>

**SELF-INSURANCE
INTERNAL SERVICE FUND
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS
For the fiscal year ended December 31, 2005**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	2005	2004
Operating revenues:		
Charges for services and sales	\$ 61,131	\$ 56,036
Operating expenses:		
Personal services	10,831	11,035
Contractual services	51,336	46,094
Materials, supplies, services and other	5,590	4,018
Rent	180	422
Total operating expenses	67,937	61,569
Operating income (loss)	(6,806)	(5,533)
Non-operating revenues (expenses):		
Interest expense	(142)	(77)
Damages/losses recovered	33	-
Other revenues	5,110	4,922
Total non-operating revenues (expenses)	5,001	4,845
Income (loss) before transfers	(1,805)	(688)
Transfers in (out):		
Transfers from other funds	3,870	3,697
Transfers to other funds	(125)	(6)
Total transfers	3,745	3,691
Change in net assets	1,940	3,003
Net assets - January 1	(37,980)	(40,983)
Net assets - December 31	\$ (36,040)	\$ (37,980)

SELF-INSURANCE
INTERNAL SERVICE FUND
STATEMENT OF CASH FLOWS
For the fiscal year ended December 31, 2005

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	2005	2004
Cash flows from operating activities:		
Cash received from customers and users	\$ 66,451	\$ 60,540
Payments to suppliers	(59,342)	(52,045)
Payments to employees	(8,323)	(10,964)
Net Cash Provided (used) by operating Activities	<u>(1,214)</u>	<u>(2,469)</u>
Cash flows from non-capital financing activities:		
Transfers from other funds	3,870	3,697
Principal paid on bonds and notes	(890)	(860)
Interest paid on bonds and notes	(142)	(75)
Transfers to other funds	(126)	(6)
Net cash provided (used) by non-capital financing activities	<u>2,712</u>	<u>2,756</u>
Net increase (decrease) in cash and cash equivalents	1,498	287
Cash and cash equivalents, beginning of year	299	12
Cash and cash equivalents, end of year	<u><u>1,797</u></u>	<u><u>299</u></u>
Reconciliation of operating income to net cash provided (used) by operating activities		
Operating income (loss)	(6,806)	(5,533)
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:		
A/R	565	(163)
Prepays	(16)	-
Due from other funds	(507)	(256)
Due to other funds	(2,570)	(2,041)
Salaries payable	71	18
Accounts payable	350	(55)
Intergovernmental payable	5	-
Unearned revenue	114	48
Compensated absences payable	(278)	52
Unpaid claims	2,715	539
Damages/Losses Recovered	33	-
Other non-operating revenues	5,110	4,922
Net cash provided (used) by operating activities	<u><u>\$ (1,214)</u></u>	<u><u>\$ (2,469)</u></u>
Non-cash investing, capital and financing activities:		
(Loss) on disposal of capital assets	\$ -	\$ -

COMBINING STATEMENT OF FIDUCIARY NET ASSETS CITY OF MINNEAPOLIS, MINNESOTA
AGENCY FUNDS
December 31, 2005 **(In Thousands)**

	<u>Minneapolis Agency</u>	<u>Skyway Debt Service</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 567	\$ 224	\$ 791
Receivables:			
Accounts-net	90	-	90
Total assets	<u>657</u>	<u>224</u>	<u>881</u>
LIABILITIES			
Accounts payable	657	-	657
Deposits held for others	-	224	224
Total liabilities	<u>\$ 657</u>	<u>\$ 224</u>	<u>\$ 881</u>

**FIDUCIARY FUNDS
COMBINING STATEMENT OF CHANGES
IN ASSETS AND LIABILITIES
AGENCY FUNDS**

CITY OF MINNEAPOLIS, MINNESOTA

For the fiscal year ended December 31, 2005

(In Thousands)

	<u>Balance January 1, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31, 2005</u>
MINNEAPOLIS AGENCY				
Assets:				
Cash and cash equivalents	\$ 1,270	\$ 376,283	\$ 376,986	\$ 567
Receivables:				
Accounts-net	95	32	37	90
Total assets	<u>1,365</u>	<u>376,315</u>	<u>377,023</u>	<u>657</u>
Liabilities:				
Accounts payable	<u>1,365</u>	<u>436,782</u>	<u>437,490</u>	<u>657</u>
SKYWAY DEBT SERVICE				
Assets:				
Cash and cash equivalents	<u>223</u>	<u>108</u>	<u>107</u>	<u>224</u>
Liabilities:				
Deposits held for others	<u>223</u>	<u>109</u>	<u>108</u>	<u>224</u>
TOTAL ALL AGENCY FUNDS				
Assets:				
Cash and cash equivalents	1,493	376,391	377,093	791
Receivables:				
Accounts-net	95	32	37	90
Total assets	<u>1,588</u>	<u>376,423</u>	<u>377,130</u>	<u>881</u>
Liabilities:				
Accounts payable	1,365	436,782	437,490	657
Deposits held for others	223	109	108	224
Total liabilities	<u>\$ 1,588</u>	<u>\$ 436,891</u>	<u>\$ 437,598</u>	<u>\$ 881</u>

SCHEDULE OF GOVERNMENTAL ACTIVITY BONDS AND NOTES

CITY OF MINNEAPOLIS, MINNESOTA

December 31, 2005

(In Thousands)

Issues Outstanding	Interest Rates	Issue Date	Final Maturity Date	Issued	Retired	Outstanding	Principal		Interest	
							Due in 2006	Due in 2006	Due in 2006	Due in 2006
<u>Property Tax Supported General Obligation Bonds</u>										
General Infrastructure Bonds										
Bridges	2.00% to 4.00%	06/25/03	12/01/06	3,384	2,284	1,100	1,100	1,100	44	
	4.00% to 5.00%	06/24/04	12/01/07	1,178	378	800	600	600	40	
Libraries	4.00% to 5.00%	06/24/04	12/01/04	930	330	600	300	300	30	
	3.00% to 3.00%	06/30/05	12/01/05	200	200	-	-	-	-	
Park Improvements	4.00%	06/24/04	12/01/05	2,630	2,630	-	-	-	-	
	3.00% to 3.00%	06/30/05	12/01/05	1,794	1,794	-	-	-	-	
Parkway Improvements	Variable	06/21/95	12/01/05	600	600	-	-	-	-	
	3.00% to 3.00%	06/30/05	12/01/05	770	770	-	-	-	-	
Public Buildings	2.00% to 4.00%	06/25/03	12/01/07	9,649	6,361	3,288	1,350	1,350	132	
	Variable	10/30/03	12/01/05	400	400	-	-	-	-	
	4.00% to 5.00%	06/24/04	12/01/07	2,690	690	2,000	1,000	1,000	100	
Municipal Buildings	2.00% to 4.00%	06/25/03	12/01/07	662	450	212	150	150	8	
Street Improvements	Variable	05/24/94	12/01/05	8,726	8,726	-	-	-	-	
	Variable	06/21/95	12/01/05	5,864	5,864	-	-	-	-	
	Variable	06/05/96	12/01/04	6,230	6,230	-	-	-	-	
	Variable	06/25/97	12/01/06	4,351	4,351	-	-	-	-	
	Variable	06/25/97	12/01/04	1,473	1,473	-	-	-	-	
	Variable	06/25/98	12/01/05	5,057	5,057	-	-	-	-	
	3.00% to 4.00%	07/11/02	12/01/11	9,596	6,996	2,600	500	500	104	
	2.00% to 4.00%	06/25/03	12/01/06	9,529	8,129	1,400	1,400	1,400	56	
	Variable	10/30/03	12/01/05	3,600	1,200	2,400	300	300	120	
	4.00% to 5.00%	06/24/04	12/01/07	6,897	497	6,400	4,000	4,000	320	
	3.00% to 3.00%	06/30/05	12/01/05	16,349	4,549	11,800	5,500	5,500	472	
	3.00% to 3.00%	06/30/05	12/01/05	283	283	-	-	-	-	

SCHEDULE OF GOVERNMENTAL ACTIVITY BONDS AND NOTES

CITY OF MINNEAPOLIS, MINNESOTA
(continued)

December 31, 2005

(In Thousands)

