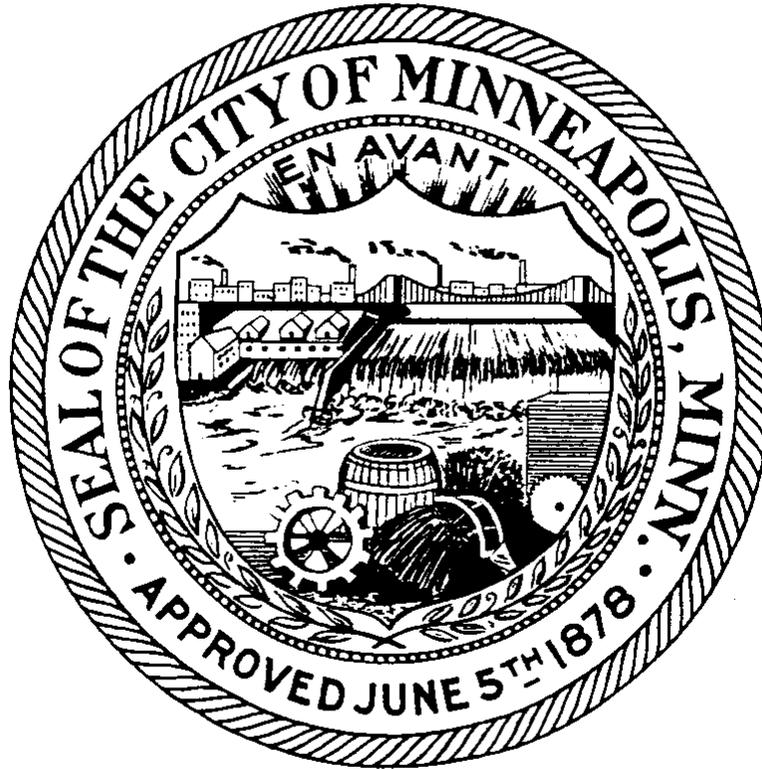


# COMPREHENSIVE ANNUAL FINANCIAL REPORT



CITY OF  
MINNEAPOLIS, MINNESOTA

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004

FINANCE DEPARTMENT

**TABLE OF CONTENTS**

**INTRODUCTORY SECTION**

|  | <b>Page</b> |
|--|-------------|
| Transmittal Letter   | v           |
| Organization Chart   | x           |
| Mayor and Council  | xi          |
| Certificate of Achievement for Excellence in Financial Reporting | xii         |

**FINANCIAL SECTION**

|   |          |
|---|----------|
| <b>Independent Auditor’s Report</b>   | <b>1</b> |
| <b>Management’s Discussion and Analysis</b>   | <b>3</b> |
| <b>Basic Financial Statements:</b>  |          |
| Government-wide Financial Statements  |          |
| Statement of Net Assets   | 28       |
| Statement of Activities   | 29       |
| Fund Financial Statements   |          |
| Balance Sheet – Governmental Funds  | 30       |
| Reconciliation of governmental funds balance sheet to the Statement of Net Assets   | 31       |
| Statement of Revenues, Expenditures, and Changes in Fund balance – Governmental Funds   | 32       |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities | 33       |
| Statement of Net Assets – Proprietary Funds   | 34       |
| Statement of Revenues, Expenses, and Changes in Net Assets – Proprietary Funds  | 36       |
| Statement of Cash Flows – Proprietary Funds   | 37       |
| Statement of Fiduciary Net Assets   | 39       |
| Statement of Net Assets Component Units (combining)   | 40       |
| Statement of Activity Component Units (combining)   | 41       |
| Notes to the Financial Statements   |          |
| Note 1 - Summary of Significant Accounting Policies   | 43       |
| Note 2 - Deposits and Investments   | 54       |
| Note 3 - Receivables  | 56       |
| Note 4 - Capital Assets   | 57       |
| Note 5 - Long-term Debt   | 59       |
| Note 6 - Industrial, Commercial and Housing Revenue Bonds and Notes   | 64       |
| Note 7 - Prior Year Defeasance  | 64       |
| Note 8 - Demand Bonds   | 64       |
| Note 9 - Leases   | 65       |
| Note 10 - Interfund Transactions  | 67       |
| Note 11 - Net Assets/Fund Balances  | 69       |
| Note 12 - Restricted Net Assets – Governmental Activities   | 70       |
| Note 13 - Restricted Net Assets – Business Type Activities  | 70       |
| Note 14 - Deficit Net Assets  | 71       |
| Note 15 - Defined Benefit Pension Plan – Statewide Public Employees Retirement Association  | 72       |

## TABLE OF CONTENTS

|  | <b>Page</b> |
|--|-------------|
| Notes to the Financial Statements (continued)  |             |
| Note 16 - Defined Benefit Pension Plan – Multiple Employer Minneapolis Employees Retirement Fund   | 72          |
| Note 17 - Defined Benefit Pension Plan – Single Employer Minneapolis Firefighter’s Relief Association, Minneapolis Police Relief Association | 74          |
| Note 18 - Defined Contribution Plan – CPED   | 76          |
| Note 19 - Post Employment Benefits   | 77          |
| Note 20 - Vacation, Severance, Sick and Compensatory Time Pay  | 77          |
| Note 21 - Risk Management  | 77          |
| Note 22 - Other Commitments and Contingencies  | 78          |
| <b>Required Supplementary Information Other Than Management’s Discussion and Analysis:</b>   |             |
| Budgetary Comparison Schedules   |             |
| General Fund with comparative data   | 79          |
| CPED Special Revenue Fund with comparative data  | 80          |
| Convention Center Special Revenue Fund with comparative data   | 81          |
| Notes to Required Supplementary Information Other Than Management’s Discussion and Analysis  | 82          |
| <b>Other Supplementary Information:</b>  |             |
| Combining and Individual Fund Statements and Schedules:  |             |
| Combining Balance Sheet – Nonmajor Governmental Funds  | 84          |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Governmental Funds                                     | 85          |
| Combining Balance Sheet – Nonmajor Special Revenue funds with comparative data   | 86          |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Special Revenue Funds with comparative data            | 87          |
| Combining Balance Sheet – Nonmajor Debt Service Funds with comparative data  | 88          |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Debt Service Funds with comparative data               | 89          |
| Budgetary Comparison Schedules   |             |
| Arena Reserve Special Revenue Fund with comparative data   | 90          |
| Board of Estimate and Taxation Special Revenue Fund with comparative data  | 91          |
| Community Development Block Grant Special Revenue Fund with comparative data   | 92          |
| Convention Facilities Reserve Special Revenue Fund with comparative data   | 93          |
| Employee Retirement Special Revenue Fund with comparative data   | 94          |
| Grants – Federal Special Revenue Fund with comparative data  | 95          |
| Grants – Other Special Revenue Fund with comparative data  | 96          |
| Police Special Revenue Fund with comparative data  | 97          |
| Combining Statement of Net Assets Internal Service Funds   | 98          |
| Combining Statement of Revenues, Expenses, and Changes in Net Assets Internal Service Funds  | 99          |
| Combining Statement of Cash Flows Internal Service Funds   | 100         |
| Engineering Materials and Testing Internal Service Fund  |             |
| Comparative Schedule of Net Assets   | 101         |
| Comparative Schedule of Revenues, Expenses, and Changes in Net Assets  | 102         |
| Comparative Schedule of Cash flows   | 103         |
| Intergovernmental Services Internal Service Fund   |             |
| Comparative Schedule of Net Assets   | 104         |
| Comparative Schedule of Revenues, Expenses, and Changes in Net Assets  | 105         |
| Comparative Schedule of Cash flows   | 106         |

## TABLE OF CONTENTS

|   | Page |
|---|------|
| <b>Other Supplementary Information:</b> (continued)                                     |      |
| Combining and Individual Fund Statements and Schedules:                                 |      |
| Property Services Internal Service Fund   |      |
| Comparative Schedule of Net Assets  | 107  |
| Comparative Schedule of Revenues, Expenses, and Changes in Net Assets                   | 108  |
| Comparative Schedule of Cash flows  | 109  |
| Equipment Services Internal Service Fund  |      |
| Comparative Schedule of Net Assets  | 110  |
| Comparative Schedule of Revenues, Expenses, and Changes in Net Assets                   | 111  |
| Comparative Schedule of Cash flows  | 112  |
| Public Works Stores Internal Service Fund   |      |
| Comparative Schedule of Net Assets  | 113  |
| Comparative Schedule of Revenues, Expenses, and Changes in Net Assets                   | 114  |
| Comparative Schedule of Cash flows  | 115  |
| Self-Insurance Internal Service Fund  |      |
| Comparative Schedule of Net Assets  | 116  |
| Comparative Schedule of Revenues, Expenses, and Changes in Net Assets                   | 117  |
| Comparative Schedule of Cash flows  | 118  |
| Combining Statement of Fiduciary Net Assets – Agency Funds                              | 120  |
| Fiduciary Funds Combining Statement of Changes in Assets and Liabilities – Agency Funds | 121  |
| Schedule of Governmental Activity Bonds and Notes                                       | 122  |
| Schedule of Business Activity Bonds and Notes   | 128  |
| <br>  |      |
| Municipal Building Commission - Discrete Component Unit                                 |      |
| Combining Balance Sheet   | 132  |
| Combining Schedule of Revenue, Expenditures, and Changes in Fund Balances               | 133  |

## STATISTICAL SECTION

|  |     |
|--|-----|
| <b>Statistical Section (Unaudited)</b>   |     |
| Table 1 - Government-wide Expenses by Function   | 135 |
| Table 2 - Government-wide Revenues   | 136 |
| Table 3 - General Governmental Expenditures by Function  | 137 |
| Table 4 - General Governmental Revenues by Source  | 138 |
| Table 5 - Property Tax Levies and Collections  | 139 |
| Table 6 - Tax Capacity and Market Valuation of Taxable Property  | 140 |
| Table 7 - Property Tax Rates and Tax Levies-Direct and Overlapping Governments                                   | 141 |
| Table 8 - Special Assessment Billings and Collections  | 142 |
| Table 9 - Ratio of Net General Obligation Debt to Net Tax Capacity<br>and Net General Obligation Debt per Capita | 143 |
| Table 10 - Computation of Legal Debt Margin  | 144 |
| Table 11 - Computation of Direct and Overlapping Debt General Obligation Bonds                                   | 145 |
| Table 12 - Direct and Overlapping Debt per Capita  | 146 |
| Table 13 - Ratio of Annual Debt Service Expenditures for General Bonded Debt<br>to Total General Expenditures    | 147 |
| Table 14 - Revenue Bond Coverage Issued as General Obligation Bonds  | 148 |
| Table 15 - Demographic Statistics  | 151 |
| Table 16 - Property Value, Construction, and Bank Deposits   | 152 |
| Table 17 - Principal Taxpayers   | 153 |
| Table 18 - Miscellaneous Statistical Facts   | 154 |
| Table 19 - Minneapolis Spread Levy   | 155 |



**Minneapolis**  
City of Lakes

**Finance Department**

Patrick P. Born  
City Finance Officer

350 South 5th Street - Room 325M  
Minneapolis MN 55415-1315

Office 612 673-3375  
Fax 612 673-2042  
TTY 612 673-2157

May 16, 2005

Mayor R. T. Rybak,  
Council President Paul Ostrow,  
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, 2004. 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. Persons of color comprise an estimated 30.5 percent of the City's population.

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 of Minneapolis' 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 2004 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 1.70 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 financial practices have earned its general obligation debt some of the highest ratings available from national bond rating services as follows:

- Fitch - 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, 2003. A Certificate of Achievement is valid for a period of one year only. The City has received this prestigious award for thirty-five 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 2004.

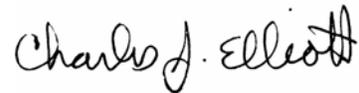
### **ACKNOWLEDGEMENTS**

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 department. 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, John Moir, for their interest in conducting the financial operations of this City in a responsible and progressive manner.

Respectfully submitted,



Patrick P. Born  
Finance Officer

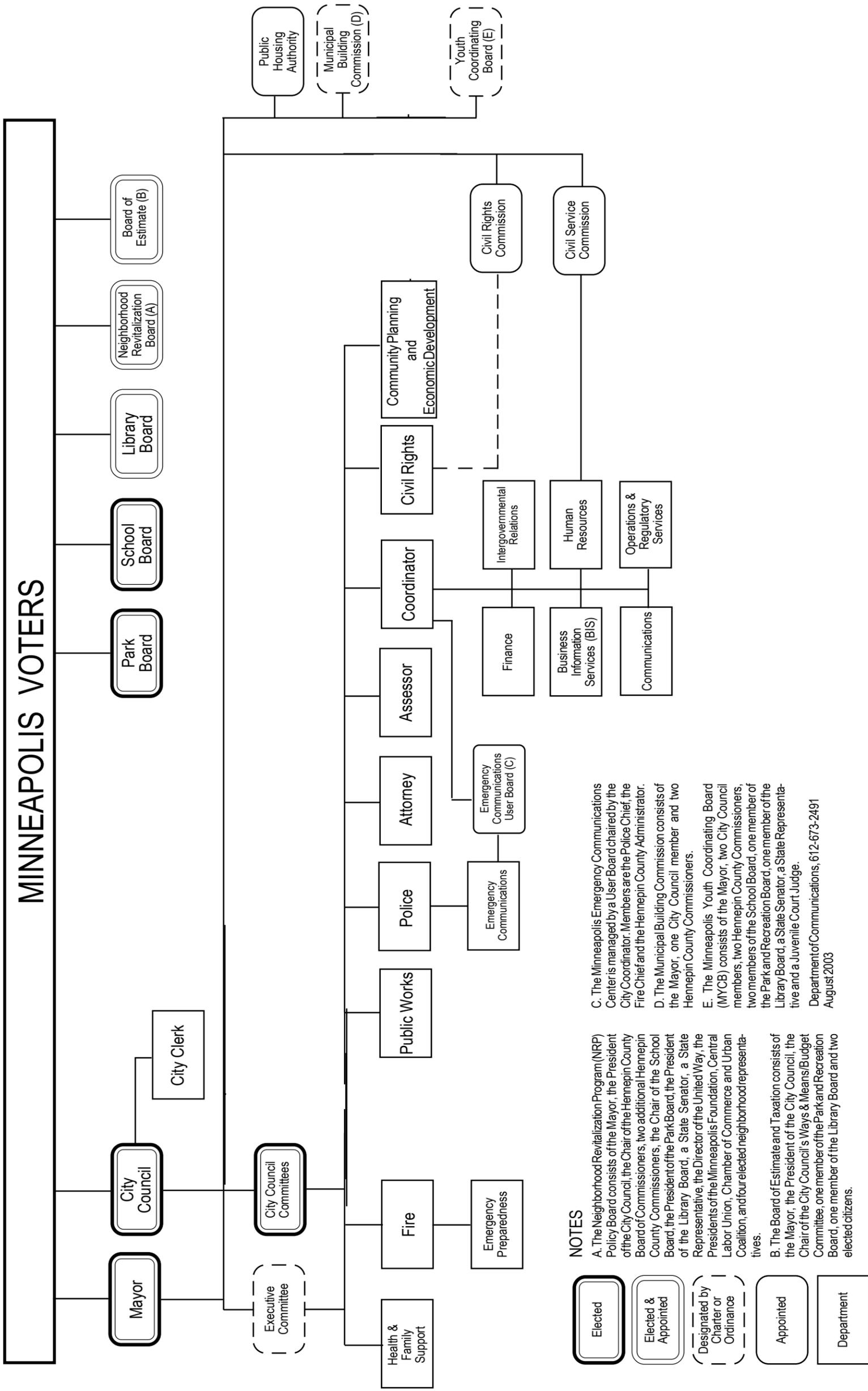


Charles Elliott, CPA  
Controller



Jacob Cherucheril, CPA  
Finance Manager

# 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

## 2004

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

# 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, 2003

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.



*Nancy L. Ziehl*

President

*Jeffrey R. Emery*

Executive Director



# STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

SUITE 500  
525 PARK STREET  
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)  
(651) 296-4755 (Fax)  
state.auditor@state.mn.us (E-Mail)  
1-800-627-3529 (Relay Service)

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, 2004, 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, 2004, 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.

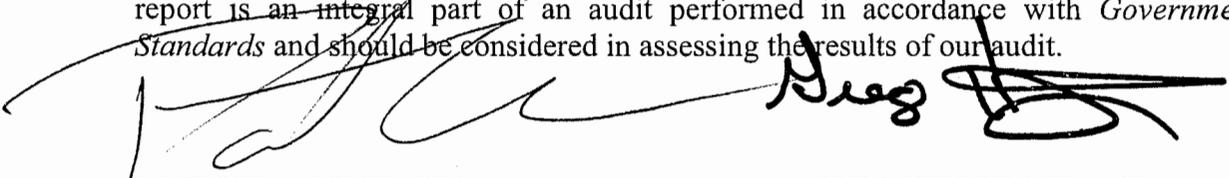
The Management's Discussion and Analysis and the budgetary comparison schedules for the general and major special revenue funds are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board.



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 16, 2005, 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 16, 2005

**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, 2004. 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 2004 fiscal year by \$770,947 (net assets). Of this amount, a deficit of \$176,424 (unrestricted net assets) resulted primarily from prior period losses in the internal service funds, debt related to unfunded pension liabilities, Parking fund shortages, and other debt issued by the City to finance assets owned by the City's component units. Additionally, \$89,168 is restricted for specific purposes (restricted net assets) and \$858,203 is invested in capital assets net of related debt.
- The City's total net assets increased by \$22,149. Governmental activities increased the City's net assets by \$23,004, however, the business type activities decreased the net asset balance by \$855.
- As of December 31, 2004, unreserved fund balance for the general fund was \$60,472, or about 26.6% of total general fund expenditures.
- The City's total long-term bond and note liability increased by \$31,801 from the prior year. Total debt issued in 2004 was \$223,385 and total debt retirement was \$191,584, including current refunding transactions. Major new debt issuances included \$40,970 for various infrastructure improvements in the five year capital plan, \$28,000 for library improvements, \$29,710 for unfunded pension obligations and \$25,000 for a new water treatment plant.

**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 statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

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 and economic development. The business-type activities of the City include sewer, solid waste and recycling, water works, community and 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 a blended component unit 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. 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 Sewer, Solid Waste and Recycling, Water Works, Community Planning and Economic Development, 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 39 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 43-78 of this report.

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

Required supplementary information can be found on pages 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.

Combining and individual fund statements and schedules can be found on pages 83-133 of this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

### ***Statement of Net Assets:***

The City's assets exceeded liabilities by \$770,947 at the close of the fiscal year ending December 31, 2004, compared to \$748,798 at the end of the previous year.

**Statement of Net Assets**  
**December 31, 2004**

|  | <u>Governmental Activities</u> |                     | <u>Business-type Activities</u> |                     | <u>Total</u>        |                     |
|--|--------------------------------|---------------------|---------------------------------|---------------------|---------------------|---------------------|
|  | <u>2004</u>                    | <u>2003</u>         | <u>2004</u>                     | <u>2003</u>         | <u>2004</u>         | <u>2003</u>         |
| Current and other assets                           | \$ 575,575                     | \$ 585,346          | \$ 153,285                      | \$ 182,496          | \$ 728,860          | \$ 767,842          |
| Capital assets                                     | 883,151                        | 813,714             | 935,776                         | 886,858             | 1,818,927           | 1,700,572           |
| Total assets                                       | <u>1,458,726</u>               | <u>1,399,060</u>    | <u>1,089,061</u>                | <u>1,069,354</u>    | <u>2,547,787</u>    | <u>2,468,414</u>    |
| Current and other liabilities                      | 291,429                        | 208,134             | 83,679                          | 22,317              | 375,108             | 230,451             |
| Long-term liabilities                              | 955,808                        | 1,002,441           | 445,924                         | 486,724             | 1,401,732           | 1,489,165           |
| Total liabilities                                  | <u>1,247,237</u>               | <u>1,210,575</u>    | <u>529,603</u>                  | <u>509,041</u>      | <u>1,776,840</u>    | <u>1,719,616</u>    |
| Net assets:  |                                |                     |                                 |                     |                     |                     |
| Invested in capital assets,<br>net of related debt | 353,750                        | 276,744             | 504,453                         | 480,562             | 858,203             | 757,306             |
| Restricted net assets                              | 49,028                         | 47,504              | 40,140                          | 42,906              | 89,168              | 90,410              |
| Unrestricted net assets                            | (191,289)                      | (135,763)           | 14,865                          | 36,845              | (176,424)           | (98,918)            |
| Total net assets                                   | <u>211,489</u>                 | <u>188,485</u>      | <u>559,458</u>                  | <u>560,313</u>      | <u>770,947</u>      | <u>748,798</u>      |
| Total liabilities and net assets                   | <u>\$ 1,458,726</u>            | <u>\$ 1,399,060</u> | <u>\$ 1,089,061</u>             | <u>\$ 1,069,354</u> | <u>\$ 2,547,787</u> | <u>\$ 2,468,414</u> |

The largest component of the City's net assets, \$858,203, reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment), net of related debt outstanding used to acquire those assets. Capital assets net of related debt increased by \$100,857 from \$757,306 at the end of 2003. This increase is primarily due to conversion of construction in progress into capital assets. The City uses these capital assets to provide services to its 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 component of the City's net assets are unrestricted net assets of (\$176,424), which, if positive, would be used for meeting the City's short and long-term obligations. The negative balance is a result of several factors. If not for these factors, the City would have a positive unrestricted net asset balance. These factors include prior period losses within the internal service funds of approximately \$76,000 and debt obligations with no corresponding capital assets of approximately \$373,000. The nature of the debt obligations include approximately \$118,000 in pension bonds, tax increment bonds issued on behalf of the Community Planning and Economic Development Fund (CPED) of approximately \$135,000, and debt issued on behalf of the City's discrete component units of approximately \$120,000. The City is responsible for issuing and reporting all bonded debt related to the Park Board, Library Board, and Municipal Building Commission (MBC). However, the capital assets financed by these debt proceeds are reported as capital assets of the Park Board, Library Board, and MBC.

The remaining component, restricted net assets of \$89,168, represents resources that are subject to external restrictions on how they may be used.

