

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

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

FINANCIAL HIGHLIGHTS

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

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