Issues Outstanding	Interest Rates	Issue Date	Final Maturity Date	Issued	Retired	Outstanding	Principal		Interest		
							Due in 2006	Due in 2006	Due in 2006	Due in 2006	
Property Tax Supported General Obligation Bonds (continued)											
Public Safety Capital Initiative	3.00% to 4.60%	07/11/02	12/01/19	4,735	715	4,020	95	169			
	2.00% to 4.25%	06/25/03	12/01/25	9,655	-	9,655	-	398			
	4.00% to 5.00%	06/24/04	12/01/04	1,845	1,845	-	-	-			
Sub-total General Infrastructure Bonds				119,077	72,802	46,275	16,295	1,993			
Library Referendum Bonds											
	3.00% to 5.00%	12/19/02	12/01/25	9,500	-	9,500	-	405			
	Variable	10/30/03	12/01/32	57,000	3,075	53,925	600	2,696			
	3.00% to 5.00%	12/01/04	12/01/25	28,000	350	27,650	450	1,271			
	4.00% to 4.375%	06/30/05	12/01/25	29,915	2,715	27,200	1,000	1,128			
Sub-total Library Referendum Bonds				124,415	6,140	118,275	2,050	5,500			
Pension Obligation Bonds											
Pension Bonds (MERF)	5.80% to 5.85%	12/19/02	12/01/26	25,000	-	25,000	-	1,450			
	4.70% to 5.00%	06/25/03	12/01/26	36,000	-	36,000	-	1,745			
Pension Bonds (MFDRA)	3.00% to 3.625%	12/01/04	12/01/08	4,740	2,340	2,400	800	84			
Pension Bonds (MPRA)	2.00% to 4.98%	12/19/02	12/01/14	10,600	1,470	9,130	170	404			
	Variable	10/30/03	12/01/13	17,900	6,700	11,200	1,400	560			
	5.00% to 5.30%	12/01/04	12/01/21	24,970	2,270	22,700	700	1,169			
Sub-total Pension Obligation Bonds				119,210	12,780	106,430	3,070	5,412			
Total Property Tax Supported General Obligation Bonds							270,980	21,415	12,905		
Self-Supporting General Obligation Bonds											
Convention Center	3.90% to 5.45%	04/01/93	04/01/14	49,635	49,635	-	-	-			
	Variable	06/24/99	12/01/18	88,400	51,400	37,000	-	1,850			
	Variable	09/21/00	12/01/18	80,000	40,000	40,000	-	2,000			
	3.00% to 5.00%	07/11/02	12/01/20	13,180	6,540	6,640	75	331			
	3.00% to 5.00%	07/11/02	12/01/20	76,400	-	76,400	-	3,820			
	4.00% to 5.00%	11/07/02	12/01/13	48,400	8,575	39,825	4,155	1,991			
	5.00%	06/24/04	12/01/14	39,740	3,155	36,585	3,170	1,750			

SCHEDULE OF GOVERNMENTAL ACTIVITY BONDS AND NOTES

CITY OF MINNEAPOLIS, MINNESOTA
(continued)

December 31, 2005

(In Thousands)

Issues Outstanding	Interest Rates	Issue Date	Final Maturity Date	Issued	Retired	Outstanding	Principal		Interest		
							Due in 2006	Due in 2006	Due in 2006	Due in 2006	
<u>Self-Supporting General Obligation Bonds (continued)</u>											
Nicollet Mall Improvement											
	2.55% to 5.20%	07/01/93	03/01/10	830	830	-	-	-	-	-	-
	3.50%	10/20/05	12/01/05	120	-	120	120	-	5	-	5
Park Acquisition											
	4.00% to 5.00%	08/29/01	12/01/19	11,270	1,600	9,670	475	475	483	-	483
	3.00% to 4.00%	07/11/02	12/01/21	2,200	200	2,000	-	-	95	-	95
Mann Areaways											
	4.00% to 5.00%	07/01/99	12/01/05	1,055	1,055	-	-	-	-	-	-
Library Parking Ramp											
	3.25% to 4.75%	12/19/02	12/01/28	10,100	-	10,100	-	-	457	-	457
Total Self-Supporting General Obligation Bonds				421,330	162,990	258,340	7,995	7,995	12,782	-	12,782
<u>Special Assessment General Obligation Bonds</u>											
Improvements											
	2.40% to 5.20%	07/01/93	12/01/11	11,085	11,085	-	-	-	-	-	-
	3.25% to 5.20%	05/24/94	12/01/14	2,670	2,670	-	-	-	-	-	-
	4.50% to 5.625%	07/01/95	12/01/15	3,505	3,505	-	-	-	-	-	-
	5.10% to 5.70%	06/05/96	12/01/16	2,315	1,985	330	130	130	17	-	17
	3.50% to 4.50%	11/17/05	12/01/16	815	-	815	-	-	35	-	35
	4.85% to 5.25%	06/25/97	12/01/17	2,965	2,305	660	165	165	32	-	32
	3.50% to 4.50%	11/17/05	12/01/17	960	-	960	-	-	42	-	42
	3.20% to 4.75%	11/01/98	12/01/18	1,500	1,015	485	145	145	20	-	20
	4.00% to 5.00%	11/01/98	12/01/11	1,955	1,055	900	150	150	40	-	40
	4.00% to 5.00%	08/29/01	12/01/21	9,245	2,535	6,710	500	500	297	-	297
	4.00% to 4.10%	11/07/02	12/01/22	5,890	1,200	4,690	355	355	213	-	213
	2.50% to 4.50%	11/06/03	12/01/23	6,130	945	5,185	455	455	181	-	181
	Variable	10/30/03	12/01/13	1,460	290	1,170	145	145	58	-	58
	2.50% to 4.375%	12/01/04	12/01/24	9,740	695	9,045	665	665	328	-	328
	3.50% to 4.00%	10/20/05	12/01/10	1,155	-	1,155	225	225	46	-	46
	3.50% to 4.00%	10/20/05	12/01/10	860	-	860	175	175	34	-	34
	4.00% to 4.375%	11/30/05	12/01/22	4,610	-	4,610	400	400	190	-	190
Nicollet Mall Improvement											
	2.55% to 5.20%	07/01/93	03/01/10	18,290	18,290	-	-	-	-	-	-
	3.50% to 5.00%	06/30/05	03/01/10	6,255	-	6,255	1,100	1,100	327	-	327

SCHEDULE OF GOVERNMENTAL ACTIVITY BONDS AND NOTES

CITY OF MINNEAPOLIS, MINNESOTA
(continued)

December 31, 2005

(In Thousands)

Issues Outstanding	Interest Rates	Issue Date	Final Maturity Date	Issued	Retired	Outstanding	Principal		Interest		
							Due in 2006	Due in 2006	Due in 2006	Due in 2006	
<u>Special Assessment General Obligation Bonds (continued)</u>											
Northrop Lane Improvement	4.375% to 4.875%	07/01/98	12/01/18	157	116	41	6	2			
	4.00% to 5.00%	11/17/05	12/01/18	35	-	35	-	2			
Park Diseased Trees	5.00%	06/29/00	12/01/05	400	400	-	-	-			
	4.00% to 5.00%	08/29/01	12/01/06	500	400	100	100	5			
	3.00% to 4.00%	07/11/02	12/01/07	500	300	200	100	8			
	2.00% to 4.00%	06/25/03	12/01/08	500	200	300	100	12			
	4.00% to 5.00%	06/24/04	12/01/09	500	100	400	100	20			
	3.00% to 4.00%	06/30/05	12/01/10	500	-	500	100	20			
				94,497	49,091	45,406	5,116	1,929			
<u>Total Special Assessment General Obligation Bonds</u>											
<u>Tax Increment General Obligation Bonds</u>											
Laurel Village Tax Increment	2.00% to 4.20%	01/29/03	03/01/16	26,350	2,300	24,050	1,535	829			
Nicollet Mall Tax Increment	2.55% to 5.20%	07/01/93	03/01/10	2,260	2,260	-	-	-			
	3.50% to 5.00%	06/30/05	03/01/10	765	-	765	135	40			
Tax Increment	2.55% to 5.20%	07/01/93	03/01/13	67,330	67,330	-	-	-			
	3.50% to 5.00%	06/30/05	03/01/08	36,260	-	36,260	3,655	2,039			
	2.55% to 5.20%	07/01/93	03/01/08	12,660	12,660	-	-	-			
	3.50% to 5.00%	06/30/05	03/01/08	5,730	-	5,730	1,775	273			
Tax Redevelopment - Arena Acquisition	4.25% to 5.20%	01/15/96	10/01/24	67,555	7,760	59,795	2,135	3,078			
West Side Milling District Tax Increment	4.90% to 6.055%	11/15/01	02/01/26	15,275	-	15,275	-	888			
	4.25% to 5.00%	11/15/01	02/01/26	1,100	-	1,100	-	53			
	2.00% to 3.50%	06/25/03	03/01/15	1,725	-	1,725	-	49			
Block E Development	Variable	10/26/00	03/01/27	10,610	-	10,610	260	521			
Block E Development - Taxable	Variable	10/26/00	03/01/27	18,390	18,390	-	-	-			
	4.60% to 5.30%	10/20/05	03/01/27	14,000	-	14,000	350	595			

SCHEDULE OF GOVERNMENTAL ACTIVITY BONDS AND NOTES

CITY OF MINNEAPOLIS, MINNESOTA
(continued)