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

**Statement of Activities:**

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

|  | Statement of Activities<br>For the Year Ended December 31, 2004 |                   |                          |                   |                   |                   |
|--|---|-------------------|--------------------------|-------------------|-------------------|-------------------|
|  | Governmental Activities   |                   | Business-type Activities |                   | Total             |                   |
|  | 2004  | 2003              | 2004                     | 2003              | 2004              | 2003              |
| <b>Revenues:</b>                                       |   |                   |                          |                   |                   |                   |
| Program revenues:                                      |   |                   |                          |                   |                   |                   |
| Charges for services                                   | \$ 91,860   | \$ 67,889         | \$ 220,309               | \$ 205,458        | \$ 312,169        | \$ 273,347        |
| Operating grants and contributions                     | 52,288  | 65,751            | -                        | 1,537             | 52,288            | 67,288            |
| Capital grants and contributions                       | 35,637  | 19,793            | -                        | -                 | 35,637            | 19,793            |
| General revenues:                                      |   |                   |                          |                   |                   |                   |
| Property taxes   | 124,485   | 109,340           | -                        | -                 | 124,485           | 109,340           |
| Property tax increment                                 | 64,118  | 67,506            | -                        | -                 | 64,118            | 67,506            |
| Franchise fees   | 25,112  | 24,083            | -                        | -                 | 25,112            | 24,083            |
| Convention center taxes                                | 52,169  | 48,908            | -                        | -                 | 52,169            | 48,908            |
| Other taxes  | 273   | 341               | -                        | -                 | 273               | 341               |
| Local government aid                                   | 81,722  | 88,818            | -                        | -                 | 81,722            | 88,818            |
| Grants and contributions<br>not restricted to programs | -   | 2,689             | -                        | -                 | -                 | 2,689             |
| Unrestricted interest and<br>investment earnings       | 6,152   | 14,251            | 1,236                    | 2,181             | 7,388             | 16,432            |
| Miscellaneous  | 1,031   | 20,500            | 2,270                    | 4,786             | 3,301             | 25,286            |
| <b>Total revenues</b>                                  | <b>534,847</b>  | <b>529,869</b>    | <b>223,815</b>           | <b>213,962</b>    | <b>758,662</b>    | <b>743,831</b>    |
| <b>Expenses:</b>                                       |   |                   |                          |                   |                   |                   |
| General government                                     | 75,530  | 123,139           | -                        | -                 | 75,530            | 123,139           |
| Public safety  | 202,334   | 168,976           | -                        | -                 | 202,334           | 168,976           |
| Public works   | 20,691  | 68,296            | -                        | -                 | 20,691            | 68,296            |
| Culture and recreation                                 | 49,968  | 26,346            | -                        | -                 | 49,968            | 26,346            |
| Health and welfare                                     | 9,905   | 23,502            | -                        | -                 | 9,905             | 23,502            |
| Community & economic development                       | 105,676   | 107,061           | 18,551                   | 14,962            | 124,227           | 122,023           |
| Interest on long-term debt                             | 56,283  | 44,014            | -                        | -                 | 56,283            | 44,014            |
| Sewer  | -   | -                 | 53,690                   | 56,746            | 53,690            | 56,746            |
| Solid waste and recycling                              | -   | -                 | 26,007                   | 23,568            | 26,007            | 23,568            |
| Water works  | -   | -                 | 50,683                   | 46,757            | 50,683            | 46,757            |
| Municipal parking                                      | -   | -                 | 67,195                   | 62,832            | 67,195            | 62,832            |
| <b>Total expenses</b>                                  | <b>520,387</b>  | <b>561,334</b>    | <b>216,126</b>           | <b>204,865</b>    | <b>736,513</b>    | <b>766,199</b>    |
| Excess (deficiency) before transfers                   | 14,460  | (31,465)          | 7,689                    | 9,097             | 22,149            | (22,368)          |
| Transfers  | 8,544   | 7,308             | (8,544)                  | (7,308)           | -                 | -                 |
| <b>Change in net assets</b>                            | <b>23,004</b>   | <b>(24,157)</b>   | <b>(855)</b>             | <b>1,789</b>      | <b>22,149</b>     | <b>(22,368)</b>   |
| Net assets - January 1,                                | 188,485   | 212,642           | 560,313                  | 558,524           | 748,798           | 771,166           |
| <b>Net assets - December 31,</b>                       | <b>\$ 211,489</b>   | <b>\$ 188,485</b> | <b>\$ 559,458</b>        | <b>\$ 560,313</b> | <b>\$ 770,947</b> | <b>\$ 748,798</b> |

**Governmental Activities**—Governmental activities increased the City’s net assets by \$23,004, compared to a decrease of \$24,157 in 2003.

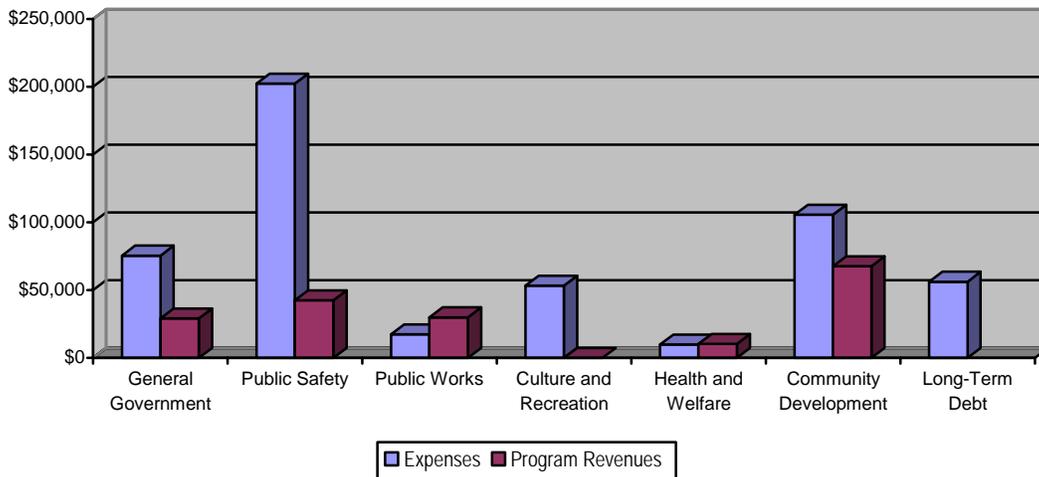
(All dollar amounts are expressed in thousands unless otherwise indicated.)

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 2004, 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 the fund statements, is depreciation. Current year depreciation for governmental activities was \$35,669.

**Summary of expenses and program revenues - Governmental Activities  
For the Year ended December 31, 2004**

| <b>Functions/Programs</b>                           | <b>Expenses</b>   | <b>Program Revenues</b> | <b>Net(Expense) Revenue by Program</b> |
|---|-------------------|-------------------------|--|
| General government                                  | \$ 75,530         | \$ 29,123               | \$ (46,407)                            |
| Public safety                                       | 202,334           | 42,515                  | (159,819)                              |
| Public works  | 20,691            | 30,014                  | 9,323                                  |
| Culture and recreation                              | 49,968            | 27                      | (49,941)                               |
| Health and welfare                                  | 9,905             | 10,398                  | 493                                    |
| Community & economic development                    | 105,676           | 67,708                  | (37,968)                               |
| Long-term debt                                      | 56,283            | -                       | (56,283)                               |
|   | <u>\$ 520,387</u> | <u>\$ 179,785</u>       | <u>(340,602)</u>                       |
| General revenues supporting governmental activities |                   |                         | <u>363,606</u>                         |
| <b>Change in net assets</b>                         |                   |                         | <u>23,004</u>                          |
| Net assets - January 1,                             |                   |                         | <u>188,485</u>                         |
| Net assets - December 31,                           |                   |                         | <u>\$ 211,489</u>                      |



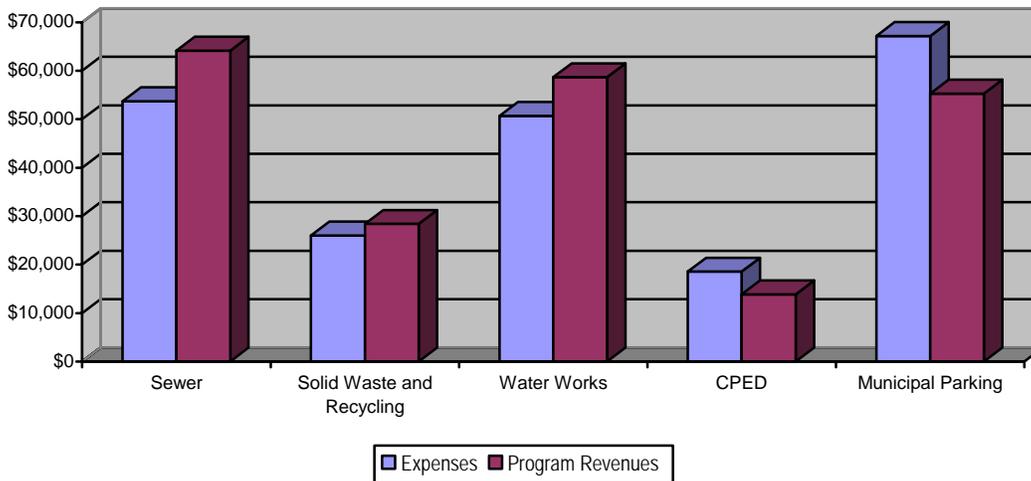
**Business-Type Activities**—Business-type activities decreased the City’s net assets by \$855 in 2004, compared with an increase of \$1,789 in 2003. The Sewer, Solid Waste and Recycling, and Water Works funds experienced increases in net assets. However, the Municipal Parking and Community Planning and Economic Development (CPED) funds ended the year with decreases in net assets. Decreases in the

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

Municipal Parking Fund were due primarily to local economic conditions, causing fewer parkers in the ramps, and an increase in long-term debt. The CPED fund's decrease in net assets was primarily the result of debt related expenses.

**Summary of Expenses and Program Revenues - Business-Type Activities  
For the Year ended December 31, 2004**

| <u>Functions/Programs</u>                            | <u>Expenses</u>   | <u>Program Revenues</u> | <u>Net (Expense) Revenue by Program</u> |
|--|-------------------|-------------------------|---|
| Sewer  | \$ 53,690         | \$ 64,132               | \$ 10,442                               |
| Solid waste and recycling                            | 26,007            | 28,396                  | 2,389                                   |
| Water works  | 50,683            | 58,669                  | 7,986                                   |
| Community & economic development                     | 18,551            | 13,838                  | (4,713)                                 |
| Municipal parking                                    | 67,195            | 55,274                  | (11,921)                                |
|  | <u>\$ 216,126</u> | <u>\$ 220,309</u>       | 4,183                                   |
| General revenues supporting business-type activities |                   |                         | <u>(5,038)</u>                          |
| <b>Change in net assets</b>                          |                   |                         | <u>(855)</u>                            |
| Net assets - January 1, 2004                         |                   |                         | <u>560,313</u>                          |
| Net assets - December 31, 2004                       |                   |                         | <u>\$ 559,458</u>                       |



**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.

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

During 2004, 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, 2004, the City's governmental funds reported combined ending fund balances of \$477,360, a decrease of \$22,779 compared with the prior year. Approximately 52 percent of this total amount, \$245,827, constitutes unreserved fund balance, which is available for spending at the City's discretion. The following represents the amounts of unreserved balances by various fund types:

| <u>Fund Type</u>      | <u>Unreserved<br/>Balance</u> |
|-----------------------|-------------------------------|
| General fund          | \$ 60,472                     |
| Special revenue funds | 93,908                        |
| Debt service funds    | 49,028                        |
| Capital projects      | <u>42,419</u>                 |
| Total                 | <u>\$ 245,827</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 (\$48,077), 2) to pay for land development and specific projects (\$168,574) or 3) for a variety of other restricted purposes (\$14,882).

The following tables provide an overview of revenues by source and expenditures by function for all governmental funds, from 2003 to 2004:

| <u>Revenues by Source</u>      | <b>Revenues by Source<br/>Governmental Funds</b> |                             |                   |                             | <b>Increase<br/>(Decrease)</b> |
|--------------------------------|--|-----------------------------|-------------------|-----------------------------|--------------------------------|
|                                | <b>2004</b>                                      |                             | <b>2003</b>       |                             | <b>Amount</b>                  |
|                                | <b>Amount</b>                                    | <b>Percent of<br/>Total</b> | <b>Amount</b>     | <b>Percent of<br/>Total</b> |                                |
| Taxes                          | \$ 265,672                                       | 47.87                       | \$ 248,584        | 46.38                       | \$ 17,088                      |
| Licenses and permits           | 24,780   | 4.46                        | 22,915            | 4.28                        | 1,865                          |
| Intergovernmental revenues     | 161,820  | 29.16                       | 164,600           | 30.71                       | (2,780)                        |
| Charges for services and sales | 43,798   | 7.89                        | 34,192            | 6.38                        | 9,606                          |
| Fines and forfeits             | 9,641  | 1.74                        | 8,704             | 1.61                        | 937                            |
| Special assessments            | 11,091   | 2.00                        | 10,921            | 2.04                        | 170                            |
| Interest                       | 6,141  | 1.11                        | 14,455            | 2.70                        | (8,314)                        |
| Miscellaneous revenue          | 32,042   | 5.77                        | 31,603            | 5.89                        | 439                            |
| Total                          | <u>\$ 554,985</u>                                | <u>100.00</u>               | <u>\$ 535,974</u> | <u>100.00</u>               | <u>\$ 19,011</u>               |

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

**Expenditures by Function  
Governmental Funds**

| <b>Expenditures by Function</b>     | <b>2004</b>        |                             | <b>2003</b>       |                             | <b>Increase<br/>(Decrease)</b> |
|-------------------------------------|--------------------|-----------------------------|-------------------|-----------------------------|--------------------------------|
|                                     | <b>Amount</b>      | <b>Percent of<br/>Total</b> | <b>Amount</b>     | <b>Percent of<br/>Total</b> | <b>Amount</b>                  |
|                                     | General government | \$ 57,557                   | 8.84%             | \$ 98,201                   | 15.55%                         |
| Public safety                       | 190,638            | 29.29%                      | 160,750           | 25.45%                      | 29,888                         |
| Public Works                        | 40,049             | 6.15%                       | 33,542            | 5.31%                       | 6,507                          |
| Culture and recreation              | 49,968             | 7.68%                       | 26,346            | 4.17%                       | 23,622                         |
| Health and Welfare                  | 9,403              | 1.44%                       | 22,856            | 3.62%                       | (13,453)                       |
| Community & economic development    | 106,348            | 16.34%                      | 110,576           | 17.51%                      | (4,228)                        |
| Capital Outlay                      | 63,365             | 9.73%                       | 59,714            | 9.45%                       | 3,651                          |
| Debt service - principal retirement | 76,175             | 11.70%                      | 67,329            | 10.66%                      | 8,846                          |
| Debt service - interest payment     | 57,462             | 8.83%                       | 52,263            | 8.28%                       | 5,199                          |
| <b>Total</b>                        | <b>\$ 650,965</b>  | <b>100.00%</b>              | <b>\$ 631,577</b> | <b>100.00%</b>              | <b>\$ 19,388</b>               |

In 2004, general government expenditures decreased by \$40,644 compared to the previous year. This is primarily due to a reduction in the amount of pension payments made to the Minneapolis Employee Retirement Fund (MERF) (\$39,047) from the Employee Retirement Special Revenue Fund and the reclassification of inspections and licenses and consumer services subfunctions (\$13,416) to the public safety function. Another major difference compared to the previous year is the increase of \$23,622 in the culture and recreation function, due to increased payments to the Library Board from the capital project fund.

The following table provides a summary of assets, liabilities, revenues, expenditures, other financing sources (uses), and fund balances of the various major governmental funds.

**Major Governmental Funds  
Summary of Assets, Liabilities, Revenues, Expenditures,  
Other Financing Sources (Uses) and Fund Balance**

|                                       | <b>General Fund</b> |             | <b>Special Revenue Funds</b> |             |                          |             | <b>Permanent<br/>Improvement<br/>Capital Project Fund</b> |             |
|---------------------------------------|---------------------|-------------|------------------------------|-------------|--------------------------|-------------|---|-------------|
|                                       | <b>2004</b>         | <b>2003</b> | <b>CPED</b>                  |             | <b>Convention Center</b> |             | <b>2004</b>   | <b>2003</b> |
|                                       |                     |             | <b>2004</b>                  | <b>2003</b> | <b>2004</b>              | <b>2003</b> |   |             |
| Cash                                  | \$ 64,332           | \$ 52,543   | \$ 159,362                   | \$ 167,912  | \$ 12,491                | \$ 9,049    | \$ 2,436  | \$ 73,815   |
| Assets                                | 80,921              | 69,761      | 259,348                      | 269,711     | 33,567                   | 27,431      | 61,026  | 78,695      |
| Liabilities                           | 19,569              | 16,214      | 10,839                       | 12,313      | 3,643                    | 3,032       | 18,530  | 10,930      |
| Revenues                              | 254,034             | 232,424     | 102,428                      | 114,811     | 66,463                   | 61,775      | 32,927  | 21,295      |
| Expenditures                          | 227,137             | 220,690     | 62,502                       | 83,359      | 28,982                   | 27,049      | 111,995   | 86,831      |
| Other Financing<br>Sources and (Uses) | (19,092)            | (4,276)     | (48,815)                     | (54,955)    | (31,956)                 | (34,548)    | 53,799  | 104,635     |
| Fund Balances                         | 61,352              | 53,547      | 248,509                      | 257,398     | 29,924                   | 24,399      | 42,496  | 67,765      |

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

**General Fund:**

The General Fund is the general operating fund of the City. As of December 31, 2004, unreserved fund balance in the General Fund was \$60,472, while total fund balance reached \$61,352. The fund balance of the City's General Fund increased by \$7,805 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 26.6% of total fund expenditures, while total fund balance represents 27% of total expenditures. Thus, the year-end fund balance is in compliance with the City's policy of maintaining a minimum fund balance of 10% of current expenditures for the General Fund.

The following table provides the changes in revenues by source from 2003 to 2004.

| <b>General Fund<br/>Revenues by Source</b>    |                   |                             |                   |                             |                                |
|---|-------------------|-----------------------------|-------------------|-----------------------------|--------------------------------|
| <b>Revenues by Source</b>                     | <b>2004</b>       |                             | <b>2003</b>       |                             | <b>Increase<br/>(Decrease)</b> |
|   | <b>Amount</b>     | <b>Percent<br/>of Total</b> | <b>Amount</b>     | <b>Percent<br/>of Total</b> |                                |
| Taxes   | \$ 111,126        | 41.66                       | \$ 88,702         | 35.04                       | \$ 22,424                      |
| Licenses and permits                          | 24,148            | 9.05                        | 22,205            | 8.77                        | 1,943                          |
| Intergovernmental revenues                    | 77,469            | 29.04                       | 88,818            | 35.09                       | (11,349)                       |
| Charges for services and sales                | 28,182            | 10.57                       | 19,980            | 7.89                        | 8,202                          |
| Fines and forfeits                            | 8,910             | 3.34                        | 8,026             | 3.17                        | 884                            |
| Special assessments                           | 2,628             | 0.99                        | 2,723             | 1.08                        | (95)                           |
| Interest                                      | 541               | 0.20                        | 1,432             | 0.57                        | (891)                          |
| Miscellaneous revenues                        | 1,030             | 0.39                        | 538               | 0.21                        | 492                            |
| Total revenues                                | 254,034           | 95.24                       | 232,424           | 91.82                       | 21,610                         |
| Transfers in                                  | 12,698            | 4.76                        | 20,713            | 8.18                        | (8,015)                        |
| Total revenues and<br>other financing sources | <u>\$ 266,732</u> | <u>100.00</u>               | <u>\$ 253,137</u> | <u>100.00</u>               | <u>\$ 13,595</u>               |

In 2004, General Fund revenues and transfers increased slightly from the previous year. Some highlights included:

- Tax revenue increased by \$22,424 or 25%. This increase was primarily due to an increase in general property tax revenue of \$18,259; total assessed market value increased 9.1%. Also, fiscal disparities revenue received by the City allocated to the General fund increased by \$3,268, or 37% in 2004. This increase was due to an increase in the statewide fiscal disparities pool (6%), an increase in the City's share of the statewide pool (8%), and an increase in the general fund's portion of the City's tax levy (7%).
- Intergovernmental revenues decreased by \$11,349 or 13%. The majority of this decrease was accounted for as follows:
  - Local government aid decreased by \$7,525, or 10.2%.
  - Other state aid decreased by \$3,560 or 85%.
  - Low income housing aid decreased by \$473, or 100%.

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

The following table provides the changes in expenditures by function from 2003 to 2004.

**General Fund  
Expenditures by Function**

| <b>Expenditures by Function</b>             | <b>2004</b>   |                             | <b>2003</b>   |                             | <b>Increase/<br/>(Decrease)<br/>Amount</b> |
|---|---------------|-----------------------------|---------------|-----------------------------|--|
|   | <b>Amount</b> | <b>Percent<br/>of Total</b> | <b>Amount</b> | <b>Percent<br/>of Total</b> |  |
| General government                          | \$ 32,123     | 12.41                       | \$ 49,402     | 20.11                       | \$ (17,279)                                |
| Public safety                               | 152,803       | 59.01                       | 134,331       | 54.68                       | 18,472                                     |
| Public works                                | 35,686        | 13.78                       | 33,542        | 13.65                       | 2,144                                      |
| Culture and recreation                      | 900           | 0.35                        | -             | -                           | 900  |
| Health and family support                   | 3,446         | 1.33                        | 3,415         | 1.39                        | 31   |
| Community & economic development            | 2,179         | 0.84                        | -             | -                           | 2,179                                      |
| Total expenditures                          | 227,137       | 87.72                       | 220,690       | 89.83                       | 6,447                                      |
| Transfers out                               | 31,790        | 12.28                       | 24,989        | 10.17                       | 6,801                                      |
| Total expenditures and other financing uses | \$ 258,927    | 100.00                      | \$ 245,679    | 100.00                      | \$ 13,248                                  |

Overall, general fund expenditures increased by \$6,447 or 2.9% 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 response to the significant reduction in local government aid from the State of Minnesota indicated above, as well as other financial pressures faced by the City from recent economic activity. With these actions to reduce expenditures, spending levels by City departments were 6% below the adopted budgets.

In 2004, transfers-out increased \$6,801 from the previous year. Of this amount, \$3,400 was due to an increase in transfers to the Intergovernmental Internal Service fund for information technology charges and shifts.

**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 2004, the following were significant budget actions:

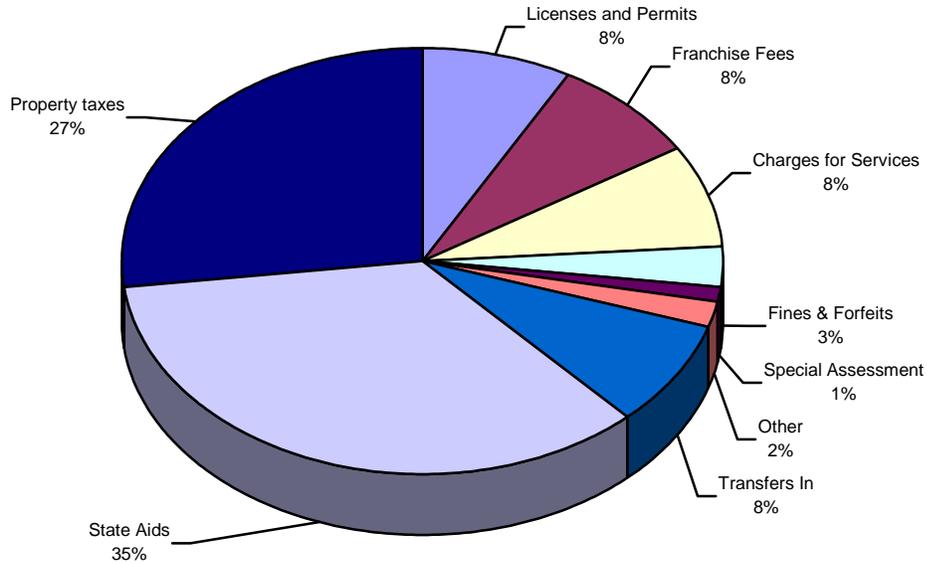
- \$37,000 reduction in local government aid from the state,
- \$12,500 transfer from the Hilton Legacy Fund to reduce pension debt, saving the City \$1,500 in property tax levy obligations by reducing annual debt service payments,
- \$1,000 reduction in the transfer from the Parking Fund to the General Fund, consistent with a workout plan for the Parking Fund, which was approved by the Council in 2004,
- 2.8 percent decrease in total personnel expenditures from \$372,900 to \$362,500, and
- \$32,300 increase in health and dental benefits expenditures, an increase of 3.9 percent.