December 31, 2005

(In Thousands)

Issues Outstanding	Interest Rates	Issue Date	Final Maturity Date	Issued	Retired	Outstanding	Principal	
							Due in 2006	Interest Due in 2006
<u>Tax Increment General Obligation Bonds (continued)</u>								
Milwaukee Depot Development	7.00% to 7.375%	11/29/00	03/01/20	9,300	650	8,650	260	617
Humboldt Greenway	4.00% to 5.00%	11/15/01	02/01/28	4,500	-	4,500	-	211
Heritage Park	2.15% to 4.25%	06/25/03	03/01/25	6,900	-	6,900	-	264
Total Tax Increment General Obligation Bonds				300,710	111,350	189,360	10,105	9,457
<u>Revenue Bonds</u>								
Arena Acquisition Project Series B	Variable	03/01/95	10/01/24	6,100	1,270	4,830	160	237
Arena Acquisition Project Series A	5.50%	03/01/95	10/01/24	6,550	1,335	5,215	175	287
2004 Village at St. Anthony Falls-Taxable	5.50%	03/16/04	03/16/07	4,000	4,000	-	-	-
2004 Village at St. Anthony Falls-Tax Exempt	2.35% to 5.75%	03/01/04	03/01/27	7,470	165	7,305	130	385
2005 Village at St. Anthony Falls-Tax Exempt	4.00% to 5.65%	12/13/05	02/01/27	4,430	-	4,430	-	157
2005 Ivy Tower	5.10% to 5.70%	12/20/05	02/01/29	4,935	-	4,935	-	168
<u>Subordinated Development-Tax Increment</u>								
	7.00% to 7.25%	01/09/90	09/01/09	112,785	72,415	40,370	11,409	24,681
Total Revenue Bonds				146,270	79,185	67,085	11,874	25,915
Total General Government Bonds				1,325,509	494,338	831,171	56,505	62,988
<u>Revenue Notes</u>								
Edison Youth Hockey Association	6.18%	10/02/96	07/02/08	1,045	326	719	49	43
Community Health and Education	5.86%	08/05/97	08/05/12	680	184	496	29	29
NSP Energy	0.00%	1996 - 1998	12/31/08	5,973	5,227	746	294	-
<u>Tax Increment-</u>								
College of St. Thomas District	6.93%	04/01/91	02/01/16	9,200	-	9,200	-	324
Urban Village - 2002B	Variable	11/19/01	12/01/31	3,000	-	3,000	60	47
Urban Village - 2002B	Variable	11/19/01	12/01/31	2,000	-	2,000	25	50
Grant Park Project	7.25%	08/28/02	08/01/07	9,825	-	9,825	4	712
East River Unocal Site	7.00%	09/19/02	08/01/07	1,500	-	1,500	10	105
Section 108 - Near North	Variable	04/26/01	08/01/20	3,900	460	3,440	230	167
Section 108 - Portland Place	7.60%	08/01/00	08/01/17	610	69	541	26	41

SCHEDULE OF GOVERNMENTAL ACTIVITY BONDS AND NOTES

CITY OF MINNEAPOLIS, MINNESOTA
(continued)

December 31, 2005

(In Thousands)

Issues Outstanding	Interest Rates	Issue Date	Final Maturity Date	Issued	Retired	Outstanding	Principal		Interest	
							Due in 2006	Due in 2006	Due in 2006	Due in 2006
<u>Revenue Notes (continued)</u>										
Section 108 - Green Institute	Variable	02/14/02	08/01/21	3,500	215	3,285	115	162		
Section 108 - Midtown Exchange	Variable	12/01/04	08/01/24	6,500	-	6,500	-	325		
Total Revenue Notes				47,733	6,481	41,252	842	2,005		
Total General Government Bonds and Notes				1,373,242	500,819	872,423	57,347	64,993		
<u>Internal Service Funds</u>										
Equipment Fund General Obligation Bonds										
Currie Facility	4.00% to 5.00%	08/29/01	12/01/28	26,150	6,605	19,545	335	977		
Equipment Purchases 2002	3.25% to 3.50%	12/19/02	12/01/07	6,100	-	6,100	3,000	206		
Equipment Purchases 2003	2.00% to 4.00%	06/25/03	12/01/18	9,630	1,990	7,640	995	306		
Equipment Purchases 2004	4.00% to 5.00%	06/24/04	12/01/19	5,450	660	4,790	660	240		
Equipment Purchases 2005	3.00% to 4.00%	06/30/05	12/01/20	5,540	-	5,540	750	222		
Total Equipment Fund General Obligation Bonds				52,870	9,255	43,615	5,740	1,951		
Property Services Fund General Obligation Bonds										
	3.00% to 4.60%	07/11/02	12/01/19	6,425	845	5,580	305	233		
	2.00% to 4.00%	06/25/03	12/01/18	4,560	800	3,760	350	150		
Total Property Fund General Obligation Bonds				10,985	1,645	9,340	655	383		
Intergovernmental Services Fund - General Obligation Bonds										
	4.00% to 5.00%	07/01/99	12/01/06	13,600	9,700	3,900	3,900	195		
	4.00% to 5.00%	07/01/99	12/01/06	380	380	-	-	-		
	4.00% to 5.00%	07/01/99	12/01/06	565	565	-	-	-		
	5.00%	06/29/00	12/01/06	6,556	4,456	2,100	2,100	110		

SCHEDULE OF GOVERNMENTAL ACTIVITY BONDS AND NOTES

CITY OF MINNEAPOLIS, MINNESOTA

(continued)

December 31, 2005

(In Thousands)

Issues Outstanding	Interest Rates	Issue Date	Final Maturity Date	Issued	Retired	Outstanding	Principal Due in 2006		Interest Due in 2006	
							Due in 2006	2006	Due in 2006	2006
Internal Service Funds (continued)										
Intergovernmental Services Fund - General Obligation Bonds (continued)										
	4.75%	12/13/00	12/01/12	22,820	-	22,820	-	-	1,084	-
	4.00% to 5.00%	08/29/01	12/01/12	5,185	333	5,185	90	259	-	-
	4.00% to 5.00%	06/24/04	12/01/07	2,475	275	2,200	1,100	110	-	-
	4.00% to 5.00%	06/24/04	12/01/07	1,065	1,065	-	-	-	-	-
	3.00% to 4.00%	06/30/05	12/01/09	2,475	475	2,000	500	80	-	-
	3.50% to 4.00%	10/20/05	12/01/12	4,370	-	4,370	610	178	-	-
Total Intergovernmental Services Fund - General Obligation Bonds				59,824	17,249	42,575	8,300	2,016	-	-
Self-Insurance Fund - General Obligation Bonds (Self-Supporting)										
	Variable	09/21/00	12/01/10	8,800	3,405	5,395	935	270	-	-
Sub-Total Self-Insurance Fund				8,800	3,405	5,395	935	270	-	-
Total Internal Service Funds				132,479	31,554	100,925	15,630	4,620	-	-
Total General Governmental Activity Bonds and Notes				1,505,721	532,373	973,348	72,977	69,613	-	-

SCHEDULE OF BUSINESS ACTIVITY BONDS AND NOTES

CITY OF MINNEAPOLIS, MINNESOTA

December 31, 2005

(In Thousands)

Issues Outstanding	Interest Rates	Issue Date	Final Maturity Date	Issued	Retired	Outstanding	Principal Due in 2006		Interest Due in 2006
<u>Sewer Fund General Obligation Bonds</u>									
	4.70% to 5.75%	06/01/93	12/01/15	3,856	900	2,956	345	373	
	3.90% to 5.10%	07/01/93	12/01/08	7,095	7,095	-	-	-	
	4.25% to 5.05%	05/24/94	12/01/08	4,225	2,225	2,000	800	539	
	Variable	06/05/96	12/01/06	1,250	1,250	-	-	-	
	Variable	06/19/97	12/01/07	2,950	2,950	-	-	-	
	4.375% to 4.875%	07/01/98	12/01/05	3,400	3,400	-	-	-	
	4.00% to 5.00%	11/01/98	12/01/17	9,345	1,550	7,795	485	383	
	5.00% to 5.25%	06/29/00	12/01/06	10,110	8,110	2,000	2,000	105	
	4.00% to 5.00%	08/29/01	12/01/08	11,102	6,602	4,500	1,500	225	
	2.00% to 4.00%	06/25/03	12/01/10	8,590	3,590	5,000	1,000	200	
	4.00% to 5.00%	06/24/04	12/01/09	7,410	850	6,560	1,000	328	
	3.00% to 4.00%	06/30/05	12/01/08	5,079	79	5,000	1,000	200	
	3.50% to 4.00%	10/20/05	12/01/09	715	-	715	230	28	
Storm Drains	Variable	06/25/97	12/01/05	590	590	-	-	-	
Great River Road	3.90% to 5.00%	07/01/93	12/01/05	1,665	1,665	-	-	-	
Total Sewer Fund General Obligation Bonds				77,382	40,856	36,526	8,360	2,381	
<u>Water Fund General Obligation Bonds</u>									
	4.70% to 5.75%	06/01/93	12/01/15	6,715	3,070	3,645	300	324	
	4.25% to 5.05%	05/24/94	12/01/08	11,775	6,675	5,100	1,801	1,215	
	4.375% to 4.875%	07/01/98	12/01/07	8,960	6,800	2,160	1,080	94	
	4.00% to 5.00%	11/01/98	12/01/17	15,340	2,080	13,260	295	650	
	5.00% to 5.25%	06/29/00	12/01/06	9,160	8,160	1,000	1,000	52	
	2.00% to 4.00%	06/25/03	12/01/10	8,350	3,350	5,000	1,000	200	
	4.00% to 5.00%	06/24/04	12/01/06	7,250	6,250	1,000	1,000	50	
	3.00% to 4.00%	06/30/05	12/01/08	4,250	1,250	3,000	1,000	120	

SCHEDULE OF BUSINESS ACTIVITY BONDS AND NOTES

CITY OF MINNEAPOLIS, MINNESOTA

(continued)

December 31, 2005

(In Thousands)

Issues Outstanding	Interest Rates	Issue Date	Final Maturity Date	Issued	Retired	Outstanding	Principal Due in 2006		Interest Due in 2006	
<u>Water Fund - General Obligation Bonds (continued)</u>										
Drinking Water Program - Notes Payable										
		12/17/02	08/20/22	27,400	1,400	26,000	500	733		
		02/21/04	08/20/23	25,000	250	24,750	300	693		
		03/23/05	08/20/19	7,633	10	7,623	40	193		
				131,833	39,295	92,538	8,316	4,324		
<u>Total Water Fund General Obligation Bonds</u>										
				24,065	24,065	-	-	-		
	3.90% to 5.45%	04/01/93	04/01/14	4,530	1,530	3,000	355	383		
	4.70% to 5.75%	06/01/93	12/01/15	24,615	24,615	-	-	-		
	3.20% to 5.20%	07/01/93	03/01/12	12,400	-	12,400	1,395	676		
	3.50% to 5.00%	06/30/05	03/01/12	11,485	11,485	-	-	-		
	2.40% to 5.15%	07/01/93	12/01/09	12,305	12,305	-	-	-		
	2.40% to 5.15%	07/01/93	12/01/09	1,700	1,700	-	-	-		
	Variable	06/05/96	12/01/06	2,000	2,000	-	-	-		
	Variable	06/19/97	12/01/07	2,282	1,483	799	114	35		
	4.375% to 4.875%	07/01/98	12/01/18	685	-	685	-	32		
	4.00% to 5.00%	11/17/05	12/01/18	30,730	4,480	26,250	1,365	1,267		
	4.00% to 5.00%	11/01/98	12/01/17	19,200	-	19,200	-	908		
	4.55% to 4.75%	11/01/98	12/01/26	14,000	6,600	7,400	750	357		
	4.70% to 5.125%	07/01/99	12/01/17	5,340	-	5,340	-	256		
	3.50% to 5.00%	11/17/05	12/01/17	10,800	25	10,775	50	626		
	5.25% to 6.00%	01/12/00	12/01/25	15,000	-	15,000	-	761		
	5.00% to 5.125%	08/29/01	12/01/28	11,485	3,120	8,365	1,250	378		
	3.00% to 5.00%	07/11/02	12/01/12	7,135	1,940	5,195	775	235		
	3.00% to 5.00%	07/11/02	12/01/12	25,000	990	24,010	100	1,189		
	4.00% to 5.00%	11/07/02	12/01/26	10,525	-	10,525	-	526		
	Variable	10/30/03	12/01/18	16,100	-	16,100	-	805		
	Variable	12/11/03	12/01/28	19,170	1,370	17,800	1,540	890		
	Variable	06/12/04	12/01/14	16,400	-	16,400	-	820		
	Variable	03/17/05	12/01/33	840	-	840	220	33		
	3.50% to 4.00%	10/20/05	12/01/09	1,240	-	1,240	320	48		
	3.50% to 4.00%	10/20/05	12/01/09	2,370	-	2,370	540	92		
	3.50% to 4.00%	10/20/05	12/01/09							

SCHEDULE OF BUSINESS ACTIVITY BONDS AND NOTES

CITY OF MINNEAPOLIS, MINNESOTA

(continued)

December 31, 2005

(In Thousands)

Issues Outstanding	Interest Rates	Issue Date	Final Maturity Date	Issued	Retired	Outstanding	Principal Due in 2006	Interest Due in 2006
<u>Municipal Parking Fund General Obligation Bonds (continued)</u>								
<u>Municipal Parking Fund General Obligation/Tax Increment Bonds</u>								
	4.70% to 5.125%	07/01/99	12/01/24	16,150	8,475	7,675	300	383
	3.50% to 5.00%	11/17/05	12/01/21	7,100	-	7,100	-	335
	5.00% to 5.25%	06/29/00	12/01/15	5,000	700	4,300	400	226
	5.00% to 5.00%	11/14/00	03/01/26	46,225	17,550	28,675	3,300	1,351
	3.50% to 5.00%	11/17/05	12/01/21	15,355	-	15,355	-	781
	6.3% to 7.00%	11/29/00	03/01/12	15,000	5,200	9,800	1,400	621
	Variable	03/17/05	03/01/32	4,250	-	4,250	-	213
Total Municipal Parking Fund General Obligation Bonds				410,482	129,633	280,849	14,174	14,227
<u>Community Development Agency Fund - General Obligation Bonds (Self-Supporting)</u>								
Home Ownership & Renovation II	5.50% to 7.10%	06/01/91	06/01/21	7,500	7,500	-	-	-
Home Ownership & Renovation III	4.00% to 5.70%	12/01/93	12/01/23	10,000	9,650	350	10	20
Total Community Development Agency Fund Self-Supporting General Obligation Bonds				17,500	17,150	350	10	20
Total Business Activity General Obligation Bonds				637,197	226,933	410,264	30,860	20,952
<u>Community Development Agency Fund - General Agency Reserve Fund System Bonds</u>								
Shaw Acquisition Corporation II	10.40%	07-01-87	02-01-07	945	745	200	100	21
The Lakes Limited Partnership	10.35%	09-01-90	02-01-10	3,825	3,825	-	-	-
Diversified Graphics	6.75% to 10.00%	06-01-92	12-01-12	1,660	1,660	-	-	-
Precision Tapes, Inc.	4.70% to 6.50%	11-01-93	06-01-13	2,100	1,340	760	75	47
NICO Properties	5.60% to 6.80%	07-01-95	02-01-24	4,650	1,385	3,265	195	219
Carlson Companies	4.85% to 6.00%	03-01-96	02-01-11	8,370	4,490	3,880	620	222
Halper Box	5.10% to 6.15%	04-01-97	06-01-17	2,400	655	1,745	105	103
Ambassador Press	5.10% to 6.20%	05-01-97	06-01-17	4,600	1,845	2,755	290	162
Shaw Refunding	4.90% to 5.40%	04-01-97	06-01-05	1,365	1,365	-	-	-
Baker Bearing	5.10% to 6.20%	05-01-97	12-01-17	2,900	790	2,110	125	126
Laurel Village Alden Limited Partnership II	4.30% to 5.75%	10-01-97	06-01-27	2,515	315	2,200	50	123
100 East 22nd Associates - A	4.00% to 5.50%	10-01-97	06-01-12	2,820	1,220	1,600	210	84
Cord Sets	4.10% to 5.50%	07-01-98	06-01-18	1,500	360	1,140	65	59
Discount Steel - A	5.00% to 5.25%	12-01-99	06-01-19	1,900	-	1,900	-	-
Discount Steel - B	6.75%	12-01-99	06-01-09	1,000	510	490	110	127

SCHEDULE OF BUSINESS ACTIVITY BONDS AND NOTES

CITY OF MINNEAPOLIS, MINNESOTA

(continued)

December 31, 2005

(In Thousands)