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

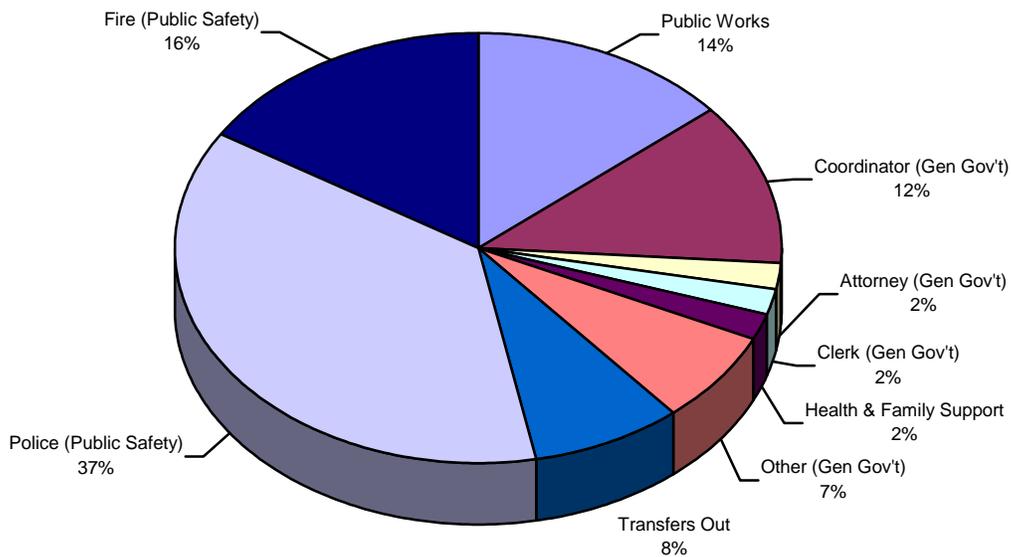
The original General Fund appropriation for fiscal year 2004 was \$264,571, which included projected transfers out of \$29,863. The final appropriation was \$275,922, including transfers out of \$31,790. General revenues and other resources were originally estimated at \$265,322, which included projected transfers in of \$20,500. The final revenue estimate was \$262,082 including transfers in of \$14,100.

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

### Revenue Budget by Major Category



### Expenditure Budget by Department/Function



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

***Community Planning and Economic Development (CPED) Special Revenue Fund:***

The CPED Special Revenue Fund accounts for governmental fund proceeds that are legally restricted to expenditures for specific purposes in a range 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 development 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 and loan payments from development projects.

Total revenues of the CPED Special Revenue fund in 2004 were \$102,428. 62% of the fund's revenue was derived from property tax increment. An additional 11% of the revenue was from intergovernmental grants. The remaining revenue was derived from a variety of miscellaneous sources. The fund's revenue decreased 10.8% in 2004, the result of declining property tax increment collection, the discontinuance of the general property tax levy for development programs, and lower interest earnings. There was a corresponding decline in fund expenditures. The expenditures for this fund in 2004 were \$62,502. The fund's expenditures are primarily for contractual services for the housing and economic programs operated within the fund and for the personnel related costs to monitor and deliver these programs.

In 2004, notes payable in the amount of \$6,500 were issued to support the tax increment financing activities of the fund. There were transfers of \$10,914 into the fund during the year. Nearly all the transfers were pass-through grant proceeds from other City funds. The fund's transfers out of \$66,229 were to provide resources for the debt service of obligations issued by the City for community development programs, and to pay for neighborhood revitalization projects.

At year-end, the fund balance was \$248,509, a decline of 3.5% from the previous 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, 2004 was \$65,208. The remaining fund balance was reserved primarily for property held for development, encumbrances, or for specific development projects.

***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:

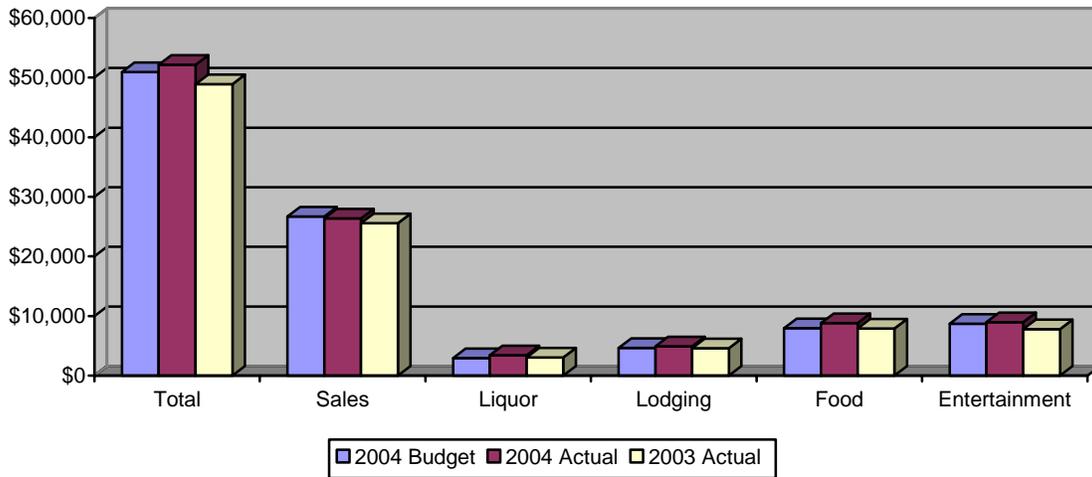
- .5 % citywide sales tax;
- 3 % food and liquor tax applied to core downtown establishments;
- 3 % citywide entertainment tax;
- 3 % citywide lodging tax for motels and hotels with 50 units or more.

Overall, tax proceeds for 2004 exceeded 2003 levels by 7%, with sales taxes exceeding 2003 levels by 3%.

**Minneapolis Convention Center  
Tax Revenue - Budget and Actual**

| <u>Taxes</u>  | <u>2004</u>      |                  | <u>2003</u>      |
|---------------|------------------|------------------|------------------|
|               | <u>Budget</u>    | <u>Actual</u>    | <u>Actual</u>    |
| Sales         | \$ 26,047        | \$ 26,366        | \$ 25,562        |
| Liquor        | 2,843            | 3,432            | 3,065            |
| Lodging       | 4,545            | 4,899            | 4,595            |
| Food          | 7,754            | 8,802            | 7,907            |
| Entertainment | 8,470            | 8,670            | 7,779            |
| Total         | <u>\$ 49,659</u> | <u>\$ 52,169</u> | <u>\$ 48,908</u> |

**Minneapolis Convention Center  
Tax Revenue - Budget and Actual**



During 2004, the Convention Center negotiated contracts for a business center and wireless internet services to attract and retain customers and add to revenue commissions. Total revenues of the Convention Center increased 8% in 2004. In addition to revenue increasing, expenditures and transfers out were under budget by 10%. According to the final budget, the Convention Center Fund was to decrease by 17%. However, with the cost saving measures implemented at the Convention Center and a \$5,600 savings of debt service payments due to low interest rates on variable rate debt, the revenue increases and expenditure savings resulted in a \$5,525 increase in the fund balance, with a total fund balance at December 31, 2004 of \$29,924.

***Permanent Improvement Capital Project Fund:***

Revenues for the Permanent Improvement Capital Project Fund are derived primarily from two sources. One source consists of bonds that are issued by the City for capital projects. The other source comes from the State of Minnesota. State aid revenues are primarily used for capital assets including bridges, streets, street lighting, traffic signals and other specific projects.

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

The Permanent Improvement Fund is used to build infrastructure for the City including bridges, streets, traffic signals, street lights, and fund other capital projects. During 2004, \$63,365 of capital outlays occurred. The key assets constructed with these funds included:

- Bridges - \$2,875
- Streets - \$17,140
- Street lighting - \$2,238
- Traffic signals - \$2,903
- Bike trails- \$1,304
- Convention Center expansion - \$173
- Heritage Park - \$14,755
- Property Service \$7,940

The fund balance decreased from \$67,765 in 2003 to \$42,496 in 2004. This decrease was due to the issuance of bonds in 2003 for the construction of the new library that were used during 2004.

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

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

***Enterprise Funds:***

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

Overall, the enterprise funds had a positive net asset balance of \$574,692 at December 31, 2004. Total net assets for all enterprise funds increased by \$3,730 during 2004.

The following table provides a summary of the changes in cash balances, total assets, total liabilities, operating income, changes in net assets, and net asset balances for each of the enterprise funds, from 2003 to 2004:

**Enterprise Funds**  
**Account Balances and Operating Activities**

|                         | <u>Sewer Rental</u> |           | <u>Solid Waste &amp; Recycling</u> |           | <u>Water Works</u> |           | <u>CPED</u> |          | <u>Parking</u> |           | <u>Totals</u> |           |
|-------------------------|---------------------|-----------|------------------------------------|-----------|--------------------|-----------|-------------|----------|----------------|-----------|---------------|-----------|
|                         | 2004                | 2003      | 2004                               | 2003      | 2004               | 2003      | 2004        | 2003     | 2004           | 2003      | 2004          | 2003      |
| Cash                    | \$ 8,963            | \$ 14,265 | \$ 12,785                          | \$ 10,675 | \$ 4,103           | \$ 14,473 | \$ 5,811    | \$ 4,265 | \$ 5,094       | \$ 15,569 | \$ 36,756     | \$ 59,247 |
| Assets                  | 346,090             | 343,015   | 20,031                             | 18,389    | 236,798            | 197,992   | 149,153     | 159,067  | 361,433        | 363,152   | 1,113,505     | 1,081,615 |
| Liabilities             | 48,032              | 48,461    | 2,190                              | 2,036     | 106,645            | 72,628    | 90,197      | 96,007   | 291,749        | 291,521   | 538,813       | 510,653   |
| Operating Income (loss) | 5,967               | 3,131     | 2,107                              | 3,683     | 8,700              | 15,730    | (2)         | 1,564    | 1,079          | 3,590     | 17,851        | 27,698    |
| Change in net assets    | 3,504               | 889       | 1,488                              | 3,141     | 4,789              | 13,752    | (4,104)     | (787)    | (1,947)        | (8,602)   | 3,730         | 8,393     |
| Net Assets              | 298,058             | 294,554   | 17,841                             | 16,353    | 130,153            | 125,364   | 58,956      | 63,060   | 69,684         | 71,631    | 574,692       | 570,962   |

***Sewer Rental Fund***

The Sewer Rental Fund accounts for contractual payments to the Metropolitan Council Environmental Services (MCES) for sewage interceptor and treatment services. This fund also accounts for storm water management activities, including the Combined Sewer Overflow (CSO) program, which separates the remaining storm sewer lines that are connected to sanitary sewer lines. The decrease in cash is partially due to a temporary year-end loan of \$8,402 to fund the cash deficit in the Municipal Parking Fund. A change in the procedure of recognizing bond proceeds for construction purposes also contributed to the decrease. The Sewer Rental Fund had an increase in net assets of \$3,504 for 2004. Operating revenues increased \$3,392 from the previous year. Fee increases accounted for \$1,100 of the increase, which is less than what was budgeted due to lower than expected water consumption (sewer rates based on water consumption). The remainder of the revenue increase can be attributed to state grants and overhead reimbursements from projects. Operating expenses increased by \$556 over the previous year. Overall, the net asset balance as of December 31, 2004 was \$298,058.

***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 fund reported an increase in net assets of \$1,488 for 2004. The fund’s net asset balance at December 31, 2004 was \$17,841.

***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 \$4,789 for the year, resulting in a net asset balance at December 31, 2004 of \$130,153.

***Community Planning and Economic Development Enterprise Fund (CPED)***

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

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

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

Both total assets and total liabilities declined from 2003 to 2004, as fund resources were used to reduce long-term debt in mature mortgage programs.

Net assets decreased by \$4,104 during the year. Both the theatres' operation and the river terminal facility experienced losses in 2004. Operating revenues of the river terminal facility were down 36%. In addition, there was a substantial reduction in interest earned on investments for the year.

### ***Municipal Parking Fund***

The Municipal Parking Fund accounts for the operation and maintenance of parking ramps, lots, on-street parking meters, a municipal impound lot, and traffic/parking control system. Operating revenues increased \$2,308 from 2003, but a \$4,819 increase in operating expenses for the same period resulted in a decrease of \$2,511 in operating income from the previous year. Transfers from the Parking Fund to other funds decreased by \$7,263, including a one-time \$6,400 reduction in transfers to the General Fund as approved in the work out plan. The year-end operating cash deficit was funded by an \$8,402 loan from the Sewer Fund. The decrease in total year-end cash balance and the increase in expenses for the year are mainly due to an \$8,500 payment made to the State of Minnesota from the Fund's revenue and restricted net assets pertaining to Third Avenue Distributor Garages, which are owned by the State but operated by the City. The net asset balance for December 31, 2004 was \$69,684, which is a decrease of \$1,947 from 2003.

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 2004, 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; [Intergovernmental Services](#); Property Services; Equipment Services; Public Works Stores; and the Self Insurance fund. Internal service funds charge user fees to recover the cost of operations and accumulate equity for purposes of maintaining the on-going operations provided to the government.

While the financial condition of the internal service funds continue to represent a major financial challenge for the City, key financial management measures taken in 2001 appear to have marked a turning point for these funds. Over the last eight years, the financial condition of these funds has deteriorated, reaching a low point at year-end 2000 when the combined net asset deficit had declined to (\$54,407). In 2002, the operational loss trends were arrested, and the combined net asset deficit in the internal service funds improved to (\$32,215). This improvement resulted primarily from a change in accounting principle 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.

Compared to the net asset deficit of (\$54,407) in 2000, net assets improved by \$25,497 to (\$28,910) at the end of 2004.

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

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**  
**Account Balances and Operating Activities**

|                        | Engineering<br>Materials<br>& Testing | Inter-<br>govern-<br>mental<br>Services | Property<br>Services | Equipment<br>Services | Public<br>Works<br>Stores | Self<br>Insurance | Total    |          |
|------------------------|---------------------------------------|---|----------------------|-----------------------|---------------------------|-------------------|----------|----------|
|                        | 2004                                  | 2004                                    | 2004                 | 2004                  | 2004                      | 2004              | 2004     | 2003     |
| Cash                   | \$ 633                                | \$ -                                    | \$ 341               | \$ 1,752              | \$ -                      | \$ 299            | \$ 3,025 | \$ 2,111 |
| Assets                 | 726                                   | 26,390                                  | 41,890               | 61,035                | 3,683                     | 1,258             | 134,982  | 129,454  |
| Liabilities            | 126                                   | 63,877                                  | 11,814               | 47,769                | 1,068                     | 39,238            | 163,892  | 163,417  |
| Operating Income(loss) | (229)                                 | (18,704)                                | (547)                | (648)                 | 148                       | (5,533)           | (25,513) | (33,553) |
| Changes in net assets  | (180)                                 | 2,307                                   | (152)                | (59)                  | 134                       | 3,003             | 5,053    | (3,777)  |
| Net Assets             | 600                                   | (37,487)                                | 30,076               | 13,266                | 2,615                     | (37,980)          | (28,910) | (33,963) |

***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 outside purchases of asphalt and ready-mix concrete.

As a result of discontinuing operations of the asphalt plant, certain assets were disposed, resulting in a loss of \$709 in 2003. The fund again reported a net asset decrease of \$180 in 2004. As a result of these two years of losses, the net asset position of the Fund as of December 31, 2004, is \$600, down from a more favorable position of \$1,489 at the end of 2002.

**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, leaves the net asset deficit at (\$37,487). This (\$4,503) reduction in net assets between January 1, 2003 and December 31, 2004 compares closely to the (\$4,461) reduction from the deficit reduction plan for the same time period.

***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 \$152 for 2004. The net asset balance decreased to \$30,076 at the end of 2004.

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

### ***Equipment Services***

The Equipment Services Fund is used to account for the City's fleet of vehicles and related equipment and accessories. The fund reported a decrease in net assets of \$59 in 2004 and closed the year with a net asset balance of \$13,266.

A decision to accelerate the purchase of fire equipment added an additional \$3.5 million in bonds issued for this fund in 2003, which was offset by a corresponding decrease to the bonds sold in 2004 and 2005. 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.

### ***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 2004, the fund reported a net asset increase of \$134, with an ending net asset balance of \$2,615.

### ***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 \$3,003 in 2004, which benefited the fund's net asset position by reducing the total net asset deficit balance to \$(37,980) at year-end.

## **BUDGET PROCESS:**

In preparation for the 2004 budget, the Mayor and City Council continued to take a long-term view of the City's financial pressures. Significant future costs were anticipated for funding gaps in the City's pension obligations and in its internal service funds. Another factor was employee wages and benefits, which make up about 75 percent of the City's general fund expenses. Health care costs are increasing and, during the past five years, City employees received pay increases that averaged greater than four percent annually. In 2000, Minneapolis voters approved a levy to build a new Central Library and fund improvements to the community libraries. Minneapolis also has significant pressures on its general city resources due to reductions in local government aid (LGA) from the state, beginning in 2003.

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) - continues to have a significant impact on the budget. The City's contributions to these funds have significantly increased, due to increased costs associated with these three plans. MERF members have been retiring at a faster pace and at higher costs than originally forecast by MERF actuaries. The City has been issuing general obligation bonds since 2002 to cover the estimated costs of retirement and expects to continue issuing bonds for these costs. The MPRA's unfunded liability has also increased, primarily due to the negative performance of the stock market. The City has to increase its contribution to cover the unfunded liability by issuing bonds. The MFRA, although previously 100 percent funded, now is experiencing a reduction in its funding levels due to poor investment performance. The City will have to issue bonds, starting in 2005, to increase its contributions for this funding shortage.

A major part of the budget planning efforts concentrated on consolidating all demands on the property tax into a ten-year projection. In order to continue to fund all of the City's current operations and debt service obligations, it is estimated that property tax revenues collected by the City would have to triple by 2010. (This increase does not include revenue to provide additional services - these amounts reflect 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 is dedicated to supporting the City's debt payments for increased pension

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

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 is 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 increase for the Minneapolis Park and Library boards at 4%. These policies remained in place for 2004.

The Mayor's recommended 2005 budget also relies on the 2002 tax policy and a five-year financial outlook. The Mayor and City Council conducted strategic planning in the fall of 2002, setting goals and expectations for departments. 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.

## 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, 2004, was \$1,818,927 (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 7% (an 8.5% increase for governmental activities and a 5.5% increase for business-type activities).

The following table summarizes capital assets for governmental and business-type activities for 2004 and 2003:

|                            | <b>Capital Assets (Net of depreciation)</b> |                          |                          |                          |                            |                            |
|----------------------------|---|--------------------------|--------------------------|--------------------------|----------------------------|----------------------------|
|                            | <u>Governmental</u>                         |                          | <u>Business-Type</u>     |                          | <u>Total</u>               |                            |
|                            | <b>2004</b>                                 | <b>2003</b>              | <b>2004</b>              | <b>2003</b>              | <b>2004</b>                | <b>2003</b>                |
| Land and easements         | \$ 111,288                                  | \$ 111,291               | \$ 136,425               | \$ 136,425               | \$ 247,713                 | \$ 247,716                 |
| Infrastructure             | 122,478                                     | 134,252                  | 261,043                  | 265,613                  | 383,521                    | 399,865                    |
| Construction in progress   | 169,993                                     | 88,240                   | 157,360                  | 110,193                  | 327,353                    | 198,433                    |
| Structures and improvement | 418,775                                     | 424,011                  | 373,176                  | 365,897                  | 791,951                    | 789,908                    |
| Equipment                  | <u>60,617</u>                               | <u>55,920</u>            | <u>7,772</u>             | <u>8,730</u>             | <u>68,389</u>              | <u>64,650</u>              |
| <b>Total</b>               | <b><u>\$ 883,151</u></b>                    | <b><u>\$ 813,714</u></b> | <b><u>\$ 935,776</u></b> | <b><u>\$ 886,858</u></b> | <b><u>\$ 1,818,927</u></b> | <b><u>\$ 1,700,572</u></b> |

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 began construction on the Guthrie and Mill Quarter ramps in 2004.
- The new Central Library Project started in 2002 with a budget of about \$125,826. The library project is in the construction stage 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.

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

- 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 the affordable housing, environmental recommitment, and neighborhood-scaled development.

***Long-Term Debt:***

As of December 31, 2004, the City had total long-term bonds outstanding of \$1,394,028 compared to \$1,390,820 in the prior year. Of this amount, \$966,370 related to governmental activities and \$427,668 related to business activities. The City had \$247,670 or 17.8% of the outstanding bonds in variable rate mode at year-end. In addition to bonded debt, the City had \$94,145 of long-term revenue notes outstanding at December 31, 2004, of which \$41,988 related to governmental activities and \$52,157 related to business activities.

The table below shows various classifications of the City's bonded debt at December 31, 2004 and the amount of principal due in 2005.

**Summary of Outstanding Bonded Indebtedness**

|   | <u>Balance<br/>1/1/2004</u> | <u>Additions</u>  | <u>Retirements</u> | <u>Balance<br/>12/31/2004</u> | <u>Due in 2005</u> |
|---|-----------------------------|-------------------|--------------------|-------------------------------|--------------------|
| General Obligation (GO) Bonds:            |                             |                   |                    |                               |                    |
| Property Tax Supported                    | \$ 222,390                  | \$ 74,530         | \$ 28,805          | \$ 268,115                    | \$ 27,345          |
| Self Supporting                           | 274,230                     | 39,740            | 47,170             | 266,800                       | 8,460              |
| Special Assessment                        | 43,683                      | 10,240            | 4,625              | 49,298                        | 5,421              |
| Tax Increment                             | 214,440                     | -                 | 8,130              | 206,310                       | 9,350              |
| Internal Service Fund Related             | 102,615                     | 8,990             | 10,450             | 101,155                       | 12,140             |
| Enterprise Fund Related                   | 374,243                     | 33,830            | 51,795             | 356,278                       | 29,683             |
| Total General Obligation Bonds            | <u>1,231,601</u>            | <u>167,330</u>    | <u>150,975</u>     | <u>1,247,956</u>              | <u>92,399</u>      |
| Revenue Bonds:                            |                             |                   |                    |                               |                    |
| Economic Development                      | 77,102                      | 11,470            | 13,890             | 74,682                        | 12,962             |
| Other Community Development Related Bonds | 82,117                      | 2,475             | 13,202             | 71,390                        | 3,080              |
| Total Outstanding Bonds                   | <u>\$ 1,390,820</u>         | <u>\$ 181,275</u> | <u>\$ 178,067</u>  | <u>\$ 1,394,028</u>           | <u>\$ 108,441</u>  |

The City maintained an "AAA" rating from Standard & Poor's and Fitch and an "Aa1" rating from Moody's for its general obligation debt throughout 2004.

Additional information on the City's long-term debt can be found in Note 5 on pages 59-63 of this report.

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

## **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 2005 Budget, the City adopted a revised five-year financial direction, including a two percent wage policy. Specifically, growth in salary and wages are budgeted at two percent. Health and dental insurance expenditures are budgeted to increase 12 percent from the 2004 adopted budget, from \$32.3 million to \$36.2 million. The five-year financial direction includes an estimated 19 percent annual benefit increase for departments.