Issues Outstanding	Interest Rates	Issue Date	Final Maturity Date	Issued	Retired	Outstanding	Principal		Interest	
							Due in 2006	Due in 2006	Due in 2006	Due in 2006
<u>Community Development Agency Fund - General Agency Reserve Fund System Bonds (continued)</u>										
Pajor and Associates	4.75% to 6.75%	03-01-00	12-01-25	1,505	155	1,350	35	88		
Resource Inc	4.65% to 6.00%	08-01-00	12-01-20	1,650	270	1,380	60	79		
Elmer Enterprises Refunding	3.90% to 5.875%	04-01-01	06-01-19	2,395	380	2,015	105	113		
Theatres Project (Pantages)	5.35% to 5.45%	10-01-01	10-01-31	22,225	22,225	-	-	-		
Stimson Building	5.80%	10-01-01	12-01-06	6,000	345	5,655	5,655	328		
Bridgeral Properties (All-Weather Roofing)	4.31 to 7.00%	09-01-02	06-01-22	2,750	255	2,495	90	157		
Kristol Properties	2.45 to 5.12%	11-20-03	12-01-23	3,300	425	2,875	230	126		
Infinite Graphics	2.25 to 5.50%	07-14-04	12-01-24	2,475	105	2,370	110	116		
Theatres Bonds, Series 2005-1	5.23 to 6.30%	12-01-05	12-01-35	21,055	-	21,055	275	1,288		
Total Community Development Agency Fund - General Agency Reserve Fund System Bonds				105,905	44,665	61,240	8,505	3,588		
<u>Community Development Agency Fund - Mortgage Revenue Bonds</u>										
Home Ownership Program										
Mortgage Revenue Bonds		10/05/95	10/01/12	4,562	4,171	391	-	27		
Mortgage Revenue Bonds		10/05/95	10/01/28	30,630	30,630	-	-	-		
Total Community Development Agency Fund - Mortgage Revenue Bonds				35,192	34,801	391	-	27		
Total Community Development Agency Fund Bonds (incl General Obligation Bonds above)				158,597	79,466	61,631	8,515	3,635		
<u>Community Development Agency Fund - Revenue Notes</u>										
Economic Development Program										
Federal Home Loan Note		12/14/97	12/14/12	440	183	257	30	15		
Federal Home Loan Note		04/01/99	04/01/14	1,200	401	799	76	48		
Total Community Development Agency Fund - Revenue Notes				1,640	585	1,056	106	63		
Total Business Activity Bonds and Notes				779,934	306,984	472,950	39,471	24,630		

**MUNICIPAL BUILDING COMMISSION
BALANCE SHEET
December 31, 2005**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	General Fund	Capital Projects Fund	Total
<u>ASSETS</u>			
Cash and cash equivalents	\$ 874	\$ 290	\$ 1,164
Receivables:			
Accounts - net	624	183	807
Taxes			
Current	28	-	28
Delinquent	69	-	69
Total assets	<u>1,595</u>	<u>473</u>	<u>2,068</u>
<u>LIABILITIES and FUND BALANCES</u>			
Liabilities:			
Salaries payable	236	2	238
Accounts payable	502	264	766
Deferred revenue	69	-	69
Total liabilities	<u>807</u>	<u>266</u>	<u>1,073</u>
Fund balances:			
Unreserved, reported in			
General Fund	788	-	788
Capital Project Fund	-	207	207
Total fund balances	<u>788</u>	<u>207</u>	<u>995</u>
Total liabilities and fund balances	<u>\$ 1,595</u>	<u>\$ 473</u>	<u>\$ 2,068</u>

MINNEAPOLIS BUILDING COMMISSION
 STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES

CITY OF MINNEAPOLIS, MINNESOTA

For the fiscal year ended December 31, 2005

(In Thousands)

	General Fund	Capital Projects Fund	Total
REVENUES:			
Taxes	\$ 3,497	\$ -	\$ 3,497
Intergovernmental revenues	404	-	404
Charges for services and sales	3,263	1,568	4,831
Miscellaneous revenues	67	651	718
Total revenues	<u>7,231</u>	<u>2,219</u>	<u>9,450</u>
EXPENDITURES:			
Current:			
General government	7,106	-	7,106
Capital outlay	-	2,337	2,337
Total expenditures	<u>7,106</u>	<u>2,337</u>	<u>9,443</u>
Excess (deficiency) of revenues over (under) expenditures	<u>125</u>	<u>(118)</u>	<u>7</u>
Net change in fund balance	125	(118)	7
Fund balances - January 1	<u>663</u>	<u>325</u>	<u>988</u>
Fund balances - December 31	<u><u>\$ 788</u></u>	<u><u>\$ 207</u></u>	<u><u>\$ 995</u></u>

CITY OF MINNEAPOLIS, MINNESOTA
Table 1
(Dollar Amounts Expressed in Thousands)

GOVERNMENT-WIDE EXPENSES BY FUNCTION
LAST FIVE FISCAL YEARS
December 31, 2005

Fiscal Year	General Government	Public Safety	Public Works	Public Works	Culture and Recreation	Health and Welfare	Debt Service	Sanitary Sewer*	Stormwater*	Water Works	Municipal Parking	Solid Waste and Recycling	Community and Economic Development	Total
2001	\$ 85,072	\$ 156,407	\$ 43,664	\$ -	\$ 22,786	\$ 57,312	\$ 39,297	\$ -	\$ 42,694	\$ 48,042	\$ 22,523	\$ 110,286	\$ 628,083	
2002	95,382	175,087	61,072	-	24,630	44,473	44,183	-	43,850	53,815	22,479	125,730	690,701	
2003	123,139	168,976	68,296	26,346	23,502	44,014	56,746	-	46,757	62,832	23,568	122,023	766,199	
2004	75,530	202,334	20,691	49,968	9,905	56,283	53,690	-	50,683	67,195	26,007	124,227	736,513	
2005	67,865	215,366	28,909	48,744	13,502	34,383	26,880	25,898	46,292	56,676	24,500	157,554	746,569	

* Previous to 2005 Sanitary Sewer and Stormwater were reported as Sewer.

Source: Minneapolis Finance Department

(UNAUDITED)

**GOVERNMENT-WIDE REVENUES
LAST FIVE FISCAL YEARS
December 31, 2005**

**CITY OF MINNEAPOLIS, MINNESOTA
Table 2
(Dollar Amounts Expressed in Thousands)**

Fiscal Year	Program Revenues			General Revenues					Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Taxes	Local Government Aid	Contributions Not Restricted to Programs	Unrestricted Investment Earnings	Miscellaneous	
2001	\$ 264,920	\$ 69,996	\$ 17,475	\$ 235,192	\$ 87,260	\$ 6,731	\$ 18,929	\$ 14,328	\$ 714,831
2002	261,306	159,555	22,803	223,740	98,992	2,808	21,332	17,879	808,415
2003	273,347	67,288	19,793	250,178	88,818	2,689	16,432	25,286	743,831
2004	312,169	52,288	35,637	266,157	81,722	-	7,388	3,301	758,662
2005	330,037	85,301	13,858	278,299	65,921	-	14,869	2,726	791,011

Source: Minneapolis Finance Department

(UNAUDITED)

**GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION (1)
LAST TEN FISCAL YEARS**

**CITY OF MINNEAPOLIS, MINNESOTA
Table 3**

December 31, 2005										
(Dollar Amounts Expressed in Thousands)										
Fiscal Year	General Government	Public Safety	Highways and Streets	Culture and Recreation	Health and Welfare	Community and Economic Development	Capital Improvements	Debt Service	Total	Total
1996	\$ 52,274	\$ 127,881	\$ 34,446	-	\$ 10,054	\$ 17,980	\$ 122,972	\$ 138,310	\$	\$ 503,917
1997	52,717	143,083	35,743	-	8,081	21,524	120,573	67,617		449,338
1998	46,206	143,795	37,457	-	18,069	17,821	115,867	106,877		486,092
1999	48,545	142,025	39,495	-	19,246	19,484	162,780	108,249		539,824
2000	52,080	149,634	35,846	-	20,718	21,692	202,527	97,997		580,494
2001	56,061	153,530	38,820	-	22,359	122,619	154,616	137,282		685,287
2002	56,488	164,060	35,904	-	24,051	109,579	67,169	210,077		667,328
2003	98,201	160,750	33,542	26,346	22,856	110,576	59,714	119,592		631,577
2004	57,557	190,638	36,761	53,256	9,403	106,348	63,365	133,637		650,965
2005	58,880	209,453	39,204	48,744	13,258	128,464	46,141	153,281		697,425

Source: Minneapolis Finance Department

(UNAUDITED)

**GENERAL GOVERNMENTAL REVENUES BY SOURCE (1)
LAST TEN FISCAL YEARS**

**CITY OF MINNEAPOLIS, MINNESOTA
Table 4**

December 31, 2005 (Dollar Amounts Expressed in Thousands)