Increases in the City's pension liabilities continue to put pressure on the City's financial situation. With obligations of approximately \$180 million in the next five years, the City currently issues bonds to meet its pension obligations. The 2005 budget includes an increase of \$2.3 million over the 2004 budget to meet additional debt service requirements for these obligations. The City is pursuing legislative changes to the structure of its payments to the Minneapolis Employees Retirement Fund (MERF), which, if adopted, would 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 2005 budget includes an additional \$3.9 million 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 34.1 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 56.3 percent for taxes payable 2010. This represents almost a complete reversal in 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 an increase in vacancy rates in the Minneapolis Central Business District (CBD). Compared to 2003, the CBD Direct vacancy rate in 2004 increased from 17.3% to 21.2%. However, the overall vacancy rate for the Twin Cities Office market went down slightly from the 2003 rate of 18.9% to 18.2%.

Lower rental rates, excess space, and higher concessions imply lower cash flows from office buildings, which, in turn, lowers their taxable value. Lower taxable values on business properties increases the amount of the real estate tax levy borne by residential properties. These factors were considered in preparing the City's budget for the 2004 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 2004, as released by the Minnesota Department of Employment and Economic Development, is 4.4%. This economic indicator is on par with comparisons including the State of Minnesota (4.3%) 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](http://www.ci.minneapolis.mn.us).

**STATEMENT OF NET ASSETS**  
**December 31, 2004**

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

|   | Primary Government         |                             |                     | Discrete<br>Component Units | Total               |
|---|----------------------------|-----------------------------|---------------------|-----------------------------|---------------------|
|   | Governmental<br>Activities | Business-type<br>Activities | Total               |                             |                     |
| <b><u>ASSETS</u></b>                            |                            |                             |                     |                             |                     |
| Cash and cash equivalents                       | \$ 309,291                 | \$ 36,756                   | \$ 346,047          | \$ 36,330                   | \$ 382,377          |
| Deposits with fiscal agents                     | 396                        | -                           | 396                 | 6,121                       | 6,517               |
| Fund investments                                | 36,121                     | -                           | 36,121              | -                           | 36,121              |
| Investments with trustees                       | 97,100                     | 48,593                      | 145,693             | -                           | 145,693             |
| Receivables (net)                               | 49,455                     | 32,128                      | 81,583              | 7,801                       | 89,384              |
| Due from other government agencies              | 12,509                     | -                           | 12,509              | -                           | 12,509              |
| Capital leases                                  | -                          | 2,400                       | 2,400               | -                           | 2,400               |
| Prepays and other assets                        | 452                        | 53                          | 505                 | 555                         | 1,060               |
| Inventories                                     | 5,249                      | 3,398                       | 8,647               | 621                         | 9,268               |
| Internal Balances                               | 10,487                     | (10,487)                    | -                   | -                           | -                   |
| Long-term portion of loans and notes receivable | 10,428                     | 7,612                       | 18,040              | -                           | 18,040              |
| Long-term portion of capital lease receivable   | -                          | 31,111                      | 31,111              | -                           | 31,111              |
| Long-term deferred charges                      | 1,364                      | 1,709                       | 3,073               | -                           | 3,073               |
| Properties held for resale                      | 42,723                     | 12                          | 42,735              | -                           | 42,735              |
| Capital assets:                                 |                            |                             |                     |                             |                     |
| Nondepreciable                                  | 281,281                    | 293,785                     | 575,066             | 167,780                     | 742,846             |
| Depreciable, net                                | 601,870                    | 641,991                     | 1,243,861           | 243,441                     | 1,487,302           |
| Total assets                                    | <u>\$ 1,458,726</u>        | <u>\$ 1,089,061</u>         | <u>\$ 2,547,787</u> | <u>\$ 462,649</u>           | <u>\$ 3,010,436</u> |
| <b><u>LIABILITIES</u></b>                       |                            |                             |                     |                             |                     |
| Accounts payable                                | \$ 18,327                  | \$ 11,305                   | \$ 29,632           | \$ 14,607                   | \$ 44,239           |
| Interest payable                                | 118,078                    | 3,025                       | 121,103             | -                           | 121,103             |
| Accrued salaries and benefits                   | 15,337                     | 2,761                       | 18,098              | 3,640                       | 21,738              |
| Unpaid claims payable                           | 28,386                     | -                           | 28,386              | 8,317                       | 36,703              |
| Due to other governmental agencies              | 57                         | 151                         | 208                 | -                           | 208                 |
| Unearned revenue                                | 17,371                     | 782                         | 18,153              | -                           | 18,153              |
| Deposits  | 5,291                      | 17,346                      | 22,637              | -                           | 22,637              |
| Long-term interest payable                      | -                          | 14,697                      | 14,697              | -                           | 14,697              |
| Compensated absences:                           |                            |                             |                     |                             |                     |
| Due within one year                             | 12,046                     | -                           | 12,046              | 3,443                       | 15,489              |
| Due beyond one year                             | 10,985                     | 2,350                       | 13,335              | 1,909                       | 15,244              |
| Long-term liabilities:                          |                            |                             |                     |                             |                     |
| Due within one year                             | 76,536                     | 33,612                      | 110,148             | 101                         | 110,249             |
| Due beyond one year                             | 944,823                    | 443,574                     | 1,388,397           | 2,857                       | 1,391,254           |
| Total liabilities                               | <u>1,247,237</u>           | <u>529,603</u>              | <u>1,776,840</u>    | <u>34,874</u>               | <u>1,811,714</u>    |
| <b><u>NET ASSETS</u></b>                        |                            |                             |                     |                             |                     |
| Invested in capital assets, net of related debt | 353,750                    | 504,453                     | 858,203             | 408,255                     | 1,266,458           |
| Restricted:                                     |                            |                             |                     |                             |                     |
| Debt service                                    | 49,028                     | 40,140                      | 89,168              | -                           | 89,168              |
| Culture and recreation                          | -                          | -                           | -                   | 416                         | 416                 |
| Unrestricted                                    | <u>(191,289)</u>           | <u>14,865</u>               | <u>(176,424)</u>    | <u>19,104</u>               | <u>(157,320)</u>    |
| Total net assets                                | <u>211,489</u>             | <u>559,458</u>              | <u>770,947</u>      | <u>427,775</u>              | <u>1,198,722</u>    |
| Total liabilities and net assets                | <u>\$ 1,458,726</u>        | <u>\$ 1,089,061</u>         | <u>\$ 2,547,787</u> | <u>\$ 462,649</u>           | <u>\$ 3,010,436</u> |

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

**STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended December 31, 2004**

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

| FUNCTIONS/PROGRAMS                                  | Program Revenues   |                      |                                    |                                  | Net (Expenses) Revenues and Changes in Net Assets |                          |              |                          |              |
|---|--------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|--------------|--------------------------|--------------|
|   | Primary government |                      |                                    |                                  | Primary government                                |                          |              |                          |              |
|   | Expenses           | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities                           | Business-type Activities | Total        | Discrete Component Units | Total        |
| General government                                  | \$ 75,530          | \$ 18,036            | \$ 3,155                           | \$ 7,932                         | \$ (46,407)                                       | \$ -                     | \$ (46,407)  | \$ -                     | \$ (46,407)  |
| Public safety                                       | 202,334            | 36,073               | 6,442                              | -                                | (159,819)   | -                        | (159,819)    | -                        | (159,819)    |
| Public works  | 20,691             | 2,059                | 250                                | 27,705                           | 9,323   | -                        | 9,323        | -                        | 9,323        |
| Culture and recreation                              | 49,968             | -                    | 27                                 | -                                | (49,941)  | -                        | (49,941)     | -                        | (49,941)     |
| Health and welfare                                  | 9,905              | 449                  | 9,949                              | -                                | 493   | -                        | 493          | -                        | 493          |
| Community & economic development                    | 105,676            | 35,243               | 32,465                             | -                                | (37,968)  | -                        | (37,968)     | -                        | (37,968)     |
| Interest on long-term debt                          | 56,283             | -                    | -                                  | -                                | (56,283)  | -                        | (56,283)     | -                        | (56,283)     |
| Total governmental activities                       | 520,387            | 91,860               | 52,288                             | 35,637                           | (340,602)   | -                        | (340,602)    | -                        | (340,602)    |
| Business-type activities:                           |                    |                      |                                    |                                  |   |                          |              |                          |              |
| Sewer   | 53,690             | 64,132               | -                                  | -                                | -   | 10,442                   | 10,442       | -                        | 10,442       |
| Solid waste and recycling                           | 26,007             | 28,396               | -                                  | -                                | -   | 2,389                    | 2,389        | -                        | 2,389        |
| Water works   | 50,683             | 58,669               | -                                  | -                                | -   | 7,986                    | 7,986        | -                        | 7,986        |
| Community & economic development                    | 18,551             | 13,838               | -                                  | -                                | -   | (4,713)                  | (4,713)      | -                        | (4,713)      |
| Municipal Parking                                   | 67,195             | 55,274               | -                                  | -                                | -   | (11,921)                 | (11,921)     | -                        | (11,921)     |
| Total business-type activities                      | 216,126            | 220,309              | -                                  | -                                | -   | 4,183                    | 4,183        | -                        | 4,183        |
| Total primary government                            | \$ 736,513         | \$ 312,169           | \$ 52,288                          | \$ 35,637                        | \$ (340,602)                                      | \$ 4,183                 | \$ (336,419) | \$ -                     | \$ (336,419) |
| Component units:                                    |                    |                      |                                    |                                  |   |                          |              |                          |              |
| Discrete component units                            | \$ 115,111         | \$ 20,261            | \$ 3,368                           | \$ 55,588                        | -   | (8,544)                  | -            | (35,894)                 | (35,894)     |
| General Revenues:                                   |                    |                      |                                    |                                  |   |                          |              |                          |              |
| Taxes:  |                    |                      |                                    |                                  |   |                          |              |                          |              |
| General property tax and fiscal disparities         |                    |                      |                                    |                                  | 124,485   | -                        | 124,485      | 57,228                   | 181,713      |
| Property tax increment                              |                    |                      |                                    |                                  | 64,118  | -                        | 64,118       | 12                       | 64,130       |
| Franchise fees                                      |                    |                      |                                    |                                  | 25,112  | -                        | 25,112       | -                        | 25,112       |
| Convention center taxes                             |                    |                      |                                    |                                  | 52,169  | -                        | 52,169       | -                        | 52,169       |
| Other taxes   |                    |                      |                                    |                                  | 273   | -                        | 273          | 3                        | 276          |
| Local government aid                                |                    |                      |                                    |                                  | 81,722  | -                        | 81,722       | 258                      | 81,980       |
| Grants and contributions not restricted to programs |                    |                      |                                    |                                  | -   | 1,236                    | 1,236        | 17,194                   | 17,194       |
| Unrestricted interest and investment earnings       |                    |                      |                                    |                                  | 6,152   | -                        | 6,152        | 329                      | 7,717        |
| Miscellaneous                                       |                    |                      |                                    |                                  | 1,028   | -                        | 1,028        | 1,025                    | 1,025        |
| Other   |                    |                      |                                    |                                  | 3   | -                        | 3            | -                        | 3            |
| Gain on sale of fixed assets                        |                    |                      |                                    |                                  | 8,544   | -                        | 8,544        | -                        | 8,544        |
| Transfers   |                    |                      |                                    |                                  | 563,606   | (5,038)                  | 558,568      | 76,049                   | 634,617      |
| Total general revenues and transfers                |                    |                      |                                    |                                  | 23,004  | (855)                    | 22,149       | 40,155                   | 62,304       |
| Change in net assets                                |                    |                      |                                    |                                  | 188,485   | 560,313                  | 748,798      | 387,620                  | 1,136,418    |
| Net assets- January 1                               |                    |                      |                                    |                                  | \$ 211,489  | \$ 559,458               | \$ 770,947   | \$ 427,775               | \$ 1,198,722 |
| Net assets- December 31                             |                    |                      |                                    |                                  | -   | -                        | -            | -                        | -            |

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

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
December 31, 2004**

**CITY OF MINNEAPOLIS, MINNESOTA**

**(In Thousands)**

|  | General          | Community<br>Planning<br>and Economic<br>Development | Convention<br>Center | Permanent<br>Improvement | Non-Major<br>Governmental | Total             |
|--|------------------|--|----------------------|--------------------------|---------------------------|-------------------|
| <b>ASSETS</b>                                  |                  |  |                      |                          |                           |                   |
| Cash and cash equivalents                      | \$ 64,332        | \$ 159,362   | \$ 12,491            | \$ 2,436                 | \$ 67,645                 | \$ 306,266        |
| Deposits with fiscal agents                    | -                | -  | -                    | -                        | 396                       | 396               |
| Fund investments                               | -                | 36,121   | -                    | -                        | -                         | 36,121            |
| Investments with trustees                      | -                | 11,705   | -                    | 53,600                   | 31,795                    | 97,100            |
| Receivables:                                   |                  |  |                      |                          |                           |                   |
| Accounts - net                                 | 4,443            | 968  | 5,962                | 1,680                    | 402                       | 13,455            |
| Taxes  | 1,808            | 65   | -                    | 50                       | 800                       | 2,723             |
| Special assessments                            | 593              | -  | -                    | 3,260                    | 23,809                    | 27,662            |
| Loans  | -                | 3,892  | 1,944                | -                        | 8,817                     | 14,653            |
| Intergovernmental                              | 245              | 2,248  | -                    | -                        | 9,834                     | 12,327            |
| Due from other funds                           | 8,817            | 2,254  | 370                  | -                        | 2,543                     | 13,984            |
| Advances to other funds                        | -                | 10   | 12,800               | -                        | -                         | 12,810            |
| Land held for development                      | -                | 42,723   | -                    | -                        | -                         | 42,723            |
| Inventories                                    | 320              | -  | -                    | -                        | -                         | 320               |
| Prepaid items                                  | 363              | -  | -                    | -                        | 1                         | 364               |
| <b>Total assets</b>                            | <b>80,921</b>    | <b>259,348</b>                                       | <b>33,567</b>        | <b>61,026</b>            | <b>146,042</b>            | <b>580,904</b>    |
| <b>LIABILITIES and<br/>FUND BALANCES</b>       |                  |  |                      |                          |                           |                   |
| <b>Liabilities:</b>                            |                  |  |                      |                          |                           |                   |
| Salaries payable                               | 11,091           | 453  | 600                  | 447                      | 676                       | 13,267            |
| Accounts payable                               | 3,532            | 2,038  | 719                  | 1,941                    | 4,407                     | 12,637            |
| Intergovernmental payable                      | 5                | -  | 2                    | -                        | 50                        | 57                |
| Due to other funds                             | 544              | 802  | 391                  | 8,928                    | 5,701                     | 16,366            |
| Deposits held for others                       | 2,395            | 1,019  | 1,877                | -                        | -                         | 5,291             |
| Deferred Revenue                               | 2,002            | 6,527  | 54                   | 7,214                    | 40,129                    | 55,926            |
| <b>Total liabilities</b>                       | <b>19,569</b>    | <b>10,839</b>  | <b>3,643</b>         | <b>18,530</b>            | <b>50,963</b>             | <b>103,544</b>    |
| <b>Fund balances:</b>                          |                  |  |                      |                          |                           |                   |
| Reserved for:                                  |                  |  |                      |                          |                           |                   |
| Land held for development                      | -                | 42,723   | -                    | -                        | -                         | 42,723            |
| Specific development projects                  | -                | 125,851  | -                    | -                        | -                         | 125,851           |
| Encumbrances                                   | 197              | 14,589   | 3                    | 77                       | -                         | 14,866            |
| Prepaid items                                  | 363              | -  | -                    | -                        | 1                         | 364               |
| Inventory                                      | 320              | -  | -                    | -                        | -                         | 320               |
| Loans  | -                | 128  | 1,944                | -                        | -                         | 2,072             |
| Advances                                       | -                | 10   | 12,800               | -                        | -                         | 12,810            |
| Pension liability                              | -                | -  | -                    | -                        | 32,527                    | 32,527            |
| Unreserved, reported in                        |                  |  |                      |                          |                           |                   |
| General Fund                                   | 60,472           | -  | -                    | -                        | -                         | 60,472            |
| Special Revenue Fund                           | -                | 65,208   | 15,177               | -                        | 13,523                    | 93,908            |
| Debt Service Fund                              | -                | -  | -                    | -                        | 49,028                    | 49,028            |
| Capital Project Fund                           | -                | -  | -                    | 42,419                   | -                         | 42,419            |
| <b>Total fund balances</b>                     | <b>61,352</b>    | <b>248,509</b>                                       | <b>29,924</b>        | <b>42,496</b>            | <b>95,079</b>             | <b>477,360</b>    |
| <b>Total liabilities and<br/>fund balances</b> | <b>\$ 80,921</b> | <b>\$ 259,348</b>                                    | <b>\$ 33,567</b>     | <b>\$ 61,026</b>         | <b>\$ 146,042</b>         | <b>\$ 580,904</b> |

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, 2004**

**CITY OF MINNEAPOLIS, MINNESOTA**

**(In Thousands)**

|  |                  |                       |
|--|------------------|-----------------------|
| <b>Fund balances - total governmental funds</b>  | \$               | 477,360               |
| 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  | 246,134          |                       |
| Depreciable  | 885,009          |                       |
| Accumulated Depreciation   | <u>(370,128)</u> | 761,015               |
| 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.  |                  |                       |
|  |                  | 42,387                |
| 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. |                  |                       |
|  |                  | (28,910)              |
| Receivable from business-type funds for internal service fund activity   |                  |                       |
|  |                  | 15,234                |
| Accruals to record an accounts receivable allowance, interest receivable on loans and notes, and an adjustment to loans receivable balances.   |                  |                       |
|  |                  | 368                   |
| 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   | (916,934)        |                       |
| Operating and Capital leases payable   | (94)             |                       |
| Contracts payable  | (194)            |                       |
| Bond Interest Payable  | (117,702)        |                       |
| Compensated Absences   | <u>(21,041)</u>  | <u>(1,055,965)</u>    |
| <b>Net assets of governmental activities</b>   | <b>\$</b>        | <b><u>211,489</u></b> |

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, 2004**

**CITY OF MINNEAPOLIS, MINNESOTA**

**(In Thousands)**

|  | General          | Community<br>Planning<br>and Economic<br>Development | Convention<br>Center | Permanent<br>Improvement | Nonmajor<br>Governmental | Total             |
|--|------------------|--|----------------------|--------------------------|--------------------------|-------------------|
| <b>REVENUES:</b>   |                  |  |                      |                          |                          |                   |
| Taxes  | \$ 111,126       | \$ 63,812  | \$ 52,169            | \$ 2,160                 | \$ 36,405                | \$ 265,672        |
| Licenses and permits   | 24,148           | -  | -                    | 231                      | 401                      | 24,780            |
| Intergovernmental revenues   | 77,469           | 11,728   | -                    | 23,255                   | 49,368                   | 161,820           |
| Charges for services and sales   | 28,182           | 6,407  | 5,000                | 3,280                    | 929                      | 43,798            |
| Fines and forfeits   | 8,910            | -  | -                    | -                        | 731                      | 9,641             |
| Special assessments  | 2,628            | -  | -                    | 1,417                    | 7,046                    | 11,091            |
| Interest   | 541              | 3,975  | 132                  | 850                      | 643                      | 6,141             |
| Miscellaneous revenues   | 1,030            | 16,506   | 9,162                | 1,734                    | 3,610                    | 32,042            |
| Total revenues   | <u>254,034</u>   | <u>102,428</u>                                       | <u>66,463</u>        | <u>32,927</u>            | <u>99,133</u>            | <u>554,985</u>    |
| <b>EXPENDITURES:</b>   |                  |  |                      |                          |                          |                   |
| Current:   |                  |  |                      |                          |                          |                   |
| General government   | 32,123           | -  | 360                  | 637                      | 24,437                   | 57,557            |
| Public safety  | 152,803          | -  | -                    | -                        | 37,835                   | 190,638           |
| Public works   | 35,686           | -  | -                    | -                        | 4,363                    | 40,049            |
| Culture and recreation   | 900              | -  | -                    | 47,993                   | 1,075                    | 49,968            |
| Health and welfare   | 3,446            | -  | -                    | -                        | 5,957                    | 9,403             |
| Community & economic development   | 2,179            | 62,502   | 28,622               | -                        | 13,045                   | 106,348           |
| Capital outlay   | -                | -  | -                    | 63,365                   | -                        | 63,365            |
| Debt Service:  |                  |  |                      |                          |                          |                   |
| Principal retirement   | -                | -  | -                    | -                        | 76,175                   | 76,175            |
| Interest and fiscal charges  | -                | -  | -                    | -                        | 57,462                   | 57,462            |
| Total expenditures   | <u>227,137</u>   | <u>62,502</u>  | <u>28,982</u>        | <u>111,995</u>           | <u>220,349</u>           | <u>650,965</u>    |
| Excess (deficiency) of revenues<br>over (under) expenditures   | <u>26,897</u>    | <u>39,926</u>  | <u>37,481</u>        | <u>(79,068)</u>          | <u>(121,216)</u>         | <u>(95,980)</u>   |
| <b>OTHER FINANCING SOURCES (USES):</b>   |                  |  |                      |                          |                          |                   |
| Transfers from other funds   | 12,698           | 10,914   | -                    | 1,065                    | 88,241                   | 112,918           |
| Transfers (to) other funds   | (31,790)         | (66,229)   | (31,956)             | (4,571)                  | (13,179)                 | (147,725)         |
| Bonds issued   | -                | -  | -                    | 55,060                   | 29,710                   | 84,770            |
| Premium (Discount)   | -                | -  | -                    | 2,245                    | 2,653                    | 4,898             |
| Refunding bonds issued   | -                | -  | -                    | -                        | 51,210                   | 51,210            |
| Loans and notes issued   | -                | 6,500  | -                    | -                        | -                        | 6,500             |
| Payments to escrow agents  | -                | -  | -                    | -                        | (39,370)                 | (39,370)          |
| Total other financing sources (uses)   | <u>(19,092)</u>  | <u>(48,815)</u>                                      | <u>(31,956)</u>      | <u>53,799</u>            | <u>119,265</u>           | <u>73,201</u>     |
| Excess (deficiency) of revenues and<br>other financing sources over (under)<br>expenditures and other financing uses | <u>7,805</u>     | <u>(8,889)</u>                                       | <u>5,525</u>         | <u>(25,269)</u>          | <u>(1,951)</u>           | <u>(22,779)</u>   |
| Fund balances - January 1  | <u>53,547</u>    | <u>257,398</u>                                       | <u>24,399</u>        | <u>67,765</u>            | <u>97,030</u>            | <u>500,139</u>    |
| <b>Fund balances - December 31</b>   | <u>\$ 61,352</u> | <u>\$ 248,509</u>                                    | <u>\$ 29,924</u>     | <u>\$ 42,496</u>         | <u>\$ 95,079</u>         | <u>\$ 477,360</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, 2004**

**CITY OF MINNEAPOLIS, MINNESOTA**

**(In Thousands)**

|  |                  |                      |
|--|------------------|----------------------|
| <b>Net increase (decrease) in fund balances - total governmental funds</b>   |                  | (22,779)             |
| Amounts reported for governmental activities in the statement of activities are different because:   |                  |                      |
| Interest receivable is not recorded within the fund level statements.  |                  | 47                   |
| 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. |                  | 5,053                |
| Transfers from business-type funds for internal service fund activity  |                  | 4,585                |
| 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:   |                  | 89,066               |
| Less loss on retirement of capital assets  |                  | (163)                |
| Less current year depreciation   |                  | (22,596)             |
| 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.   |                  | 1,255                |
| 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   | 115,636          |                      |
| Bond Proceeds  | <u>(147,378)</u> | (31,742)             |
| 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   | 1,179            |                      |
| Change in compensated absences   | <u>(901)</u>     | <u>278</u>           |
| <b>Increase (decrease) in net assets of governmental activities</b>  |                  | <u><u>23,004</u></u> |