Fiscal Year	Taxes	Licenses and Permits	Inter-governmental Revenues	Charges for Services and Sales	Fines and Forfeits	Special Assessments, Interest, and Miscellaneous Revenues	Total
1996	\$ 157,902	\$ 12,364	\$ 146,447	\$ 27,995	\$ 7,077	\$ 43,819	\$ 395,604
1997	169,362	14,103	172,158	29,938	6,959	34,890	427,410
1998	173,631	15,619	167,827	30,224	7,443	41,210	435,954
1999	181,839	17,068	170,824	35,649	7,862	37,374	450,616
2000	195,225	19,429	174,634	35,122	8,555	45,632	478,597
2001	236,098	21,110	166,576	37,442	8,663	61,227	531,116
2002	225,127	21,395	269,293	34,602	7,748	49,218	607,383
2003	248,584	22,915	164,600	34,192	8,704	56,979	535,974
2004	265,672	24,780	161,820	43,798	9,641	49,274	554,985
2005	277,411	25,835	169,558	52,590	10,680	59,491	595,565

Source: Minneapolis Finance Department

(UNAUDITED)

**PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**

**CITY OF MINNEAPOLIS, MINNESOTA
Table 5**

December 31, 2005 (Dollar Amounts Expressed in Thousands)

Fiscal Year	Total Tax Levy*	Current Tax Collections**	Percent of Levy Collected	Delinquent Tax Collections***	Total Tax Collections	Percent of Total Tax Levy	Outstanding Delinquent Taxes	Percent of Delinquent Taxes to Total Tax Levy
1996	\$ 129,017	\$ 126,623	98.144	\$ 381	\$ 127,004	98.440	\$ 3,347	2.594
1997	137,535	135,340	98.404	1,433	136,773	99.446	2,727	1.983
1998	139,189	137,700	98.930	789	138,489	99.497	2,413	1.734
1999	144,339	142,815	98.944	841	143,656	99.527	2,352	1.629
2000	153,438	151,872	98.979	232	152,104	99.131	2,060	1.343
2001	163,751	161,188	98.435	19	161,207	98.446	2,445	1.493
2002	146,852	144,386	98.321	(102)	144,284	98.251	2,314	1.576
2003	158,819	156,550	98.571	680	157,231	99.000	3,129	1.970
2004	176,066	173,565	98.580	359	173,924	98.783	3,801	2.159
2005	190,375	187,271	98.370	1,408	188,679	99.109	3,553	1.866

* Beginning collection in year 2002, this total includes market value based homestead credit, which is used to reduce the property tax of residential homesteads.

** Includes Excise Tax Placement of 35% Reduction in Homestead Property Taxes.

*** The negative delinquent tax collections are a result of cancellations and abatements of prior year taxes in excess of prior year taxes collected.

(UNAUDITED)

Source: Minneapolis Finance Department - Controller Division

**TAX CAPACITY AND MARKET VALUATION
OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
December 31, 2005**

**CITY OF MINNEAPOLIS, MINNESOTA
Table 6**

(Dollar Amounts Expressed in Thousands)

Fiscal Year	Net Tax Capacity			Taxable Net Tax Capacity	Estimated Market Valuation	Ratio of Taxable Net Tax Capacity to Estimated Market Valuation
	Real Property	Personal Property	Total			
1996	\$ 329,158	\$ 12,825	\$ 341,983	\$ 303,386	\$ 13,531,923	.0224:1
1997	311,743	10,837	322,580	278,387	14,462,748	.0192:1
1998	301,945	9,530	311,475	267,870	15,597,493	.0172:1
1999	318,674	9,615	328,289	281,161	16,980,768	.0166:1
2000	353,438	9,849	363,287	308,064	19,383,387	.0159:1
2001	274,914	5,809	280,723	240,567	23,162,298	.0104:1
2002	288,427	6,834	295,261	250,694	25,872,329	.0097:1
2003	303,286	6,981	310,267	267,042	28,524,370	.0094:1
2004	332,859	7,254	340,113	295,462	31,090,168	.0095:1
2005	392,964	7,512	400,476	344,152	34,399,886	.0100:1

(UNAUDITED)

Source: Minneapolis Finance Department - Capital and Debt Management

**PROPERTY TAX RATES AND TAX LEVIES
DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS
December 31, 2005**

**CITY OF MINNEAPOLIS, MINNESOTA
Table 7**

(Dollar Amounts Expressed in Thousands)

Budget Year	Taxes Payable Year	City	Schools	County	Other	Total
<u>TAX RATES IN TAX CAPACITY</u>						
1996	1997	35.54%	72.59%	33.42%	6.21%	147.75%
1997	1998	35.67%	68.85%	31.81%	6.02%	142.36%
1998	1999	39.06%	66.28%	34.53%	6.95%	146.82%
1999	2000	42.51%	58.80%	36.85%	7.99%	146.16%
2000	2001	43.01%	51.93%	33.63%	9.00%	137.57%
2001	2002	43.20%	52.36%	33.78%	7.65%	136.99%
2002	2003	59.05%	32.96%	44.75%	8.72%	145.48%
2003	2004	63.65%	33.44%	45.07%	8.43%	150.59%
2004	2005	64.54%	32.39%	41.94%	6.89%	145.76%
2005	2006	61.93%	26.87%	39.18%	7.12%	135.11%
<u>TAX LEVIES</u>						
1996	1997	\$ 129,017	\$ 212,413	\$ 104,225	\$ 22,645	\$ 468,300
1997	1998	137,536	223,095	106,359	22,973	489,963
1998	1999	139,189	205,591	106,411	23,273	474,464
1999	2000	153,438	181,478	108,981	24,362	468,259
2000	2001	163,751	195,037	114,822	27,450	501,060
2001	2002	146,852	162,615	114,409	26,641	450,517
2002	2003	158,415	79,247	113,177	16,704	367,543
2003	2004	172,666	84,396	113,078	17,838	387,978
2004	2005	183,975	111,100	117,077	20,427	432,579
2005	2006	197,730	122,128	124,030	21,027	464,915

The taxes are calculated by multiplying the tax rates times the gross tax capacity.

(UNAUDITED)

Source: Minneapolis Finance Department - Management and Budget

**SPECIAL ASSESSMENT BILLINGS AND COLLECTIONS
LAST TEN YEARS**

**CITY OF MINNEAPOLIS, MINNESOTA
Table 8**

December 31, 2005 **(Dollar Amounts Expressed in Thousands)**

Fiscal Year	Special Assessments Billings	Special Assessments Collected (1)
1996	\$ 8,609	\$ 9,430
1997	8,177	8,713
1998	8,180	8,993
1999	8,744	11,626
2000	8,292	10,859
2001	9,178	11,225
2002	9,477	12,202
2003	10,117	12,353
2004	10,285	12,782
2005	10,925	12,916

(1) Includes prepayments and foreclosures.

Source: Minneapolis Finance Department - Controller Division

**RATIO OF NET GENERAL OBLIGATION DEBT TO NET TAX CAPACITY
AND NET GENERAL OBLIGATION DEBT PER CAPITA
LAST TEN YEARS
December 31, 2005**

**CITY OF MINNEAPOLIS, MINNESOTA
Table 9**

Fiscal Year	Net General Obligation Debt				Net Tax Capacity *	Population	Ratio of	
	Total (1) *	Less All Self-Supporting and Tax Increment Bonds *	Less Assets in General Debt Service Fund *	Net *			Net General Obligation Debt to Net Tax Capacity	Net General Obligation Debt per Capita
1996	\$ 719,988	\$ 632,558	\$ 16,589	\$ 70,841	\$ 341,983	368,383	.2071:1	\$ 192
1997	714,893	625,083	18,867	70,943	322,580	368,383	.2199:1	193
1998	770,703	681,317	19,360	70,026	311,475	368,383	.2248:1	190
1999	929,750	841,265	20,794	67,691	328,289	368,383	.2062:1	184
2000	1,128,355	1,047,480	19,712	61,163	363,287	382,618	.1684:1	160
2001	1,133,227	1,063,867	19,814	49,546	280,723	382,618	.1765:1	129
2002	1,076,254	973,009	18,301	84,944	295,261	382,618	.2877:1	222
2003	1,203,810	981,420	21,231	201,159	310,267	382,618	.6483:1	526
2004	1,249,661	981,546	21,928	246,187	340,113	382,618	.7238:1	643
2005	1,229,868	958,888	16,716	254,264	344,152	382,618	.7388:1	665

* Amounts expressed in thousands.

(1) Total General Obligation Debt excluding special assessment bonds.