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

**reference**

**check**

**PROPRIETARY FUNDS**  
**STATEMENT OF NET ASSETS**  
**December 31, 2004**

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

|                                | Business-type Activities - Enterprise Funds |                           |                   |   |                   |                     | Governmental Activities |
|--------------------------------|---|---------------------------|-------------------|---|-------------------|---------------------|-------------------------|
|                                | Sewer Rental                                | Solid Waste and Recycling | Water Works       | Community Planning and Economic Development | Municipal Parking | Total               | Internal Service Funds  |
| <b>ASSETS</b>                  |   |                           |                   |   |                   |                     |                         |
| Current assets:                |   |                           |                   |   |                   |                     |                         |
| Cash and cash equivalents      | \$ 8,963                                    | \$ 12,785                 | \$ 4,103          | \$ 5,811                                    | \$ 5,094          | \$ 36,756           | \$ 3,025                |
| Investments with trustees      | -   | -                         | -                 | 48,593                                      | -                 | 48,593              | -                       |
| Receivables:                   |   |                           |                   |   |                   |                     |                         |
| Accounts - net                 | 4,562                                       | 2,374                     | 9,694             | 9,622                                       | 2,731             | 28,983              | 1,022                   |
| Special assessments:           |   |                           |                   |   |                   |                     |                         |
| Current                        | 9   | 1                         | 14                | -   | 2                 | 26                  | -                       |
| Delinquent                     | 44  | 24                        | 98                | -   | 2                 | 168                 | -                       |
| Deferred                       | 131   | -                         | 853               | -   | -                 | 984                 | -                       |
| Loans                          | -   | -                         | -                 | 1,205                                       | -                 | 1,205               | -                       |
| Notes                          | -   | -                         | -                 | 585   | -                 | 585                 | -                       |
| Interest                       | -   | -                         | -                 | 177   | -                 | 177                 | -                       |
| Intergovernmental              | -   | -                         | -                 | -   | -                 | -                   | 182                     |
| Capital leases                 | -   | -                         | -                 | 2,400                                       | -                 | 2,400               | -                       |
| Due from other funds           | 13,957                                      | -                         | -                 | -   | -                 | 13,957              | 3,545                   |
| Inventories                    | -   | 1,111                     | 2,253             | 34  | -                 | 3,398               | 4,929                   |
| Properties held for resale     | -   | -                         | -                 | 12  | -                 | 12                  | -                       |
| Prepaid items                  | -   | -                         | -                 | 53  | -                 | 53                  | 88                      |
| Total current assets           | 27,666                                      | 16,295                    | 17,015            | 68,492                                      | 7,829             | 137,297             | 12,791                  |
| Long-term assets:              |   |                           |                   |   |                   |                     |                         |
| Receivables:                   |   |                           |                   |   |                   |                     |                         |
| Loans                          | -   | -                         | -                 | 3,732                                       | -                 | 3,732               | -                       |
| Notes                          | -   | -                         | -                 | 3,880                                       | -                 | 3,880               | -                       |
| Capital leases                 | -   | -                         | -                 | 31,111                                      | -                 | 31,111              | -                       |
| Deferred charges               | 76  | -                         | 105               | 408   | 1,120             | 1,709               | 55                      |
| Capital assets:                |   |                           |                   |   |                   |                     |                         |
| Nondepreciable                 |   |                           |                   |   |                   |                     |                         |
| Land, leaseholds and easements | 7,191                                       | 16                        | 2,132             | 9,049                                       | 118,037           | 136,425             | 23,850                  |
| Construction in progress       | 48,760                                      | -                         | 91,591            | -   | 17,009            | 157,360             | 11,297                  |
| Depreciable                    |   |                           |                   |   |                   |                     |                         |
| Buildings and structures       | -   | 2,047                     | 79,224            | 46,517                                      | 315,658           | 443,446             | 55,732                  |
| Less accumulated depreciation  | -   | (1,877)                   | (32,570)          | (14,364)                                    | (99,391)          | (148,202)           | (21,386)                |
| Public improvements            | 382,547                                     | -                         | 121,065           | -   | 6                 | 503,618             | 3,363                   |
| Less accumulated depreciation  | (121,504)                                   | -                         | (43,137)          | -   | (2)               | (164,643)           | (2,321)                 |
| Machinery and equipment        | 2,543                                       | 9,306                     | 2,963             | 1,476                                       | 1,356             | 17,644              | 59,916                  |
| Less accumulated depreciation  | (1,853)                                     | (6,151)                   | (1,903)           | (1,148)                                     | (646)             | (11,701)            | (27,436)                |
| Computer equipment             | 203   | 178                       | 231               | -   | 1,724             | 2,336               | 40,904                  |
| Less accumulated depreciation  | (125)                                       | (157)                     | (223)             | -   | (1,330)           | (1,835)             | (29,752)                |
| Software                       | 1,488                                       | 955                       | 1,587             | -   | 136               | 4,166               | 11,829                  |
| Less accumulated depreciation  | (902)                                       | (581)                     | (1,288)           | -   | (81)              | (2,852)             | (3,880)                 |
| Other capital outlay           | -   | -                         | 19                | -   | 14                | 33                  | 145                     |
| Less accumulated depreciation  | -   | -                         | (13)              | -   | (6)               | (19)                | (125)                   |
| Total long-term assets         | 318,424                                     | 3,736                     | 219,783           | 80,661                                      | 353,604           | 976,208             | 122,191                 |
| <b>Total assets</b>            | <b>\$ 346,090</b>                           | <b>\$ 20,031</b>          | <b>\$ 236,798</b> | <b>\$ 149,153</b>                           | <b>\$ 361,433</b> | <b>\$ 1,113,505</b> | <b>\$ 134,982</b>       |

**PROPRIETARY FUNDS**  
**STATEMENT OF NET ASSETS**  
**December 31, 2004**

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

|  | <b>Business-type Activities - Enterprise Funds</b> |  |                        |  |                              | <b>Total</b>        | <b>Governmental</b>                   |
|--|--|--|------------------------|--|------------------------------|---------------------|---------------------------------------|
|  | <b>Sewer<br/>Rental</b>                            | <b>Solid Waste<br/>and<br/>Recycling</b> | <b>Water<br/>Works</b> | <b>Community<br/>Planning<br/>and Economic<br/>Development</b> | <b>Municipal<br/>Parking</b> |                     | <b>Internal<br/>Service<br/>Funds</b> |
| <b>LIABILITIES</b>   |  |  |                        |  |                              |                     |                                       |
| Current liabilities:   |  |  |                        |  |                              |                     |                                       |
| Salaries payable   | \$ 498   | \$ 415                                   | \$ 1,507               | \$ -   | \$ 341                       | \$ 2,761            | \$ 2,070                              |
| Accounts payable   | 880  | 1,334                                    | 3,936                  | 491  | 4,664                        | 11,305              | 5,690                                 |
| Intergovernmental payable  | -  | -  | 120                    | 29   | 2                            | 151                 | -                                     |
| Due to other funds   | 211  | 50                                       | 497                    | -  | 8,442                        | 9,200               | 5,920                                 |
| Deposits held for others   | 463  | 3  | 194                    | 14,650   | 2,036                        | 17,346              | -                                     |
| Advances from other funds  | -  | -  | -                      | 10   | -                            | 10                  | -                                     |
| Interest payable   | 136  | -  | 550                    | 393  | 1,946                        | 3,025               | 376                                   |
| Unearned revenue   | -  | -  | -                      | 782  | -                            | 782                 | 3,832                                 |
| Bonds payable-current portion  | 8,680  | -  | 8,819                  | 3,110  | 12,154                       | 32,763              | 12,140                                |
| Notes payable-current portion  | -  | -  | 750                    | 99   | -                            | 849                 | -                                     |
| <b>Total current liabilities</b>   | <b>10,868</b>                                      | <b>1,802</b>                             | <b>16,373</b>          | <b>19,564</b>  | <b>29,585</b>                | <b>78,192</b>       | <b>30,028</b>                         |
| Long-term liabilities:   |  |  |                        |  |                              |                     |                                       |
| Interest payable   | 4,345  | -  | 7,284                  | -  | 3,068                        | 14,697              | -                                     |
| Bonds payable  | 32,381   | -  | 31,165                 | 69,570   | 261,789                      | 394,905             | 89,015                                |
| Unamortized premium (discounts)  | (54)   | -  | 401                    | -  | (2,986)                      | (2,639)             | 1,673                                 |
| Advances from other funds  | -  | -  | -                      | -  | -                            | -                   | 12,800                                |
| Notes payable  | -  | -  | 50,252                 | 1,056  | -                            | 51,308              | -                                     |
| Compensated absences payable   | 492  | 388                                      | 1,170                  | 7  | 293                          | 2,350               | 1,990                                 |
| Unpaid claims payable  | -  | -  | -                      | -  | -                            | -                   | 28,386                                |
| <b>Total long-term liabilities</b>   | <b>37,164</b>                                      | <b>388</b>                               | <b>90,272</b>          | <b>70,633</b>  | <b>262,164</b>               | <b>460,621</b>      | <b>133,864</b>                        |
| <b>Total liabilities</b>   | <b>48,032</b>                                      | <b>2,190</b>                             | <b>106,645</b>         | <b>90,197</b>  | <b>291,749</b>               | <b>538,813</b>      | <b>163,892</b>                        |
| <b>NET ASSETS</b>  |  |  |                        |  |                              |                     |                                       |
| Invested in capital assets,<br>net of related debt   | 277,342  | 3,735                                    | 128,290                | 13,559   | 81,527                       | 504,453             | 25,592                                |
| Restricted   | -  | -  | -                      | 40,140   | -                            | 40,140              | -                                     |
| Unrestricted   | 20,716   | 14,106                                   | 1,863                  | 5,257  | (11,843)                     | 30,099              | (54,502)                              |
| <b>Total net assets</b>  | <b>298,058</b>                                     | <b>17,841</b>                            | <b>130,153</b>         | <b>58,956</b>  | <b>69,684</b>                | <b>574,692</b>      | <b>(28,910)</b>                       |
| <b>Total liabilities and net assets</b>  | <b>\$ 346,090</b>                                  | <b>\$ 20,031</b>                         | <b>\$ 236,798</b>      | <b>\$ 149,153</b>  | <b>\$ 361,433</b>            | <b>\$ 1,113,505</b> | <b>\$ 134,982</b>                     |
| Net assets - total enterprise funds  |  |  |                        |  |                              | \$ 574,692          |                                       |
| 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. |  |  |                        |  |                              | (15,234)            |                                       |
| Net assets of business-type activities   |  |  |                        |  |                              | <u>\$ 559,458</u>   |                                       |

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, 2004**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

|  | Business-type Activities - Enterprise Funds |                                 |                   |  |                      | Total           | Governmental                 |
|--|---|---------------------------------|-------------------|--|----------------------|-----------------|------------------------------|
|  | Sewer<br>Rental                             | Solid Waste<br>and<br>Recycling | Water<br>Works    | Community<br>Planning<br>and Economic<br>Development | Municipal<br>Parking |                 | Internal<br>Service<br>Funds |
| Operating revenues:                            |   |                                 |                   |  |                      |                 |                              |
| Charges for services and sales                 | \$ 63,184                                   | \$ 26,779                       | \$ 60,550         | \$ 11,059  | \$ 55,130            | \$ 216,702      | \$ 84,345                    |
| Interest                                       | 2   | -                               | -                 | 2,704  | -                    | 2,706           | -                            |
| Rents and commissions                          | -   | -                               | -                 | -  | 107                  | 107             | 27,534                       |
| Other  | 3,707                                       | 1,550                           | -                 | 158  | -                    | 5,415           | -                            |
| <b>Total operating revenues</b>                | <b>66,893</b>                               | <b>28,329</b>                   | <b>60,550</b>     | <b>13,921</b>  | <b>55,237</b>        | <b>224,930</b>  | <b>111,879</b>               |
| Operating expenses:                            |   |                                 |                   |  |                      |                 |                              |
| Personal services                              | 10,900                                      | 7,720                           | 21,749            | 149  | 6,360                | 46,878          | 39,611                       |
| Contractual services                           | 42,592                                      | 16,133                          | 14,579            | 12,212   | 40,388               | 125,904         | 64,148                       |
| Materials, supplies, services and other        | 2,338                                       | 1,371                           | 8,251             | 188  | 701                  | 12,849          | 13,412                       |
| Rent   | -   | -                               | -                 | -  | -                    | -               | 1,484                        |
| Cost of stores issuance                        | -   | -                               | 2,123             | -  | -                    | 2,123           | 5,594                        |
| Depreciation                                   | 5,096                                       | 998                             | 5,148             | 1,374  | 6,709                | 19,325          | 13,143                       |
| <b>Total operating expenses</b>                | <b>60,926</b>                               | <b>26,222</b>                   | <b>51,850</b>     | <b>13,923</b>  | <b>54,158</b>        | <b>207,079</b>  | <b>137,392</b>               |
| <b>Operating income (loss)</b>                 | <b>5,967</b>                                | <b>2,107</b>                    | <b>8,700</b>      | <b>(2)</b>   | <b>1,079</b>         | <b>17,851</b>   | <b>(25,513)</b>              |
| Non-operating revenues (expenses):             |   |                                 |                   |  |                      |                 |                              |
| Interest revenue                               | 48  | -                               | 36                | 989  | 163                  | 1,236           | 12                           |
| Interest expense                               | (2,282)                                     | -                               | (3,310)           | (4,790)  | (13,451)             | (23,833)        | (4,471)                      |
| Gain (loss) on disposal of fixed assets        | -   | (4)                             | -                 | -  | -                    | (4)             | (13)                         |
| Special assessments                            | 369   | 73                              | 747               | -  | 100                  | 1,289           | -                            |
| Damages/losses recovered                       | -   | -                               | -                 | -  | -                    | -               | 141                          |
| Other revenues                                 | 112   | -                               | 2,097             | -  | 61                   | 2,270           | 5,011                        |
| <b>Total non-operating revenues (expenses)</b> | <b>(1,753)</b>                              | <b>69</b>                       | <b>(430)</b>      | <b>(3,801)</b>                                       | <b>(13,127)</b>      | <b>(19,042)</b> | <b>680</b>                   |
| <b>Income (loss) before transfers</b>          | <b>4,214</b>                                | <b>2,176</b>                    | <b>8,270</b>      | <b>(3,803)</b>                                       | <b>(12,048)</b>      | <b>(1,191)</b>  | <b>(24,833)</b>              |
| Transfers in (out):                            |   |                                 |                   |  |                      |                 |                              |
| Transfers from other funds                     | 238   | 196                             | 199               | 73   | 15,774               | 16,480          | 30,480                       |
| Transfers to other funds                       | (948)                                       | (884)                           | (3,680)           | (374)  | (5,673)              | (11,559)        | (594)                        |
| <b>Total transfers</b>                         | <b>(710)</b>                                | <b>(688)</b>                    | <b>(3,481)</b>    | <b>(301)</b>   | <b>10,101</b>        | <b>4,921</b>    | <b>29,886</b>                |
| <b>Change in net assets</b>                    | <b>3,504</b>                                | <b>1,488</b>                    | <b>4,789</b>      | <b>(4,104)</b>                                       | <b>(1,947)</b>       | <b>3,730</b>    | <b>5,053</b>                 |
| Net assets - January 1                         | 294,554                                     | 16,353                          | 125,364           | 63,060   | 71,631               |                 | (33,963)                     |
| <b>Net assets - December 31</b>                | <b>\$ 298,058</b>                           | <b>\$ 17,841</b>                | <b>\$ 130,153</b> | <b>\$ 58,956</b>                                     | <b>\$ 69,684</b>     |                 | <b>\$ (28,910)</b>           |

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. (4,585)

Change in net assets of business-type activities \$ (855)

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, 2004

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

|   | Sewer<br>Rental | Solid Waste<br>and<br>Recycling | Water<br>Works   | Community<br>Planning<br>and Economic<br>Development | Municipal<br>Parking | Total            | Governmental<br>Activities<br>Internal<br>Service<br>Funds |
|---|-----------------|---------------------------------|------------------|--|----------------------|------------------|--|
| <b>Cash flows from operating activities:</b>  |                 |                                 |                  |  |                      |                  |  |
| Cash received from customers and users  | \$ 54,079       | \$ 28,641                       | \$ 60,247        | \$ 20,943  | \$ 54,700            | \$ 218,610       | \$ 117,097   |
| Payments to suppliers and users   | (42,584)        | (17,363)                        | (23,172)         | (7,241)  | (30,768)             | (121,128)        | (85,453)   |
| Payments to employees   | (10,570)        | (7,550)                         | (20,606)         | (156)  | (6,238)              | (45,120)         | (38,676)   |
| <b>Net Cash Provided (used) by operating Activities</b>   | <b>925</b>      | <b>3,728</b>                    | <b>16,469</b>    | <b>13,546</b>  | <b>17,694</b>        | <b>52,362</b>    | <b>(7,032)</b>   |
| <b>Cash flows from non-capital financing activities:</b>  |                 |                                 |                  |  |                      |                  |  |
| Bonds issued  | -               | -                               | -                | 2,475  | -                    | 2,475            | -  |
| Transfers from other funds  | 238             | 196                             | 199              | 73   | 15,774               | 16,480           | 30,480   |
| Principal paid on bonds and notes   | -               | -                               | -                | (13,976)   | -                    | (13,976)         | (860)  |
| Interest paid on bonds and notes  | -               | -                               | -                | (4,911)  | -                    | (4,911)          | (75)   |
| Transfers to other funds  | (948)           | (884)                           | (3,680)          | (374)  | (5,673)              | (11,559)         | (594)  |
| <b>Net cash provided (used) by non-capital financing activities</b>                               | <b>(710)</b>    | <b>(688)</b>                    | <b>(3,481)</b>   | <b>(16,713)</b>                                      | <b>10,101</b>        | <b>(11,491)</b>  | <b>28,951</b>  |
| <b>Cash Flows from capital and related financing activities</b>                                   |                 |                                 |                  |  |                      |                  |  |
| Bonds issued  | 7,410           | -                               | 7,250            | -  | -                    | 14,660           | 8,990  |
| Refunding bonds issued  | -               | -                               | -                | -  | 19,170               | 19,170           | -  |
| Notes issued  | -               | -                               | 35,611           | -  | -                    | 35,611           | -  |
| Payments to escrow agents   | -               | -                               | -                | -  | (19,130)             | (19,130)         | -  |
| Principal paid on bonds   | (9,120)         | -                               | (11,430)         | -  | (11,434)             | (31,984)         | (9,590)  |
| Interest paid on bonds  | (2,292)         | -                               | (3,221)          | -  | (13,226)             | (18,739)         | (4,583)  |
| Principal paid on notes   | -               | -                               | (500)            | -  | -                    | (500)            | -  |
| Acquisition and construction of capital assets  | (1,933)         | (930)                           | (51,467)         | (144)  | (13,773)             | (68,247)         | (16,894)   |
| Premium (discount)  | 387             | -                               | 379              | -  | -                    | 766              | 470  |
| Bond issuance costs   | (17)            | -                               | (16)             | -  | (40)                 | (73)             | (20)   |
| Proceeds from sale of capital assets  | -               | -                               | -                | -  | -                    | -                | 610  |
| <b>Net cash provided (used) by capital and related financing activities</b>                       | <b>(5,565)</b>  | <b>(930)</b>                    | <b>(23,394)</b>  | <b>(144)</b>   | <b>(38,433)</b>      | <b>(68,466)</b>  | <b>(21,017)</b>  |
| <b>Cash flows from investing activities:</b>  |                 |                                 |                  |  |                      |                  |  |
| Purchase of investments   | -               | -                               | -                | (18,230)   | -                    | (18,230)         | -  |
| Sale of investments   | -               | -                               | -                | 22,196   | -                    | 22,196           | -  |
| Interest  | 48              | -                               | 36               | 891  | 163                  | 1,138            | 12   |
| <b>Net cash provided (used) by investing activities</b>   | <b>48</b>       | <b>-</b>                        | <b>36</b>        | <b>4,857</b>   | <b>163</b>           | <b>5,104</b>     | <b>12</b>  |
| Net increase (decrease) in cash and cash equivalents  | (5,302)         | 2,110                           | (10,370)         | 1,546  | (10,475)             | (22,491)         | 914  |
| Cash and cash equivalents, beginning of year  | 14,265          | 10,675                          | 14,473           | 4,265  | 15,569               | 59,247           | 2,111  |
| <b>Cash and cash equivalents, end of year</b>   | <b>\$ 8,963</b> | <b>\$ 12,785</b>                | <b>\$ 4,103</b>  | <b>\$ 5,811</b>                                      | <b>\$ 5,094</b>      | <b>\$ 36,756</b> | <b>\$ 3,025</b>  |
| <b>Reconciliation of operating income to net cash provided (used) by operating activities</b>     |                 |                                 |                  |  |                      |                  |  |
| Operating income (loss)   | \$ 5,967        | \$ 2,107                        | \$ 8,700         | \$ (2)   | \$ 1,079             | \$ 17,851        | \$ (25,513)  |
| Adjustment to reconcile change in net assets to net cash provided (used) by operating activities: |                 |                                 |                  |  |                      |                  |  |
| Depreciation  | 5,096           | 998                             | 5,148            | 1,374  | 6,709                | 19,325           | 13,143   |
| Accounts receivable (net)   | 391             | 193                             | (3,406)          | (8,021)  | (1,725)              | (12,568)         | (335)  |
| Loans receivable  | (127)           | -                               | -                | 1,337  | -                    | 1,210            | -  |
| Notes Receivable  | -               | -                               | -                | 2,970  | 3                    | 2,973            | -  |
| Interest receivable   | -               | -                               | -                | 8  | -                    | 8                | -  |
| Special assessments receivable  | -               | 7                               | 197              | -  | -                    | 204              | -  |
| Capital lease receivable  | -               | -                               | -                | 3,334  | -                    | 3,334            | -  |
| Inventories   | -               | 158                             | 328              | (14)   | -                    | 472              | (926)  |
| Prepays   | 2,153           | -                               | -                | (1)  | -                    | 2,152            | -  |
| Deferred charges  | -               | -                               | -                | 30   | -                    | 30               | -  |
| Due from other funds  | (13,949)        | 39                              | 27               | -  | -                    | (13,883)         | (213)  |
| Due to other funds  | 211             | 50                              | 497              | (1,602)  | 8,442                | 7,598            | (2,096)  |
| Properties held for development   | -               | -                               | -                | 6,722  | -                    | 6,722            | -  |
| Salaries payable  | 89              | 81                              | 499              | (7)  | 61                   | 723              | 393  |
| Accounts payable  | 193             | 250                             | 1,441            | 94   | 1,917                | 3,895            | 2,045  |
| Intergovernmental payable   | -               | (266)                           | 13               | (70)   | 1                    | (322)            | (1)  |
| Deposit held for others   | 390             | -                               | 35               | 7,131  | 1,024                | 8,580            | -  |
| Unearned revenue  | -               | -                               | -                | 263  | -                    | 263              | 662  |
| Compensated absences payable  | 29              | 38                              | 146              | -  | 22                   | 235              | 118  |
| Unpaid claims   | -               | -                               | -                | -  | -                    | -                | 539  |
| Special assessments   | 369             | 73                              | 747              | -  | 100                  | 1,289            | -  |
| Damages/losses recovered  | -               | -                               | -                | -  | -                    | -                | 141  |
| Other non-operating revenues  | 113             | -                               | 2,097            | -  | 61                   | 2,271            | 5,011  |
| <b>Net cash provided (used) by operating activities</b>   | <b>\$ 925</b>   | <b>\$ 3,728</b>                 | <b>\$ 16,469</b> | <b>\$ 13,546</b>                                     | <b>\$ 17,694</b>     | <b>\$ 52,362</b> | <b>(7,032)</b>   |
| <b>Non-cash investing, capital and financing activities:</b>                                      |                 |                                 |                  |  |                      |                  |  |
| (Loss) on disposal of capital assets  | \$ -            | \$ (4)                          | \$ -             | \$ -   | \$ -                 | \$ (4)           | \$ (154)   |

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

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
December 31, 2004**

**CITY OF MINNEAPOLIS, MINNESOTA**

**(In Thousands)**

|                           | <u>Agency<br/>Funds</u> |
|---------------------------|-------------------------|
| <b>ASSETS</b>             |                         |
| Cash and cash equivalents | \$ 1,493                |
| Receivables:              |                         |
| Accounts-net              | <u>95</u>               |
| <b>Total assets</b>       | <u><u>1,588</u></u>     |
| <br>                      |                         |
| <b>LIABILITIES</b>        |                         |
| Accounts payable          | 1,365                   |
| Deposits held for others  | <u>223</u>              |
| <b>Total liabilities</b>  | <u><u>\$ 1,588</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, 2004**

**CITY OF MINNEAPOLIS, MINNESOTA**

**(In Thousands)**

|   | <u>Library Board</u> | <u>Park Board</u> | <u>Municipal<br/>Building<br/>Commission</u> | <u>Total Discrete<br/>Component Units</u> |
|---|----------------------|-------------------|--|---|
| <b><u>ASSETS</u></b>                            |                      |                   |  |   |
| Cash and investments                            | \$ 14,720            | \$ 20,398         | \$ 1,212                                     | \$ 36,330                                 |
| Deposits with fiscal agents                     | 6,121                | -                 | -  | 6,121                                     |
| Receivables (net)                               | 4,334                | 2,719             | 748  | 7,801                                     |
| Prepays and other assets                        | 555                  | -                 | -  | 555                                       |
| Inventories                                     | 36                   | 585               | -  | 621                                       |
| Nondepreciable                                  | 80,170               | 83,369            | 4,241  | 167,780                                   |
| Depreciable, net                                | 40,053               | 192,478           | 10,910                                       | 243,441                                   |
| Total assets                                    | <u>145,989</u>       | <u>299,549</u>    | <u>17,111</u>                                | <u>462,649</u>                            |
| <b><u>LIABILITIES</u></b>                       |                      |                   |  |   |
| Accounts payable                                | 12,389               | 1,527             | 691  | 14,607                                    |
| Accrued salaries and benefits                   | 859                  | 2,562             | 219  | 3,640                                     |
| Unpaid claims payable                           | -                    | 8,317             | -  | 8,317                                     |
| Compensated absences:                           |                      |                   |  |   |
| Due within one year                             | 783                  | 2,523             | 137  | 3,443                                     |
| Due beyond one year                             | 339                  | 1,495             | 75   | 1,909                                     |
| Long-term liabilities:                          |                      |                   |  |   |
| Due within one year                             | -                    | 101               | -  | 101                                       |
| Due beyond one year                             | -                    | 2,857             | -  | 2,857                                     |
| Total liabilities                               | <u>14,370</u>        | <u>19,382</u>     | <u>1,122</u>                                 | <u>34,874</u>                             |
| <b><u>NET ASSETS</u></b>                        |                      |                   |  |   |
| Invested in capital assets, net of related debt | 120,214              | 272,890           | 15,151                                       | 408,255                                   |
| Restricted - Culture and recreation             | 416                  | -                 | -  | 416                                       |
| Unrestricted                                    | 10,989               | 7,277             | 838  | 19,104                                    |
| Total net assets                                | <u>131,619</u>       | <u>280,167</u>    | <u>15,989</u>                                | <u>427,775</u>                            |
| Total liabilities and net assets                | <u>\$ 145,989</u>    | <u>\$ 299,549</u> | <u>\$ 17,111</u>                             | <u>\$ 462,649</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, 2004**

**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  | \$ 21,315        | \$ 694               | \$ 1,551                           | \$ 46,897   | \$ 27,827     | \$ -       | \$ -                          | \$ 27,827                      |
| Park Board   | 85,658           | 15,597               | 1,817                              | 8,691   | -             | (59,553)   | -                             | (59,553)                       |
| Municipal Building Commission                                | 8,138            | 3,970                | -                                  | -   | -             | -          | (4,168)                       | (4,168)                        |
| Total discrete component unit activities                     | \$ 115,111       | \$ 20,261            | \$ 3,368                           | \$ 55,588   | 27,827        | (59,553)   | (4,168)                       | (35,894)                       |
| General Revenues:  |                  |                      |                                    |   |               |            |                               |                                |
| Taxes:   |                  |                      |                                    |   |               |            |                               |                                |
| General property tax and fiscal disparities                  |                  |                      |                                    |   | 11,625        | 42,113     | 3,490                         | \$ 57,228                      |
| Property tax increment                                       |                  |                      |                                    |   | -             | -          | 12                            | 12                             |
| Other taxes  |                  |                      |                                    |   | -             | 3          | -                             | 3                              |
| Local government aid   |                  |                      |                                    |   | -             | -          | 258                           | 258                            |
| Grants and contributions not restricted to specific programs |                  |                      |                                    |   | 6,602         | 10,592     | -                             | 17,194                         |
| Unrestricted interest and investment earnings                |                  |                      |                                    |   | 329           | -          | -                             | 329                            |
| Miscellaneous  |                  |                      |                                    |   | 281           | -          | 744                           | 1,025                          |
| Total general revenues, special items, and transfers         |                  |                      |                                    |   | 18,837        | 52,708     | 4,504                         | 76,049                         |
| Change in net assets   |                  |                      |                                    |   | 46,664        | (6,845)    | 336                           | 40,155                         |
| Net assets- January 1,                                       |                  |                      |                                    |   | 84,955        | 287,012    | 15,653                        | 387,620                        |
| Net assets- December 31,                                     |                  |                      |                                    |   | \$ 131,619    | \$ 280,167 | \$ 15,989                     | \$ 427,775                     |

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

For the fiscal year ended December 31, 2004

(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, 2004

(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 250 Marquette Avenue, 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.

**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, 2004

(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 Policy Board**

The Minneapolis Neighborhood Revitalization Policy Board (NRPB) 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 NRPB 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 NRPB's assets, liabilities, and equity cannot be determined at fiscal year-end. Complete financial statements for the NRPB can be obtained from the Minneapolis Neighborhood Revitalization 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 2<sup>nd</sup> Avenue South, Room 540, Minneapolis, Minnesota 55401.

For the fiscal year ended December 31, 2004

(Dollar Amounts Expressed in Thousands)

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****B – CHANGES IN ACCOUNTING PRINCIPLE***GASB Statement No. 39*

In May 2002, the GASB issued Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. This statement is effective for the City for the year ended December 31, 2004. Generally, this statement requires reporting, as a component unit, an organization that raises and holds economic resources for the direct benefit of a governmental unit. GASB Statement No. 39 does not have an effect on the City's fiscal year 2004 financial statements.

**C – 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.

For the fiscal year ended December 31, 2004

(Dollar Amounts Expressed in Thousands)

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****C – BASIS OF PRESENTATION (continued)****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.

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.

For the fiscal year ended December 31, 2004

(Dollar Amounts Expressed in Thousands)

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

**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 a cost of services or "capital maintenance" measurement 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.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**C – BASIS OF PRESENTATION**

**PROPRIETARY FUNDS (continued)**

The City reports the following major enterprise funds:

- **Sewer Rental Fund**  
This fund is used to account for sewage fees collected from customers connected to the City’s sewer system and for all expenses of operating this system. This fund also accounts for storm water management activities.
- **Solid Waste and Recycling Fund**  
This fund is used to account for the revenues and expenses for solid waste collection, disposal and recycling activities.
- **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.
- **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.
- **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.

**NON-MAJOR FUNDS**

The City reports the following non-major governmental funds:

|  |  |
|--|--|
| <p><b>Special Revenue Funds:</b><br/>                 Arena Reserve<br/>                 Board of Estimate and Taxation<br/>                 Convention Facilities Reserve<br/>                 Employee Retirement<br/>                 Grants- Federal<br/>                 Grants- Other<br/>                 Community Development Block Grant<br/>                 Police</p> | <p><b>Debt Service Funds:</b><br/>                 CPED<br/>                 Development<br/>                 General Debt Service<br/>                 Special Assessment</p> |
|--|--|

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.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**C – BASIS OF PRESENTATION (continued)**

**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.

**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.

**D – 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 2003 process for the 2004 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.<br><br>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. |

For the fiscal year ended December 31, 2004

(Dollar Amounts Expressed in Thousands)

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**D – BUDGETS (continued)**

|                     |  |
|---------------------|--|
| 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.  |
| October – November  | The City Council held public hearings on the budget and business plans. Departments presented their Mayor-Recommended Department Budgets to the Ways and Means/Budget Committee with all Council Members present, and the Committee approved and moved forward a final recommended budget to the City Council.                           |
| November - December | “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<br>Budget at<br>beginning of<br>year | Changes during<br>year | Expenditure Budget<br>at end of year |
|--------------------------------|--|------------------------|--------------------------------------|
| General Fund                   | \$264,571  | \$11,351               | \$275,922                            |
| Grants – Federal               | 19,100   | 24,940                 | 44,040                               |
| CDBG                           | 21,811   | 8,740                  | 30,551                               |
| Grants - Other                 | 11,974   | 2,566                  | 14, 540                              |
| Convention Center              | 67,475   | 441                    | 67,916                               |
| Employee Retirement            | 23,425   | 31,625                 | 55,050                               |
| Board of Estimate and Taxation | 249  | 0                      | 249                                  |
| Police Special Revenue         | 3,007  | 575                    | 3,582                                |
| CPED Special Revenue           | 136,294  | 181,298                | 317,592                              |
| <b>TOTAL</b>                   | <b>\$547,906</b>                                 | <b>\$261,536</b>       | <b>\$809,442</b>                     |

For the fiscal year ended December 31, 2004

(Dollar Amounts Expressed in Thousands)

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****E – 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*.

**F - 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 MBC, Park 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. All investments are reported at fair value.

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.

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 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 income in the investment pool, net of daily amortization of premiums and discounts, is 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 interest income 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 interest income 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.

**G - 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.

**H - 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.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**H – LOANS RECEIVABLE (continued)**

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.

**I – 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 fixed 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.

**J – 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.

**K – 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.

For the fiscal year ended December 31, 2004

(Dollar Amounts Expressed in Thousands)

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****L - 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.

**M - 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.

**N – RECLASSIFICATIONS**

Certain reclassifications have been made to prior year's data to conform to the December 31, 2004 financial statement presentation. These reclassifications had no effect on income or fund equity as previously reported.

**O – 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**

The City's and its discretely presented component units' bank balances of deposits at December 31, 2004, were entirely insured or collateralized with securities held and segregated by the Federal Reserve in the name of the City. The City does not maintain a separate record of investments for discretely presented component units. As a result, the investment amounts reported by Credit Risk Category include the primary government and discretely presented component units.

Investments are categorized into three categories of custodial credit risk as follows:

- Insured or registered, or securities held by the City or its agent in the City's name.
- Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.
- Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the City's name.

**NOTE 2 – DEPOSITS AND INVESTMENTS (continued)**

Investments at December 31, 2004:

| Security Type                   | Custodian Credit Risk Category |             |                 | Fair Value        |
|---------------------------------|--------------------------------|-------------|-----------------|-------------------|
|                                 | 1                              | 2           | 3               |                   |
| U.S. Treasury Obligations       | \$ 98,779                      | \$ -        | \$ -            | \$ 98,779         |
| U.S. Federal Agency Obligations | 193,762                        | -           | -               | 193,762           |
| Municipal Bonds                 | 31,975                         | -           | 1,338           | 33,313            |
| Corporate Bonds                 | -                              | -           | 932             | 932               |
| Commercial Paper                | 2,741                          | -           | -               | 2,741             |
| Common Stock                    | -                              | -           | 3,141           | 3,141             |
|                                 | <u>\$ 327,257</u>              | <u>\$ -</u> | <u>\$ 5,411</u> |                   |
| Mutual Fund                     |                                |             |                 | 148,485           |
| Insurance Annuities - Trustee   |                                |             |                 | 396               |
| Guaranteed Investment Contracts |                                |             |                 | 85,336            |
| Total                           |                                |             |                 | <u>\$ 566,885</u> |

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

|                                       |                   |
|---------------------------------------|-------------------|
| Deposits                              | \$ 5,087          |
| Investments                           | 566,885           |
| Imprest cash held by City             | 229               |
| Total                                 | <u>\$ 572,201</u> |
| Primary Government:                   |                   |
| Cash and cash equivalents             | \$ 346,047        |
| Cash in Agency Funds                  | 1,493             |
| Fund investments                      | 36,121            |
| Deposits with fiscal agents           | 396               |
| Investment with trustees              | 145,693           |
| Total primary government              | <u>529,750</u>    |
| Discretely Presented Component Units: |                   |
| Park and Recreation Board:            |                   |
| Cash and cash equivalents             | <u>20,398</u>     |
| Library Board:                        |                   |
| Cash and cash equivalents             | 14,720            |
| Fund investments                      | 6,121             |
| Total Library Board                   | <u>20,841</u>     |
| Municipal Building Commission:        |                   |
| Cash and cash equivalents             | <u>1,212</u>      |
| Total                                 | <u>\$ 572,201</u> |

For the fiscal year ended December 31, 2004

(Dollar Amounts Expressed in Thousands)

**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            |
|---|--------------|-----------------------|------------------------------------|-----------------------|------------------------------|----------------------------|--|
| <b>Governmental Activities</b>                  |              |                       |                                    |                       |                              |                            |  |
| Accounts  | \$ 4,931     | \$ 968                | \$ 6,201                           | \$ 1,748              | \$ 402                       | \$ 1,087                   | \$ 15,337                                |
| Taxes   | 1,808        | 65                    | -                                  | 50                    | 800                          | -                          | 2,723                                    |
| Special assessments                             | 593          | -                     | -                                  | 3,260                 | 23,809                       | -                          | 27,662                                   |
| Loans   | -            | 3,892                 | 44                                 | -                     | 289                          | -                          | 4,225                                    |
| Gross receivables                               | 7,332        | 4,925                 | 6,245                              | 5,058                 | 25,300                       | 1,087                      | 49,947                                   |
| Add: Interest receivable on loans               | -            | -                     | -                                  | -                     | 368                          | -                          | 368                                      |
| Less: Allowance for uncollectibles              | (488)        | -                     | (239)                              | (68)                  | -                            | (65)                       | (860)                                    |
| Total receivables (due within one year)         | \$ 6,844     | \$ 4,925              | \$ 6,006                           | \$ 4,990              | \$ 25,668                    | \$ 1,022                   | \$ 49,455                                |
| Long-term portion of loans and notes receivable | \$ -         | \$ -                  | \$ 1,900                           | \$ -                  | \$ 8,528                     | \$ -                       | \$ 10,428                                |
|   |              |                       |                                    |                       |                              |                            |  |
|   |              |                       |                                    |                       |                              |                            |  |
| <b>Business-type Activities</b>                 |              |                       |                                    |                       |                              |                            |  |
| Accounts  |              | Sewer Rental \$ 4,581 | Solid Waste and Recycling \$ 2,374 | Water Works \$ 9,894  | CPED \$ 9,622                | Municipal Parking \$ 2,743 | Total Business-type Activities \$ 29,214 |
| Special assessments                             |              | 184                   | 25                                 | 965                   | -                            | 4                          | 1,178                                    |
| Loans   |              | -                     | -                                  | -                     | 1,205                        | -                          | 1,205                                    |
| Notes   |              | -                     | -                                  | -                     | 585                          | -                          | 585                                      |
| Interest  |              | -                     | -                                  | -                     | 177                          | -                          | 177                                      |
| Gross receivables                               |              | 4,765                 | 2,399                              | 10,859                | 11,589                       | 2,747                      | 32,359                                   |
| Less: Allowance for uncollectibles              |              | (19)                  | -                                  | (200)                 | -                            | (12)                       | (231)                                    |
| Total receivables (due within one year)         |              | \$ 4,746              | \$ 2,399                           | \$ 10,659             | \$ 11,589                    | \$ 2,735                   | \$ 32,128                                |
| Long-term portion of loans and notes receivable |              | \$ -                  | \$ -                               | \$ -                  | \$ 7,612                     | \$ -                       | \$ 7,612                                 |

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.

The future payment requirements for these agreements are as follows:

|   | Capitalized Leases | Notes Receivable |
|---|--------------------|------------------|
| Scheduled Lease Payments:                   |                    |                  |
| 2005  | \$ 4,519           | \$ 841           |
| 2006  | 4,319              | 842              |
| 2007  | 4,307              | 835              |
| 2008  | 4,129              | 836              |
| 2009  | 4,009              | 839              |
| 2010 and thereafter                         | 32,469             | 1,257            |
| Subtotal                                    | 53,752             | 5,450            |
| Less: Interest over lease term              | (18,397)           | (985)            |
| Total Principal                             | 35,355             | 4,465            |
| Less: Unexpended construction funds         | (1,844)            | -                |
| Net Capitalized Leases and Notes receivable | 33,511             | 4,465            |
| Less: Current Portion                       | (2,400)            | (585)            |
| Noncurrent Portion                          | \$ 31,111          | \$ 3,880         |

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2004 was as follows:

|  | Balance<br>January 1, 2004 | Additions | Retirements | Transfers &<br>Adjustments | Balance<br>December 31, 2004 |
|--|----------------------------|-----------|-------------|----------------------------|------------------------------|
| <b>Governmental activities</b>               |                            |           |             |                            |                              |
| <i>Capital assets, not being depreciated</i> |                            |           |             |                            |                              |
| Land and easements                           | \$ 111,291                 | \$ -      | \$ -        | \$ (3)                     | \$ 111,288                   |
| Construction in progress                     | 88,240                     | 88,236    | (6,483)     | -                          | 169,993                      |
| Total capital assets, not being depreciated  | 199,531                    | 88,236    | (6,483)     | (3)                        | 281,281                      |
| <i>Capital assets, being depreciated</i>     |                            |           |             |                            |                              |
| Infrastructure                               | 389,228                    | -         | -           | -                          | 389,228                      |
| Structures and improvements                  | 525,402                    | 5,464     | (154)       | -                          | 530,712                      |
| Equipment                                    | 122,168                    | 18,771    | (4,046)     | (3)                        | 136,890                      |
| Total capital assets, being depreciated      | 1,036,798                  | 24,235    | (4,200)     | (3)                        | 1,056,830                    |
| Less accumulated depreciation for:           |                            |           |             |                            |                              |
| Infrastructure                               | (254,976)                  | (11,774)  | -           | -                          | (266,750)                    |
| Structures and improvements                  | (101,391)                  | (10,785)  | 153         | 86                         | (111,937)                    |
| Equipment                                    | (66,248)                   | (13,110)  | 3,173       | (88)                       | (76,273)                     |
| Total accumulated depreciation               | (422,615)                  | (35,669)  | 3,326       | (2)                        | (454,960)                    |
| Total capital assets, being depreciated, net | 614,183                    | (11,434)  | (874)       | (5)                        | 601,870                      |
| Governmental activities capital assets, net  | \$ 813,714                 | \$ 76,802 | \$ (7,357)  | \$ (8)                     | \$ 883,151                   |
| <b>Business-type Activities</b>              |                            |           |             |                            |                              |
| <i>Capital assets, not being depreciated</i> |                            |           |             |                            |                              |
| Land and easements                           | \$ 136,425                 | \$ -      | \$ -        | \$ -                       | \$ 136,425                   |
| Construction in progress                     | 110,193                    | 66,831    | (19,664)    | -                          | 157,360                      |
| Total capital assets, not being depreciated  | 246,618                    | 66,831    | (19,664)    | -                          | 293,785                      |
| <i>Capital assets, being depreciated</i>     |                            |           |             |                            |                              |
| Infrastructure                               | 382,547                    | -         | -           | -                          | 382,547                      |
| Structures and improvements                  | 544,853                    | 19,664    | -           | -                          | 564,517                      |
| Equipment                                    | 23,466                     | 1,396     | (702)       | 19                         | 24,179                       |
| Total capital assets, being depreciated      | 950,866                    | 21,060    | (702)       | 19                         | 971,243                      |
| Less accumulated depreciation for:           |                            |           |             |                            |                              |
| Infrastructure                               | (116,934)                  | (4,570)   | -           | -                          | (121,504)                    |
| Structures and improvements                  | (178,956)                  | (12,385)  | -           | -                          | (191,341)                    |
| Equipment                                    | (14,736)                   | (2,370)   | 699         | -                          | (16,407)                     |
| Total accumulated depreciation               | (310,626)                  | (19,325)  | 699         | -                          | (329,252)                    |
| Total capital assets, being depreciated, net | 640,240                    | 1,735     | (3)         | 19                         | 641,991                      |
| Business-type activities capital assets, net | \$ 886,858                 | \$ 68,566 | \$ (19,667) | \$ 19                      | \$ 935,776                   |

The transfers and adjustments represent changes related to capital asset betterments based on a subsequent evaluation of the capital asset betterment policy.

Depreciation expense was charged to governmental functions as follows:

|   |               |
|---|---------------|
| General government  | \$ 7,184      |
| Public Safety   | 875           |
| Public Works  | 12,061        |
| Health and Welfare  | 13            |
| Community Development   | 2,393         |
| 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>13,143</u> |

Total depreciation expense – governmental functions \$ 35,669

For the fiscal year ended December 31, 2004

(Dollar Amounts Expressed in Thousands)

**NOTE 4 – CAPITAL ASSETS (continued)**

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

|                           |              |
|---------------------------|--------------|
| Sewer                     | \$ 5,096     |
| Solid Waste and Recycling | 998          |
| Water Works               | 5,148        |
| Economic Development      | 1,374        |
| Municipal Parking         | <u>6,709</u> |

|  |                 |
|--|-----------------|
| Total depreciation expense – business-type functions | <u>\$19,325</u> |
|--|-----------------|

Construction in Progress

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

|                               |              |
|-------------------------------|--------------|
| Property Services             | \$25,378     |
| Convention Center             | 4,227        |
| Street Lighting               | 3,085        |
| Street Signage                | 314          |
| Traffic Signals               | 4,512        |
| Bicycle Trail                 | 2,074        |
| Street Construction           | 67,621       |
| Bridge Construction           | 9,425        |
| Heritage Park                 | 47,845       |
| Equipment                     | 1,091        |
| Business Information Services | <u>4,421</u> |

|                                       |                  |
|---------------------------------------|------------------|
| Total CIP for Governmental Activities | <u>\$169,993</u> |
|---------------------------------------|------------------|

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

|         |               |
|---------|---------------|
| Sewers  | \$48,760      |
| Water   | 91,591        |
| Parking | <u>17,009</u> |

|  |                  |
|--|------------------|
| Total CIP for Business-type Activities | <u>\$157,360</u> |
|--|------------------|

Capital Project Commitments

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

|                        |               |
|------------------------|---------------|
| Property Services      | \$2,028       |
| Sewer Construction     | 17,000        |
| Street Construction    | 55,971        |
| Bridge Construction    | 16,208        |
| Sidewalk Construction  | 1,933         |
| Street Lighting        | 2,292         |
| Traffic Signals        | 2,256         |
| Bicycle Trails         | 8,102         |
| Non-Departmental       | 2,231         |
| Equipment              | 5,757         |
| Information Technology | 9,397         |
| Water                  | 31,710        |
| Parking                | <u>24,324</u> |

|                                   |                  |
|-----------------------------------|------------------|
| Total Capital Project Commitments | <u>\$179,209</u> |
|-----------------------------------|------------------|

For the fiscal year ended December 31, 2004

(Dollar Amounts Expressed in Thousands)

**NOTE 5 - LONG-TERM DEBT**

The City's full faith, credit and taxing power is 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.