Source: Minneapolis Finance Department - Capital and Debt Management

(UNAUDITED)

COMPUTATION OF LEGAL DEBT MARGIN

**CITY OF MINNEAPOLIS, MINNESOTA
Table 10**

December 31, 2005		(Dollar Amounts Expressed in Thousands)	
Real Property (2005 Market Value)	\$	34,399,886	
Personal Property (2005 Market Value)		<u>391,965</u>	
		34,791,851	
Adjustment for Exempt Personal Property (1966 Market Value)		298,030	
Adjustment for Net Fiscal Disparities (Contribution)/Distribution		<u>393,938</u>	
Total Market Value Applicable to Debt Limit		<u><u>35,483,819</u></u>	
Debt Limit (3-1/3% of Market Value Applicable to Debt Limit)	\$	1,182,794	
General Obligation Bonds Subject to Debt Limit:			
Supported by Property Tax Levy		270,980	
Supported by Special Assessments:			
Park Diseased Trees		1,500	
Lyn-Lake Municipal/Commercial Parking		1,483	
Self-Supporting (Supported by Internal User Charges):			
Management Information Systems		42,575	
Park Board - Land acquisitions & athletic field development		11,670	
Public Works Fleet and Equipment		43,615	
Property Fund		9,340	
Self-Insurance Fund		<u>5,395</u>	
Total General Obligation Bonds Subject to Debt Limit		386,558	
Less: Assets in General Debt Service Fund		<u>(16,716)</u>	
Total Debt Applicable to Debt Limit		<u>369,842</u>	
Legal Margin for New Bonds Subject to Debt Limit	\$	<u><u>812,952</u></u>	

(UNAUDITED)

Source: Minneapolis Finance Department - Capital and Debt Management

**COMPUTATION OF DIRECT AND OVERLAPPING DEBT
GENERAL OBLIGATION BONDS**

**CITY OF MINNEAPOLIS, MINNESOTA
Table 11**

December 31, 2005 (Dollar Amounts Expressed in Thousands)

Jurisdiction	Net General Obligation Bonded Debt Outstanding	Percent of Debt Applicable to the City of Minneapolis	Amount Applicable to City of Minneapolis
<u>Direct:</u>			
City of Minneapolis	\$ 254,264 (1)	100.00%	\$ 254,264
Total Direct Debt	\$ 254,264		\$ 254,264
<u>Overlapping:</u>			
Special School District No. 1	\$ 370,443	100.00%	\$ 370,443
Hennepin County	370,443 (2)	24.11%	89,314
Hennepin County Regional Railroad Authority	46,547	24.11%	11,222
Metropolitan Council	206,624	10.87%	22,460
Total Overlapping Debt	\$ 994,057		\$ 493,439
Total Direct and Overlapping Debt	\$ 1,248,321		\$ 747,703

(1) Excluding \$769,528 of general obligation debt reported as self-supporting bonds, \$189,360 of general obligation debt payable from tax increment revenues, and \$45,406 of general obligation debt payable from special assessment revenues.

(2) Excluding suburban library bonds for which Minneapolis taxpayers are not obligated.

(UNAUDITED)

Source: Minneapolis Finance Department - Capital and Debt Management

DIRECT & OVERLAPPING DEBT PER CAPITA

**CITY OF MINNEAPOLIS, MINNESOTA
Table 12**

**LAST TEN YEARS
December 31, 2005**

Fiscal Year	Direct & Overlapping Debt Applicable to the City of Minneapolis by Jurisdiction										Direct & Overlapping Debt per Capita**
	City of Minneapolis*	Special School District No. 1*	Hennepin County*	Hennepin Regional Authority*	Hennepin County	Metropolitan Council*	Total Direct & Overlapping Debt *	Percent of Total Attributable to the City of Minneapolis	City of Minneapolis Population*		
1996	\$ 95,783	\$ 127,224	\$ 13,988	\$ -	\$ 8,985	\$ 245,980	38.9%	368.4	\$ 668		
1997	70,943	181,985	22,625	-	11,351	286,904	24.7%	368.4	779		
1998	70,026	186,952	30,111	-	10,924	298,013	23.5%	368.4	809		
1999	67,691	205,358	33,366	-	8,365	314,780	21.5%	368.4	854		
2000	61,163	228,121	43,680	-	13,950	346,914	17.6%	382.6	907		
2001	49,546	278,926	43,312	12,335	30,773	414,892	11.9%	382.6	1,084		
2002	84,944	298,487	76,717	12,543	27,707	500,398	17.0%	382.6	1,308		
2003	201,159	340,863	80,359	11,330	24,464	658,175	30.6%	382.6	1,720		
2004	246,187	366,296	91,728	11,158	27,084	742,453	33.2%	382.6	1,941		
2005	254,264	370,443	89,314	11,222	22,460	747,703	34.0%	382.6	1,954		

* Amounts expressed in thousands.

** Amounts expressed in whole dollars.

Source: Minneapolis Finance Department - Capital and Debt Management

(UNAUDITED)

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR
GENERAL BONDED DEBT TO TOTAL GENERAL EXPENDITURES
LAST TEN FISCAL YEARS
December 31, 2005**

**CITY OF MINNEAPOLIS, MINNESOTA
Table 13**

(Dollar Amounts Expressed in Thousands)

Fiscal Year	Principal	Interest	Total Debt Service	General Expenditures*	Ratio of Debt Service to General Expenditures (Percent)
1996	\$ 105,007	\$ 33,303	\$ 138,310	\$ 464,730	29.76
1997	34,899	32,718	67,617	427,762	15.81
1998	73,060	33,817	106,877	475,181	22.49
1999	73,428	34,821	108,249	478,864	22.61
2000	61,881	36,116	97,997	479,786	20.43
2001	93,265	44,039	137,304	542,690	25.30
2002	161,831	48,246	210,077	667,327	31.48
2003	67,329	52,263	119,592	631,577	18.94
2004	76,175	57,462	133,637	650,965	20.53
2005	90,825	62,456	153,281	697,425	21.98

* General Expenditures include those expenditures of the General Fund, Special Revenue Funds and Debt Service Funds of Primary Government and its Component Units.

Source: Minneapolis Finance Department - Capital and Debt Management

(UNAUDITED)

**REVENUE BOND COVERAGE
ISSUED AS GENERAL OBLIGATION BONDS
LAST TEN FISCAL YEARS
December 31, 2005**

**CITY OF MINNEAPOLIS, MINNESOTA
Table 14(a)**

(Dollar Amounts Expressed in Thousands)

MUNICIPAL PARKING BONDS

Fiscal Year	Gross Revenue (1)	Operating Expenses (2)	Debt Service Operating Transfers (3)	Net Revenue Available for Debt Service	Debt Service Requirements		Coverage
					Principal	Interest	
1996	\$ 34,629	\$ 25,053	\$ 9,462	\$ 19,038	\$ 3,975	\$ 7,920	1.60
1997	38,569	26,728	7,757	19,598	4,960	7,765	1.54
1998	43,964	28,331	8,384	24,017	5,980	6,729	1.89
1999	48,248	32,032	12,426	28,642	25,849	9,209	0.82
2000	52,746	29,936	11,508	34,318	24,765	10,949	0.96
2001	56,889	35,227	8,757	30,419	31,329	12,734	0.69
2002	55,010	35,462	8,235	27,783	13,439	13,205	1.04
2003	53,401	44,507	13,941	22,836	10,104	12,680	1.00
2004	55,604	47,409	13,993	22,188	11,434	13,452	0.89
2005	55,600	39,535	13,474	29,539	12,834	12,058	1.19

- (1) Gross revenue includes TAD's (State of Mn owned ramps), interest income and non-operating income.
- (2) Total expenses includes TAD's (State of Mn owned ramps) exclusive of depreciation.
- (3) Convention Center Related Public Parking debt is capitalized in the Municipal Parking Enterprise fund and financed using sales tax revenues transferred from the Convention Center Special Revenue fund.
- (4) Tax Increment Transfers In are included beginning 2003

Source: Minneapolis Finance Department - Controller Division

(UNAUDITED)

**REVENUE BOND COVERAGE
ISSUED AS GENERAL OBLIGATION BONDS
LAST TEN FISCAL YEARS
December 31, 2005**

**CITY OF MINNEAPOLIS, MINNESOTA
Table 14(b)
(Continued)
(Dollar Amounts Expressed in Thousands)**

STORMWATER BONDS

Fiscal Year	Gross Revenue (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements		Coverage
				Principal	Total	
1996	\$ 43,705	\$ 39,622	\$ 4,083	\$ 1,130	\$ 785	2.13
1997	45,867	39,991	5,876	1,345	747	2.81
1998	50,703	38,045	12,658	1,720	768	5.09
1999	51,493	36,546	14,947	6,685	1,598	1.80
2000	58,999	41,420	17,579	11,070	2,038	1.34
2001	63,301	42,429	20,872	10,187	2,017	1.71
2002	66,347	45,785	20,562	6,690	2,092	2.34
2003	63,846	47,010	16,836	9,026	2,135	1.51
2004	67,458	55,619	11,839	9,120	2,292	1.04
2005 (3)	31,435	20,080	11,355	10,572	2,352	0.88

(1) Gross revenue includes interest income and non-operating income.