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 1<sup>st</sup> 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.

For the fiscal year ended December 31, 2004

(Dollar Amounts Expressed in Thousands)

**NOTE 5 - LONG-TERM DEBT (continued)**2004 Bond Sales

In March 2004, the City issued \$7,470 of Tax Increment Revenue Refunding Bonds (Village at St. Anthony Falls Project), Series 2004 for the purpose of refunding the Block 2 note and a portion of the Block 3 Taxable Tax Increment Revenue Notes, Series 2001 issued by the former Minneapolis Community Development Agency (now Community Planning & Economic Development Department) for this same project. The original note proceeds were used to finance certain public redevelopment costs in connection with the development of approximately 95 townhome and condominium units in a three-block redevelopment project known as Village at St. Anthony Falls Project. The 2004 series refunding bonds had interest rates ranging from 2.35% to 5.75% and a final maturity date of February 1, 2027. The bonds are payable solely from tax increments attributable to Blocks 2 and 3-A located in the East Hennepin & University Tax Increment Financing District.

In March 2004, the City also issued \$4,000 of Taxable Tax Increment Revenue Refunding Bonds (Village at St. Anthony Falls Project), Series 2004 to refund the remaining portion of the Block 3 Taxable Tax Increment Revenue Note, Series 2001. The original note proceeds were used to finance certain public redevelopment costs in connection with the development of 47 for sale lofts and 12 brownstones within a three-block redevelopment project known as Village at St. Anthony Falls Project – Block 3-B. These bonds have an interest rate of 5.5% and a final maturity date of March 16, 2007. The bonds are payable solely from tax increments attributable to Block 3-B located in the East Hennepin & University Tax Increment Financing District.

In June 2004, the City issued \$40,970 of General Obligation Various Purpose Bonds, Series 2004 to support the five-year capital plan. These bonds were issued for a variety of public works infrastructure improvements, water, storm drains, park, library, municipal building commission, public safety initiative, fleet equipment and technology improvements. The Various Purpose series had interest rates ranging from 4.00% to 5.00% and a final maturity date of December 1, 2019.

In July 2004, the Community Planning & Economic Development Department, through the General Agency Reserve Fund System (GARFS) enterprise fund, issued revenue bonds in the amount of \$2,475. The bonds were issued to finance economic development within the city and have interest rates ranging from 2.25% to 5.50% and a final maturity date of December 1, 2024.

In December 2004, the City issued \$9,740 of General Obligation Improvement Bonds, Series 2004 for various special assessment projects. The Improvement Bond series had interest rates ranging from 2.50% to 4.375% and a final maturity date of December 1, 2024. Also issued were \$28,000 of General Obligation Library Bonds, Series 2004 for construction of the new Central Library and improvements to other community libraries. The Library Bonds had interest rates ranging from 3.00% to 5.00% and a final maturity date of December 1, 2025. Also issued were \$4,740 of Taxable General Obligation Pension Bonds (MFDRA), Series 2004 for pension obligations of the Minneapolis Fire Department Relief Association. The MFDRA series had interest rates ranging from 3.00% to 3.625% and a final maturity date of December 1, 2008. Also issued were \$24,970 of Taxable General Obligation Pension Bonds (MPRA), Series 2004 for pension obligations of the Minneapolis Police Relief Association. The MPRA series had interest rates ranging from 5.00% to 5.30% and a final maturity date of December 1, 2021.

2004 Notes Issued

In February 2004, the City issued a \$25,000 General Obligation Water Revenue Note to the Minnesota Public Facilities Authority. The note is 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 2.80% or 1.5% below the market rate on bonds sold by the State of Minnesota to fund the revolving fund. During 2004, the City received and/or accrued proceeds of \$24,502 from the State of Minnesota on this note. This is the second note being used for construction of the Columbia Heights Water Ultrafiltration Plant and has a final maturity date of August 20, 2023. During 2004, the City also received an additional \$11,108 of proceeds from the first note for a final total of \$27,400. See Subsequent Events below for details of the third note under this program.

For the fiscal year ended December 31, 2004

(Dollar Amounts Expressed in Thousands)

**NOTE 5 - LONG-TERM DEBT (continued)**

In December 2004, the City issued a \$6,500 Section 108 variable rate loan to the Department of Housing and Urban Development. The proceeds of the loan were advanced to the Midtown Exchange project together with other public and private funds for construction of a 1,400 space parking ramp as part of the redevelopment of the old Sears site. Repayment of the loan will come from tax increments generated by the project. The loan is further backed by a corporate guarantee from Ryan Companies US, Inc. and also by a future pledge of the City's annual Community Development Block Grant entitlements. The loan had a starting interest rate of 2.38% and a final maturity date of August 1, 2024.

Current Refunding Transactions

In June 2004, the City issued \$19,170 of General Obligation Convention Center Refunding Bonds, Series 2004A. On August 1, 2004, these bonds refunded the parking facility related portion of the Convention Center Facility Bonds, Series 1990 dated April 1, 1993. The bonds were issued in variable rate mode with a starting interest rate of .94% and a final maturity date of December 1, 2014. While difficult to quantify the potential savings on a current refunding involving variable rate bonds, it was projected that debt service savings on a net present value basis would amount to \$1,593. Also issued were \$39,740 of General Obligation Convention Center Refunding Bonds, Series 2004B. On August 1, 2004, these bonds refunded the remaining portion of the Convention Center Facility Bonds, Series 1990 dated April 1, 1993. The refunding bonds have the same maturity structure as the refunded bonds with an interest rate of 5.00% and a final maturity date of April 1, 2014. The refunding resulted in debt service savings of approximately \$2,995 on a net present value basis.

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, 2004, \$120,467 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

On March 1, 2005, the City called for early redemption all of the outstanding General Obligation Various Purpose Bonds, Series 1994A, 1995B, 1996, 1997B & 1998B totaling \$11,800. These bond series were all in variable rate mode and had maturity dates ranging from 12/1/05 to 12/1/07. The bonds were paid off early to generate interest and associated fee savings due to sufficient debt service funds on hand.

On March 17, 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 Ramp 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 new 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.

On March 30, 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.

For the fiscal year ended December 31, 2004

(Dollar Amounts Expressed in Thousands)

**NOTE 5 - LONG-TERM DEBT (continued)**

Long-term liabilities at December 31, 2004 consisted of the following:

|   | Balance     |           |             | Amounts            |                     |
|---|-------------|-----------|-------------|--------------------|---------------------|
|   | 1/1/2004    | Additions | Retirements | Balance 12/31/2004 | Due Within One Year |
| <b>Governmental activities:</b>           |             |           |             |                    |                     |
| <u>Bonds and Notes</u>                    |             |           |             |                    |                     |
| Property Tax Supported GO Bonds           | \$ 222,390  | \$ 74,530 | \$ 28,805   | \$ 268,115         | \$ 27,345           |
| Self Supporting GO Bonds                  | 274,230     | 39,740    | 47,170      | 266,800            | 8,460               |
| GO Improvement Bonds                      | 43,683      | 10,240    | 4,625       | 49,298             | 5,421               |
| Tax Increment GO Bonds                    | 214,440     | -         | 8,130       | 206,310            | 9,350               |
| Revenue Bonds                             | 77,102      | 11,470    | 13,890      | 74,682             | 12,962              |
| Revenue Notes                             | 48,422      | 6,500     | 12,924      | 41,998             | 746                 |
| Internal Service Fund Related GO Bonds    | 102,615     | 8,990     | 10,450      | 101,155            | 12,140              |
| Total Bonds and Notes                     | 982,882     | 151,470   | 125,994     | 1,008,358          | 76,424              |
| <u>Other Long-term Liabilities</u>        |             |           |             |                    |                     |
| Operating Lease Payable                   | 350         | -         | 256         | 94                 | 80                  |
| Contracts Payable                         | 223         | -         | 29          | 194                | 32                  |
| Unamortized Premium (Discount)            | 8,257       | 5,442     | 986         | 12,713             | -                   |
| Compensated Absences                      | 22,012      | 15,043    | 14,024      | 23,031             | 12,046              |
| Total Other Long-Term Liabilities         | 30,842      | 20,485    | 15,295      | 36,032             | 12,158              |
| Total Long-term Liabilities Governmental  | 1,013,724   | 171,955   | 141,289     | 1,044,390          | 88,582              |
| <b>Business-type activities:</b>          |             |           |             |                    |                     |
| <u>Bonds and Notes</u>                    |             |           |             |                    |                     |
| Sewer Fund GO Bonds                       | 42,771      | 7,410     | 9,120       | 41,061             | 8,680               |
| Water Fund GO Bonds                       | 44,165      | 7,250     | 11,431      | 39,984             | 8,819               |
| Water Fund GO Note                        | 15,892      | 35,610    | 500         | 51,002             | 750                 |
| Municipal Parking Fund GO Bonds           | 285,337     | 19,170    | 30,564      | 273,943            | 12,154              |
| CPED GO Bonds                             | 1,970       | -         | 680         | 1,290              | 30                  |
| CPED Fund                                 |             |           |             |                    |                     |
| General Agency Reserve Fund System Bonds  | 73,755      | 2,475     | 8,435       | 67,795             | 3,080               |
| Mortgage Revenue Bonds                    | 8,362       | -         | 4,767       | 3,595              | -                   |
| Revenue Notes                             | 1,248       | -         | 93          | 1,155              | 99                  |
| Total Bonds and Notes                     | 473,500     | 71,915    | 65,590      | 479,825            | 33,612              |
| <u>Other Long-term Liabilities</u>        |             |           |             |                    |                     |
| Unamortized Premium (Discount)            | (3,626)     | 766       | (221)       | (2,639)            | -                   |
| Compensated Absences                      | 2,115       | 2,755     | 2,520       | 2,350              | -                   |
| Total Other Long-term Liabilities         | (1,511)     | 3,521     | 2,299       | (289)              | -                   |
| Total Long-term Liabilities Business-type | 471,989     | 75,436    | 67,889      | 479,536            | 33,612              |
| Total Long-term Liabilities               | \$1,485,713 | \$247,391 | \$ 209,178  | \$1,523,926        | \$122,194           |

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 the Convention Center Special Revenue Fund.

For the fiscal year ended December 31, 2004

(Dollar Amounts Expressed in Thousands)

**NOTE 5 - LONG-TERM DEBT (continued)**

As of December 31, 2004, debt service requirements for Governmental and Business-type activities to maturity are as follows:

| Year ending<br>Dec 31: | Governmental Activities – Non-Proprietary |                |               |               |
|------------------------|---|----------------|---------------|---------------|
|                        | Bonds                                     |                | Notes         |               |
|                        | Principal                                 | Interest       | Principal     | Interest      |
| 2005                   | \$ 63,538                                 | \$ 63,680      | \$ 746        | \$ 1,747      |
| 2006                   | 53,590                                    | 61,950         | 842           | 1,589         |
| 2007                   | 51,106                                    | 60,692         | 12,127        | 1,567         |
| 2008                   | 43,185                                    | 59,539         | 1,321         | 721           |
| 2009                   | 40,288                                    | 57,769         | 725           | 674           |
| 2010 – 2014            | 174,369                                   | 134,592        | 6,592         | 2,559         |
| 2015 - 2019            | 196,859                                   | 92,354         | 4,180         | 1,549         |
| 2020 - 2024            | 152,645                                   | 43,070         | 4,100         | 694           |
| 2025 - 2029            | 74,825                                    | 12,869         | 1,445         | 160           |
| 2030 - 2032            | 14,800                                    | 1,280          | 9,920         | 22            |
|                        | <u>865,205</u>                            | <u>587,795</u> | <u>41,998</u> | <u>11,282</u> |

| Year ending<br>Dec 31: | Internal Service Fund Bonds |                  | Total Governmental<br>Activity Bonds & Notes |                   |
|------------------------|-----------------------------|------------------|--|-------------------|
|                        | Principal                   | Interest         | Principal                                    | Interest          |
| 2005                   | 12,140                      | 4,726            | 76,424                                       | 70,153            |
| 2006                   | 13,770                      | 4,140            | 68,202                                       | 67,679            |
| 2007                   | 7,655                       | 3,515            | 70,888                                       | 65,774            |
| 2008                   | 3,425                       | 3,193            | 47,972                                       | 63,453            |
| 2009                   | 9,665                       | 3,035            | 50,678                                       | 61,478            |
| 2010 - 2014            | 35,465                      | 8,478            | 216,426                                      | 145,629           |
| 2015 - 2019            | 14,215                      | 3,241            | 215,254                                      | 97,144            |
| 2020 - 2024            | 4,820                       | 378              | 161,565                                      | 44,142            |
| 2025 - 2029            |                             |                  | 76,270                                       | 13,029            |
| 2030 - 2032            |                             |                  | 24,720                                       | 1,302             |
|                        | <u>\$ 101,155</u>           | <u>\$ 30,706</u> | <u>\$ 1,008,358</u>                          | <u>\$ 629,783</u> |

| Year ending<br>Dec 31: | Business-type Activities |                   |                  |                  | Total<br>Principal | Total<br>Interest |
|------------------------|--------------------------|-------------------|------------------|------------------|--------------------|-------------------|
|                        | Bonds                    |                   | Notes            |                  |                    |                   |
|                        | Principal                | Interest          | Principal        | Interest         |                    |                   |
| 2005                   | \$ 32,763                | \$ 23,108         | \$ 849           | \$ 1,393         | \$ 33,612          | \$ 24,501         |
| 2006                   | 37,751                   | 22,147            | 906              | 1,489            | 38,657             | 23,636            |
| 2007                   | 29,572                   | 20,716            | 963              | 1,459            | 30,535             | 22,175            |
| 2008                   | 27,874                   | 19,386            | 1,020            | 1,458            | 28,894             | 20,844            |
| 2009                   | 26,465                   | 16,501            | 1,077            | 1,395            | 27,542             | 17,896            |
| 2010 - 2014            | 106,111                  | 66,811            | 8,640            | 6,303            | 114,751            | 73,114            |
| 2015 - 2019            | 67,877                   | 36,772            | 16,150           | 4,780            | 84,027             | 41,552            |
| 2020 - 2024            | 49,560                   | 21,166            | 22,552           | 1,652            | 72,112             | 22,818            |
| 2025 - 2029            | 44,990                   | 7,029             |                  |                  | 44,990             | 7,029             |
| 2030 - 2032            | 4,705                    | 394               |                  |                  | 4,705              | 394               |
| Total                  | <u>\$ 427,668</u>        | <u>\$ 234,030</u> | <u>\$ 52,157</u> | <u>\$ 19,929</u> | <u>\$ 479,825</u>  | <u>\$ 253,959</u> |

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

As of December 31, 2004, outstanding industrial, commercial, and housing revenue bonds and notes approximated \$1,596 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 prior years, the City defeased certain general obligation bonds and self supporting revenue bonds by placing the proceeds of the refunding issues in special escrow accounts and investing in securities of the U.S. Government and its Agencies. The maturities of these investments coincide with the principal 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 balance outstanding of the extinguished debt as of December 31, 2004 is \$15,897.

**NOTE 8 – DEMAND BONDS**

General Obligation Demand Bonds

The City has issued General Obligation demand bonds maturing serially through December 1, 2032, in the original amounts of \$23,230, \$26,845, \$28,200, \$24,000, \$38,000, \$88,400, \$29,000, \$88,800, \$17,900, \$57,000, \$15,985, \$16,100 and \$19,170. 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     |
|-------|------------|
| 2005  | 12,835     |
| 2006  | 9,225      |
| 2007  | 6,485      |
| 2008  | 5,800      |
| 2009  | 6,210      |
| 2010  | 7,740      |
| 2011  | 6,575      |
| 2012  | 7,305      |
| 2013  | 7,150      |
| 2014  | 4,790      |
| 2015  | 22,075     |
| 2016  | 22,450     |
| 2017  | 22,875     |
| 2018  | 22,835     |
| 2019  | 2,280      |
| 2020  | 2,095      |
| 2021  | 2,490      |
| 2022  | 2,935      |
| 2023  | 2,790      |
| 2024  | 3,350      |
| 2025  | 5,995      |
| 2026  | 12,795     |
| 2027  | 13,630     |
| 2028  | 11,860     |
| 2029  | 8,300      |
| 2030  | 6,725      |
| 2031  | 5,350      |
| 2032  | 2,725      |
| Total | \$ 247,670 |

**NOTE 8 – DEMAND BONDS (continued)**

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 agents. The Remarketing agents are authorized to use their best efforts 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 percent per annum with respect to amounts advanced. The expiration dates for the Standby Bond Purchase Agreements are July 21, 2007. The City is required to pay to Dexia Credit Local an annual commitment fee of 16 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 equal to one-tenth of one percent of the 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 and equipment for its operations. The lease for office space expires in the year 2019, and the office space lease payments were \$1,088 in 2004. The equipment lease periods vary from one to three years, and the equipment lease payments were \$429 in 2004. In addition, the City leases equipment, uniforms, and office space for its theatre operations. These lease periods vary from one to five years, and the lease payments were \$58 in 2004.

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

| Year ending December 31      | Government      | Business Type |
|------------------------------|-----------------|---------------|
|                              | Activity        | Activity      |
|                              | <u>Amount</u>   | <u>Amount</u> |
| 2005                         | \$ 656          | \$ 358        |
| 2006                         | 559             | 357           |
| 2007                         | 518             | 2             |
| 2008                         | 518             | 2             |
| 2009                         | 516             | 1             |
| 2010 – 2014                  | 3,441           |               |
| 2015 - 2016                  | 1,290           |               |
| Total minimum lease payments | \$ <u>7,498</u> | \$ <u>720</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 \$6,289 over the lease terms results in a total annual lease amount of \$419.

**NOTE 9 – LEASES (continued)**

For 2004 the amount of lease expenditures is as follows:

|                                |                      |
|--------------------------------|----------------------|
|                                | <u>Amount</u>        |
| Operating leases               | \$ 419               |
| Additional Straight Line Basis | <u>(247)</u>         |
| Total expenditures             | <u><u>\$ 172</u></u> |

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

| <u>Year</u>                  | Government<br>Activity<br><u>Amount</u> | Business Type<br>Activity<br><u>Amount</u> |
|------------------------------|---|--|
| 2005                         | \$ 241                                  | \$ 64                                      |
| 2006                         | 49                                      | 67   |
| 2007                         | 26                                      | 69   |
| 2008                         | 2                                       | 70   |
| 2009 -2014                   |   | 359  |
| 2015 - 2019                  |   | 459  |
| Total minimum lease payments | <u><u>\$ 318</u></u>                    | <u><u>\$ 1,088</u></u>                     |

**NOTE 10 – INTERFUND TRANSACTIONS**

**Interfund Receivables/Payables**

The composition of interfund balances as of December 31, 2004 are as follows:

**Due to/from other funds:**

| <u>Receivable Fund</u>                 | <u>Payable Fund</u>                       | <u>Amount</u>    |
|--|---|------------------|
| General Fund                           | Internal Service Funds                    | \$ 5,374         |
|  | Nonmajor Governmental Funds               | 3,443            |
| CPED Special Revenue Fund              | Nonmajor Governmental Funds               | 2,254            |
| Convention Center Special Revenue Fund | General Fund                              | 370              |
| Internal Service Funds                 | General Fund                              | 172              |
|  | Permanent Improvement Fund                | 3,373            |
| Sewer Enterprise Fund                  | Permanent Improvement Fund                | 5,555            |
|  | Municipal Parking Enterprise Fund         | 8,402            |
| Nonmajor Governmental Funds            | General Fund                              | 2                |
|  | Convention Center Special Revenue Fund    | 391              |
|  | CPED Special Revenue Fund                 | 806              |
|  | Internal Service Funds                    | 546              |
|  | Sewer Rental Enterprise Fund              | 211              |
|  | Solid Waste and Recycling Enterprise Fund | 50               |
|  | Water Works Enterprise Fund               | 497              |
|  | Municipal Parking Enterprise Fund         | 40               |
|  | Total                                     | <u>\$ 31,486</u> |

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>    |
|--|------------------------|------------------|
| CPED Special Revenue Fund              | CPED Enterprise Fund   | \$ 10            |
| Convention Center Special Revenue Fund | Internal Service Funds | <u>12,800</u>    |
|  | Total                  | <u>\$ 12,810</u> |

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

**NOTE 10 – INTERFUND TRANSACTIONS (continued)**

**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:

**(a) Between Governmental and Business-type Activities:**

| <u>Transfer Out</u>          | <u>Transfer In</u>             | <u>Amount</u>    |
|------------------------------|--------------------------------|------------------|
| General Fund                 | Solid Waste and Recycling Fund | \$ 50            |
|                              | Internal Service Funds         | 25,656           |
|                              |                                | <u>25,706</u>    |
| CPED Special Revenue Fund    | CPED Enterprise Fund           | 73               |
|                              | Municipal Parking Fund         | 5,628            |
|                              | Internal Service Funds         | 322              |
|                              |                                | <u>6,023</u>     |
| Convention Center Fund       | Municipal Parking Fund         | 8,365            |
|                              | Internal Service Funds         | 85               |
|                              |                                | <u>8,450</u>     |
| Permanent Improvement Fund   | Sewer Rental                   | 238              |
|                              | Municipal Parking Fund         | 1,781            |
|                              | Water Works                    | 177              |
|                              | Internal Service Funds         | 172              |
|                              |                                | <u>2,368</u>     |
| Nonmajor Governmental Funds  | Water Works Fund               | 22               |
|                              | Internal Service Funds         | 1,327            |
|                              |                                | <u>1,349</u>     |
| Internal Service Funds       | Nonmajor Governmental Funds    | <u>462</u>       |
| Enterprise Funds:            |                                |                  |
| Municipal Parking Fund       | General Fund                   | 3,400            |
|                              | Nonmajor Governmental Funds    | 2,050            |
|                              |                                | <u>5,450</u>     |
| Sewer Rental                 | Nonmajor Governmental Funds    | <u>872</u>       |
| Solid Waste & Recycling Fund | General Fund                   | 700              |
|                              | Nonmajor Governmental Funds    | 103              |
|                              |                                | <u>803</u>       |
| Water Works Funds            | Permanent Improvement Fund     | 80               |
|                              | Nonmajor Governmental Funds    | 1,048            |
|                              |                                | <u>1,128</u>     |
| CPED Enterprise Fund         | CPED Special Revenue Fund      | <u>374</u>       |
| Total                        |                                | <u>\$ 52,985</u> |

**NOTE 10 – INTERFUND TRANSACTIONS**

**Transfers (continued)**

**(b) Between Funds within the Governmental or Business-type Activities:**

|                              |                                |                  |
|------------------------------|--------------------------------|------------------|
|                              | Permanent Improvement Fund     | \$ 50            |
|                              | Nonmajor Governmental Funds    | 3,934            |
|                              |                                | <u>6,084</u>     |
| CPED Special Revenue Fund    | Permanent Improvement Fund     | 935              |
| Convention Center Fund       | General Fund                   | 7,164            |
|                              | Nonmajor Governmental Funds    | 16,342           |
|                              |                                | <u>23,506</u>    |
| Permanent Improvement Fund   | Nonmajor Governmental Funds    | 2,203            |
| Nonmajor Governmental Funds  | General Fund                   | 1,434            |
|                              | CPED Special Revenue Fund      | 8,440            |
|                              | Nonmajor Governmental Funds    | 1,957            |
|                              |                                | <u>11,831</u>    |
| Internal Service Funds       | Internal Service Funds         | 132              |
| Enterprise Funds:            |                                |                  |
| Municipal Parking Fund       | Solid Waste and Recycling Fund | 146              |
|                              | Internal Service Funds         | 77               |
|                              |                                | <u>223</u>       |
| Sewer Rental                 | Internal Service Funds         | 76               |
|                              |                                | <u>76</u>        |
| Solid Waste & Recycling Fund | Internal Service Funds         | 81               |
| Water Works Funds            | Internal Service Funds         | 2,552            |
|                              |                                | <u>2,552</u>     |
| Total                        |                                | <u>\$ 47,623</u> |

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.