(2) Total expenses exclusive of depreciation.

(3) In 2005 the Sewer Rental fund was split between Stormwater and Sanitary Sewer, all of the bonds are Stormwater related.

Source: Minneapolis Finance Department - Controller Division

(UNAUDITED)

**REVENUE BOND COVERAGE
ISSUED AS GENERAL OBLIGATION BONDS
LAST TEN FISCAL YEARS
December 31, 2005**

**CITY OF MINNEAPOLIS, MINNESOTA
Table 14(c)
(Continued)
(Dollar Amounts Expressed in Thousands)**

WATER WORKS BONDS

Fiscal Year	Gross Revenue (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements		Coverage
				Principal	Total	
1996	\$ 39,336	\$ 28,615	\$ 10,721	\$ 1,810	\$ 775	4.15
1997	39,823	29,821	10,002	1,960	584	3.93
1998	44,865	31,946	12,919	2,210	552	4.68
1999	42,919	30,738	12,181	3,374	1,832	2.34
2000	50,567	33,428	17,139	6,091	2,281	2.05
2001	55,385	37,154	18,231	9,879	2,392	1.49
2002	57,378	40,161	17,217	13,192	2,796	1.08
2003	62,581	40,178	22,403	12,759	2,836	1.44
2004	63,449	46,205	17,244	11,930	3,221	1.14
2005	61,946	44,116	17,830	10,819	4,078	1.20

(1) Gross revenue includes interest income and non-operating income.

(2) Total expenses exclusive of depreciation.

Source: Minneapolis Finance Department - Controller Division

(UNAUDITED)

**DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS**

**CITY OF MINNEAPOLIS, MINNESOTA
Table 15**

December 31, 2005

Fiscal Year	Population (1)	School Enrollment (2)	Unemployment Rate (3)
1996	368,383	47,528	3.9%
1997	368,383	46,940	3.3%
1998	368,383	47,927	2.8%
1999	368,383	47,364	2.8%
2000	382,618	48,991	3.0%
2001	382,618	47,726	3.9%
2002	382,618	46,182	5.0%
2003	382,618	43,132	5.3%
2004	382,618	39,932	5.1%
2005	382,618	37,935	4.2%

Sources:

- (1) National Census Bureau
- (2) Minneapolis Board of Education
- (3) MN Department of Economic Security

(UNAUDITED)

**PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS
LAST TEN FISCAL YEARS**

**CITY OF MINNEAPOLIS, MINNESOTA
Table 16**

December 31, 2005 (Dollar Amounts Expressed in Thousands)

Fiscal Year	Commercial Construction		Residential Construction		Bank Deposits	Market Property Value		
	Number of Permits	Value	Number of Permits	Value		Commercial	Residential	Nontaxable
1996	11	\$ 3,825	82	\$ 17,284	\$ 23,148,102	\$ 4,136,634	\$ 9,132,127	\$ 3,935,295
1997	38	85,161	377	56,264	65,527,484	4,393,876	9,792,937	3,987,486
1998	32	243,241	284	22,522	68,972,726	4,781,169	10,538,901	4,775,146
1999	60	180,651	697	81,447	72,631,130	5,119,218	11,572,373	5,076,487
2000	84	573,600	295	79,527	91,081,577	5,597,268	13,477,724	6,385,833
2001	36	133,513	229	94,273	65,654,434	6,144,722	16,708,352	7,024,416
2002	83	247,983	276	77,073	67,615,572	6,210,135	19,315,414	7,834,331
2003	103	233,625	345	122,035	31,627,848	5,972,969	22,196,509	8,160,621
2004	112	298,503	144	34,313	3,053,121	6,012,409	24,704,096	8,739,232
2005	43	74,834	212	301,949	1,273,159	6,696,369	27,703,517	10,351,037

Sources: Commercial and Residential constructions - Data supplied by the City's Inspections Department
Bank Deposits - FDIC website
Market property Values - Assessor's Office

(UNAUDITED)

PRINCIPAL TAXPAYERS

**CITY OF MINNEAPOLIS, MINNESOTA
Table 17**

December 31, 2005 (Dollar Amounts Expressed in Thousands)

Rank	Taxpayer	Type of Business	Net Tax Capacity	Percentage Of Total Tax Capacity
1.	Northern State Power Co.	Utilities	6,048	2.35%
2.	American Express Financial Corp.	Financial	3,912	1.52%
3.	Target Corporation	Office Building and Retail	3,595	1.40%
4.	NWC Limited Partnership	Commercial/Industrial Building	2,621	1.02%
5.	80 S. Eighth LLC	Office Building	2,179	0.85%
6.	Ryan Companies US, Inc	Real Estate/Office Building	2,195	0.85%
7.	Wells Operating Partnership L P	Office Building	2,163	0.84%
8.	City Center Associates	Office Building	1,919	0.75%
9.	First Minneapolis-Hines Co.	Office Building	1,943	0.76%
10.	601 Second Ave Ltd. Partnership	Office Building	<u>1,739</u>	<u>0.68%</u>
			<u>\$ 28,314</u>	<u>11.02%</u>

Source: Bonding Issue Report

(UNAUDITED)

December 31, 2005

Table 18

Date of Incorporation	1867	Park and Recreation System	6,500
Date of Adoption of City Charter	November 2, 1920	Acres	7
Form of Government	Mayor-Council	Number of Golf Links	2
Area - Square Miles	58.72	Number of Community Centers	28
Miles of Streets and Alleys	1,063	Number of Neighborhood Centers	21
Streets Paved	7	Number of Shelter Buildings	7
Streets - Unpaved	379	Number Playgrounds	108
Alleys	1,900	Number of Municipal Beaches and Swimming Pools	14
Sidewalks		Miles of Parkways	55
Sanitary Sewers		Police Protection	
Miles of Sewer line	832.6	Number of Stations	5
Miles of Tunnels	5.47	Average Number of Employees	942
Number of Lift Stations	10	Number of Major Crimes	28,941
Storm Drains		Municipal Water Plant	
Miles of Storm Drains	566	Number Customers	98,750
Miles of Tunnels	14.7	Daily Average Consumption - Gallons	56,864,136
Number of Pumping Stations	25	Design Plant Capacity - Gallons	180,000,000
Number of Storm Water Retention Ponds	10	Miles of Water Mains	1,000.26
Number of Storm Drain Outlets	387	Number of Fire Hydrants	8,084
Number of Grit Removal Structures	127	Number of Street and Alley Lights	40,500
Building Permits in 2005:		Refuse Collection (tons)	169,220
Permits Issued	45,163	Recyclables (tons)	56,479
Estimated Costs	777,384,230	Registered Voters - General	235,172
Average Number of Permanent Employees excluding Police and Fire	2,581	Number of votes cast in Primary Election	33,558
Fire Protection		Number of votes cast in General Election	70,987
Number of Stations	19	Percent of Registered Voters voting in Primary Election	15%
Average Number of Employees	444.5	Percent of Registered Voters voting in General Election	30%
Number of Inspections	7,802	Population - Federal Census	
Library System		1910	301,408
Number of Public Facilities	16	1920	380,582
Sized of Collection (print plus non-print)	3,045,463	1930	464,356
Books per capita	8.00	1940	492,370
Circulation per capita	6.55	1950	521,718
Reference questions per capita	2.62	1960	482,872
Central Library visitors	275,055	1970	434,400
		1980	370,951
		1990	368,383
		2000	382,618

UNAUDITED

Source: Minneapolis Finance Department - Controller Division

December 31, 2005 (Dollar Amounts Expressed in Thousands)

Budget Year	Taxes Payable Year	Total Tax Levy	HACA	Certified Levy	Fiscal Disparities	Spread Levy
1996	1997	\$ 129,017	\$ 28,677	\$ 100,340	\$ 14,957	\$ 85,383
1997	1998	137,535	29,636	107,899	16,006	91,893
1998	1999	139,189	29,637	109,552	17,523	92,029
1999	2000	153,438	30,520	122,918	18,658	104,260
2000	2001	163,751	30,527	133,224	-	133,224
2001	2002	146,852	-	146,852	24,954	118,936
2002	2003	158,415	-	158,415	21,069	137,347
2003	2004	172,666	-	172,666	24,207	148,459
2004	2005	183,975	-	183,975	24,850	159,125
2005	2006	197,730	-	197,730	24,512	173,218

* Budget year equals the year of collection.

Total Tax Levy includes HACA and Fiscal Disparities.

HACA is the Homestead Agriculture Credit Aid.

Certified Levy equals the Total Tax Levy less the HACA.

Fiscal Disparities is a metropolitan wide tax base growth sharing system.

Spread Levy equals the Certified Levy less Fiscal Disparities.

Source: Minneapolis Finance Department - Capital and Debt Management

(UNAUDITED)