**NOTE 11 – NET ASSETS/FUND BALANCES (continued)**

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

As of December 31, 2004, reservations and designations 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.
- 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.

Designations

- Designated for Future Expenditures – amounts approved by the City Council to reappropriate unspent 2004 ending fund balances meeting specific criteria to 2005.

**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, 2003, the Governmental activities restricted net assets are as follows:

|   |           |
|---|-----------|
| Debt service  | \$ 49,028 |
| Total Restricted Net Assets – Governmental Activities | \$ 49,028 |

**NOTE 13 – RESTRICTED NET ASSETS – BUSINESS TYPE ACTIVITIES**

Certain net assets are classified on the balance sheet 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, 2004, the Business-type restricted net assets are as follows:

|  |           |
|--|-----------|
| Debt service   | \$ 40,140 |
| Total Restricted Net Assets-Business-type Activities | \$ 40,140 |

**NOTE 14 - DEFICIT NET ASSETS**

The following funds had deficit net assets as of December 31, 2004:

|                            |            |
|----------------------------|------------|
| Internal Service Funds:    |            |
| Intergovernmental Services | \$(37,487) |
| Self Insurance             | \$(37,980) |

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.

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.

There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon the death of the retiree; no survivor annuity is payable. There are also various types of joint and survivor annuity options available which will reduce the monthly normal annuity amount because the annuity is payable over joint lives. Members may also leave their contributions in the fund upon termination of public service in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

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

**Plan Description (continued)**

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 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**

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 are required to contribute 5.10 percent of their annual covered salary. Public Employees Police and Fire Fund members are required to contribute 6.2 percent of their annual covered salary.

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

|                                       |        |
|---------------------------------------|--------|
| Public Employees Retirement Fund      |        |
| Coordinated Plan members              | 5.53 % |
| Public Employees Police and Fire Fund | 9.30 % |

The City contributions for the years ending December 31, 2002, 2003, and 2004 for the Public Employees Retirement Fund and the Public Employees Police and Fire Fund were:

|      | <u>PERF</u> | <u>PEPFF</u> |
|------|-------------|--------------|
| 2002 | \$5,837     | \$6,219      |
| 2003 | \$6,022     | \$6,403      |
| 2004 | \$6,253     | \$6,704      |

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.

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

**Plan Description (continued)**

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 then 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.

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, 2002, 2003, and 2004 for the MERF were:

|      |          |
|------|----------|
| 2002 | \$8,757  |
| 2003 | \$35,626 |
| 2004 | \$28,974 |

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

For the fiscal year ended December 31, 2004

(Dollar Amounts Expressed in Thousands)

**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 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 which requires full funding of the MFRA's accrued liability and the MPRA's accrued liability by the year 2010. The City contributed \$1,333 to MFRA and \$ 19,420 to MPRA for the fiscal year ended December 31, 2003. 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.

For the fiscal year ended December 31, 2004

(Dollar Amounts Expressed in Thousands)

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

**Funding Policy (continued)**

The City's annual pension cost for the fiscal year ended December 31, 2003, and related information for each plan is as follows:

|                               | <u>MFRA</u>  | <u>MPRA</u>  |
|-------------------------------|--|--|
| Annual pension cost           | \$1,333  | \$19,420   |
| Contributions made            | \$1,333  | \$19,420   |
| Actuarial valuation date      | 12/31/2003   | 12/31/2003   |
| Actuarial cost method         | Entry Age Normal Cost  | Entry Age Normal Cost  |
| Amortization method           | Level Percentage of Payroll  | Level Percentage of Payroll  |
| Remaining amortization period | 15 years, closed   | 6 years, closed  |
| Asset valuation method        | Book value plus the average<br>unrealized gain for the last<br>three years minus excess<br>investment income as<br>defined by state law. | Book value plus the average<br>unrealized gain for the last<br>three years minus excess<br>investment income as<br>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   |
| <br>                          |  |  |
| Inflation                     | NA   | NA   |
| Cost-of-living adjustments    | NA   | NA   |

**Three-Year Trend Information:**

|      | <u>Year</u><br><u>Ending</u> | <u>Annual</u><br><u>Pension</u><br><u>Cost (APC)</u> | <u>Percentage</u><br><u>of APC</u><br><u>Contributed (%)</u> | <u>Net</u><br><u>Pension</u><br><u>Obligation</u> |
|------|------------------------------|--|--|---|
| MFRA | 2001                         | \$1,232  | 100  | -   |
|      | 2002                         | \$1,030  | 100  | -   |
|      | 2003                         | \$1,333  | 100  | -   |
| MPRA | 2001                         | \$3,459  | 100  | -   |
|      | 2002                         | \$8,326  | 100  | -   |
|      | 2003                         | \$19,420   | 100  | -   |

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

For the fiscal year ended December 31, 2004

(Dollar Amounts Expressed in Thousands)

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

**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) |
|--------------------------|------------------------------------|---|-----------------------------|------------------------|---|---|
| 2001                     | \$ 304,887                         | \$ 293,396                                | \$ (11,491)                 | 103.9                  | \$ 5,888  | -195.2  |
| 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  |

**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) |
|--------------------------|------------------------------------|---|-----------------------------|------------------------|---|---|
| 2001                     | \$ 349,170                         | \$ 464,649                                | \$ 115,479                  | 75.1                   | \$ 5,238  | 2204.6  |
| 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  |

**NOTE 18 - DEFINED CONTRIBUTION PLAN – CPED (FORMERLY MCDA)**

**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, 2004, was \$1,611 and the CPED's total payroll was \$9,320.

**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.

The City and CPED employee participants contributed \$89 and 82 respectively to the plan during the year, which amounts represented 5.53% and 5.1% respectively of the covered payroll.

For the fiscal year ended December 31, 2004

(Dollar Amounts Expressed in Thousands)

**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 35 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 exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is self-insured for workers' compensation, under \$25,000, claims liability, and re-employment. The workers' compensation program included the BET, the MBC, and all City departments. The Library Board and the Park Board maintained their own workers' compensation programs. The City, the MBC, CPED, and the BET are self-insured for tort liability. The Library Board and the Park Board maintained their separate liability programs. The City, including all discrete and blended component units of government, also maintained a self-funded dental plan for covered employees. The claims liability of \$28.3 million reported in the Self-Insurance Internal Service Fund at December 31, 2004, 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.

The City purchased 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.

Dental coverage is based on plan design and includes Delta Preferred coverage of up to \$1,000 or Delta Premier coverage pf 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.

Changes in the tort claims liabilities during fiscal 2004 and 2003 were:

|  | 2004             |    | 2003            |
|--|------------------|----|-----------------|
| Liability balance – January 1                | \$ 27,848        | \$ | 26,715          |
| Current year claims and changes in estimates | 7,415            |    | 13,992          |
| Claim payments                               | <u>(6,877)</u>   |    | <u>(12,860)</u> |
| Liability balance – December 31              | \$ <u>28,386</u> | \$ | <u>27,847</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.

Various cases and claims are 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 litigation over the value of a building it acquired through a “quick take” process. The case is pending in District Court for trial in 2005 on the valuation of the building, which could affect the City’s final liability for the acquisition.

A 2005 Trial Court ruled against the Minneapolis Community Development Agency (now a department of the City), stating the Agency owed attorneys fees, expenses, and costs to two companies, stemming from a condemnation action. A final settlement of the exact amount owed has not yet been determined.

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. Trial is scheduled for late 2005.

A claim has been made against the City by a contractor performing work on a new drinking water filtration plant. The contractor claims it is owed additional compensation for construction delays caused by the City. The City believes its contract with the contractor does not call for costs related to delays and questions the extent of delays being claimed. Presently, this claim is unresolved and is not in any formal process.

**GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - SUMMARY  
For the Fiscal Year Ended December 31, 2004**

**CITY OF MINNEAPOLIS, MINNESOTA**

**(In Thousands)**

|   | <b>2004</b>             |                  |                  |                  |                  |
|---|-------------------------|------------------|------------------|------------------|------------------|
|   | <b>Budgeted Amounts</b> |                  | <b>Actual</b>    | <b>Variance</b>  | <b>2003</b>      |
|   | <b>Original</b>         | <b>Final</b>     |                  |                  | <b>Actual</b>    |
| <b>REVENUES:</b>  |                         |                  |                  |                  |                  |
| Taxes   | \$ 108,876              | \$ 108,876       | \$ 111,126       | \$ 2,250         | \$ 88,702        |
| Licenses and Permits                                      | 21,435                  | 21,225           | 24,148           | 2,923            | 22,205           |
| Intergovernmental revenues                                | 76,928                  | 76,928           | 77,469           | 541              | 88,818           |
| Charges for services and sales                            | 23,028                  | 26,676           | 28,182           | 1,506            | 19,980           |
| Fines and forfeits  | 9,372                   | 9,372            | 8,910            | (462)            | 8,026            |
| Special assessments                                       | 2,857                   | 2,506            | 2,628            | 122              | 2,723            |
| Interest  | 1,301                   | 1,301            | 541              | (760)            | 1,432            |
| Miscellaneous revenues                                    | 1,025                   | 1,098            | 1,030            | (68)             | 538              |
| <b>Total revenues</b>                                     | <b>244,822</b>          | <b>247,982</b>   | <b>254,034</b>   | <b>6,052</b>     | <b>232,424</b>   |
| <b>CURRENT EXPENDITURES:</b>                              |                         |                  |                  |                  |                  |
| <b>Current:</b>   |                         |                  |                  |                  |                  |
| <b>General government:</b>                                |                         |                  |                  |                  |                  |
| Mayor   | 939                     | 952              | 904              | 48               | 856              |
| Council   | 2,870                   | 3,023            | 2,868            | 155              | 2,787            |
| Assessor  | 2,777                   | 2,777            | 2,526            | 251              | 2,584            |
| Attorney  | 5,013                   | 5,013            | 4,631            | 382              | 4,260            |
| Civil rights  | 1,791                   | 1,791            | 1,791            | -                | 1,761            |
| Clerk   | 1,144                   | 1,134            | 1,134            | -                | 1,262            |
| Clerk-Elections and registration                          | 931                     | 956              | 956              | -                | 528              |
| Coordinator   | 409                     | 434              | 361              | 73               | 387              |
| Coordinator-Communications                                | 2,108                   | 2,165            | 1,905            | 260              | 2,011            |
| Coordinator-Finance                                       | 7,519                   | 11,542           | 9,931            | 1,611            | 4,659            |
| Coordinator-Grants and special projects                   | 206                     | 206              | 166              | 40               | 141              |
| Coordinator-Human resources                               | 3,697                   | 3,732            | 3,682            | 50               | 3,472            |
| Coordinator-Intergovernmental relations                   | 695                     | 795              | 789              | 6                | 678              |
| Planning  | -                       | -                | -                | -                | 1,635            |
| Contingency   | 1,588                   | 2,378            | 45               | 2,333            | 3,652            |
| Miscellaneous   | 2,248                   | 2,248            | 434              | 1,814            | 1,094            |
| <b>Total general government</b>                           | <b>33,935</b>           | <b>39,146</b>    | <b>32,123</b>    | <b>7,023</b>     | <b>31,767</b>    |
| <b>Public safety:</b>                                     |                         |                  |                  |                  |                  |
| Coordinator-Inspections                                   | 13,111                  | 13,411           | 12,689           | 722              | 11,781           |
| Coordinator-Licenses and consumer services                | 6,240                   | 6,197            | 6,061            | 136              | 5,605            |
| Corrections   | 700                     | 781              | 781              | -                | 765              |
| Emergency communications                                  | 6,202                   | 6,254            | 6,174            | 80               | -                |
| Fire  | 43,316                  | 43,934           | 39,495           | 4,439            | 39,934           |
| Police  | 89,446                  | 89,393           | 87,603           | 1,790            | 93,632           |
| <b>Total public safety</b>                                | <b>159,015</b>          | <b>159,970</b>   | <b>152,803</b>   | <b>7,167</b>     | <b>151,717</b>   |
| <b>Public works:</b>                                      |                         |                  |                  |                  |                  |
| Administration  | 1,938                   | 2,842            | 2,095            | 747              | 1,953            |
| Engineering design  | 1,116                   | 1,066            | 920              | 146              | 888              |
| Field services  | 22,788                  | 23,845           | 22,267           | 1,578            | 20,958           |
| Transportation and special projects                       | 10,296                  | 10,671           | 10,404           | 267              | 9,742            |
| <b>Total public works</b>                                 | <b>36,138</b>           | <b>38,424</b>    | <b>35,686</b>    | <b>2,738</b>     | <b>33,541</b>    |
| <b>Culture and recreation - Library</b>                   | <b>-</b>                | <b>900</b>       | <b>900</b>       | <b>-</b>         | <b>-</b>         |
| <b>Health and welfare - Health and family support</b>     | <b>3,465</b>            | <b>3,508</b>     | <b>3,446</b>     | <b>62</b>        | <b>3,415</b>     |
| <b>Community &amp; economic development</b>               | <b>2,155</b>            | <b>2,184</b>     | <b>2,179</b>     | <b>5</b>         | <b>250</b>       |
| <b>Total expenditures</b>                                 | <b>234,708</b>          | <b>244,132</b>   | <b>227,137</b>   | <b>16,995</b>    | <b>220,690</b>   |
| Excess (deficiency) of revenues over (under) expenditures | 10,114                  | 3,850            | 26,897           | 23,047           | 11,734           |
| <b>OTHER FINANCING SOURCES (USES):</b>                    |                         |                  |                  |                  |                  |
| Transfers from other funds                                | 20,500                  | 14,100           | 12,698           | (1,402)          | 20,713           |
| Transfers (to) other funds                                | (29,863)                | (31,790)         | (31,790)         | -                | (24,989)         |
| <b>Total other financing sources (uses)</b>               | <b>(9,363)</b>          | <b>(17,690)</b>  | <b>(19,092)</b>  | <b>(1,402)</b>   | <b>(4,276)</b>   |
| Net change in fund balance                                | 751                     | (13,840)         | 7,805            | 21,645           | 7,458            |
| Fund balance - January 1                                  | 53,547                  | 53,547           | 53,547           | -                | 46,089           |
| <b>Fund balance - December 31</b>                         | <b>\$ 54,298</b>        | <b>\$ 39,707</b> | <b>\$ 61,352</b> | <b>\$ 21,645</b> | <b>\$ 53,547</b> |

**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, 2004** **(In Thousands)**

|  | 2004              |                  |                   |                   | 2003<br>Actual    |
|--|-------------------|------------------|-------------------|-------------------|-------------------|
|  | Budgeted Amounts  |                  | Actual            | Variance          |                   |
|  | Original          | Final            |                   |                   |                   |
| <b>REVENUES:</b>   |                   |                  |                   |                   |                   |
| Taxes:   |                   |                  |                   |                   |                   |
| General property tax   | \$ 406            | \$ 406           | \$ 67             | \$ (339)          | \$ 3,806          |
| Property tax increment                                       | 70,842            | 70,837           | 63,745            | (7,092)           | 67,483            |
| <b>Total taxes</b>   | <b>71,248</b>     | <b>71,243</b>    | <b>63,812</b>     | <b>(7,431)</b>    | <b>71,289</b>     |
| Intergovernmental revenues:                                  |                   |                  |                   |                   |                   |
| Federal grantor agencies                                     | 14,758            | 15,180           | 63                | (15,117)          | 400               |
| State grants and shared revenues                             | 6,055             | 6,572            | 10,937            | 4,365             | 4,309             |
| Other local grants   | 500               | 510              | 728               | 218               | 3,333             |
| <b>Total intergovernmental revenues</b>                      | <b>21,313</b>     | <b>22,262</b>    | <b>11,728</b>     | <b>(10,534)</b>   | <b>8,042</b>      |
| Charges for services and sales                               | 7,816             | 7,881            | 6,407             | (1,474)           | 7,808             |
| Interest   | 7,493             | 7,498            | 3,975             | (3,523)           | 9,855             |
| Miscellaneous revenues:                                      |                   |                  |                   |                   |                   |
| Rents and commissions  | 3,358             | 3,358            | 3,136             | (222)             | 2,739             |
| Sale of land   | 1,506             | 2,322            | 4,201             | 1,879             | 7,265             |
| Loan recapture   | 3,871             | 3,601            | 8,313             | 4,712             | 6,841             |
| Other  | 6,721             | 6,316            | 856               | (5,460)           | 972               |
| <b>Total miscellaneous revenues</b>                          | <b>15,456</b>     | <b>15,597</b>    | <b>16,506</b>     | <b>909</b>        | <b>17,817</b>     |
| <b>Total revenues</b>  | <b>123,326</b>    | <b>124,481</b>   | <b>102,428</b>    | <b>(22,053)</b>   | <b>114,811</b>    |
| <b>CURRENT EXPENDITURES:</b>                                 |                   |                  |                   |                   |                   |
| Community & economic development                             | 50,990            | 221,835          | 62,502            | 159,333           | 83,359            |
| <b>Total expenditures</b>                                    | <b>50,990</b>     | <b>221,835</b>   | <b>62,502</b>     | <b>159,333</b>    | <b>83,359</b>     |
| Excess (deficiency) of revenues over<br>(under) expenditures | 72,336            | (97,354)         | 39,926            | 137,280           | 31,452            |
| <b>OTHER FINANCING SOURCES (USES):</b>                       |                   |                  |                   |                   |                   |
| Transfers from other funds                                   | 27,805            | 27,805           | 10,914            | (16,891)          | 12,119            |
| Transfers (to) other funds                                   | (85,304)          | (95,757)         | (66,229)          | 29,528            | (68,799)          |
| Notes issued   | -                 | -                | 6,500             | 6,500             | 1,725             |
| <b>Total other financing sources (uses)</b>                  | <b>(57,499)</b>   | <b>(67,952)</b>  | <b>(48,815)</b>   | <b>19,137</b>     | <b>(54,955)</b>   |
| <b>Net change in fund balance</b>                            | <b>14,837</b>     | <b>(165,306)</b> | <b>(8,889)</b>    | <b>156,417</b>    | <b>(23,503)</b>   |
| Fund balance - January 1                                     | 257,398           | 257,398          | 257,398           | -                 | 280,901           |
| <b>Fund balance - December 31</b>                            | <b>\$ 272,235</b> | <b>\$ 92,092</b> | <b>\$ 248,509</b> | <b>\$ 156,417</b> | <b>\$ 257,398</b> |

**CONVENTION CENTER SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended December 31, 2004**

**CITY OF MINNEAPOLIS, MINNESOTA**

**(In Thousands)**

|  | 2004             |                  |                  |                 |                  | 2003<br>Actual |
|--|------------------|------------------|------------------|-----------------|------------------|----------------|
|  | Budgeted Amount  |                  | Actual           | Variance        |                  |                |
|  | Original         | Final            |                  |                 |                  |                |
| <b>REVENUES:</b>   |                  |                  |                  |                 |                  |                |
| Taxes:   |                  |                  |                  |                 |                  |                |
| Sales and use tax  | \$ 26,047        | \$ 26,047        | \$ 26,366        | \$ 319          | \$ 25,562        |                |
| Entertainment tax  | 8,470            | 8,470            | 8,670            | 200             | 7,779            |                |
| Food tax   | 7,754            | 7,754            | 8,802            | 1,048           | 7,907            |                |
| Liquor tax   | 2,843            | 2,843            | 3,432            | 589             | 3,065            |                |
| Lodging tax  | 4,545            | 4,545            | 4,899            | 354             | 4,595            |                |
| Total taxes  | 49,659           | 49,659           | 52,169           | 2,510           | 48,908           |                |
| Charges for services and sales                               | 4,740            | 4,740            | 5,000            | 260             | 3,720            |                |
| Interest   | 160              | 160              | 132              | (28)            | 265              |                |
| Miscellaneous revenues:                                      |                  |                  |                  |                 |                  |                |
| Rents and commissions  | 6,765            | 6,765            | 6,468            | (297)           | 6,194            |                |
| Private contributions  | -                | -                | -                | -               | 367              |                |
| Privileges   | 2,400            | 2,400            | 2,564            | 164             | 2,318            |                |
| Other  | 5                | 5                | 130              | 125             | 3                |                |
| Total miscellaneous revenues                                 | 9,170            | 9,170            | 9,162            | (8)             | 8,882            |                |
| Total revenues   | 63,729           | 63,729           | 66,463           | 2,734           | 61,775           |                |
| <b>CURRENT EXPENDITURES:</b>                                 |                  |                  |                  |                 |                  |                |
| General government   | 362              | 362              | 360              | 2               | 361              |                |
| Community & economic development                             | 29,511           | 29,952           | 28,622           | 1,330           | 26,688           |                |
| Total expenditures   | 29,873           | 30,314           | 28,982           | 1,332           | 27,049           |                |
| Excess (deficiency) of revenues over<br>(under) expenditures | 33,856           | 33,415           | 37,481           | 4,066           | 34,726           |                |
| <b>OTHER FINANCING SOURCES (USES):</b>                       |                  |                  |                  |                 |                  |                |
| Transfers (to) other funds                                   | (37,602)         | (37,602)         | (31,956)         | 5,646           | (34,548)         |                |
| Total other financing sources (uses)                         | (37,602)         | (37,602)         | (31,956)         | 5,646           | (34,548)         |                |
| Net change in fund balance                                   | (3,746)          | (4,187)          | 5,525            | 9,712           | 178              |                |
| Fund balance - January 1                                     | 24,399           | 24,399           | 24,399           | -               | 24,221           |                |
| <b>Fund balance - December 31</b>                            | <b>\$ 20,653</b> | <b>\$ 20,212</b> | <b>\$ 29,924</b> | <b>\$ 9,712</b> | <b>\$ 24,399</b> |                |

**NOTE 1 – BUDGETS**

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

**GOVERNMENTAL FUNDS  
BALANCE SHEET NONMAJOR FUNDS  
December 31, 2004**

**CITY OF MINNEAPOLIS, MINNESOTA**

**(In Thousands)**

| <u>ASSETS</u>                                   | Special Revenue  | Debt Service     | Total<br>Nonmajor<br>Governmental |
|---|------------------|------------------|-----------------------------------|
| Cash and cash equivalents                       | \$ 21,008        | \$ 46,637        | 67,645                            |
| Deposits with fiscal agents                     | 396              | -                | 396                               |
| Investments with trustees                       | 29,708           | 2,087            | 31,795                            |
| Receivables:                                    |                  |                  |                                   |
| Accounts - net                                  | 241              | 161              | 402                               |
| Taxes   | 153              | 647              | 800                               |
| Special assessments                             | -                | 23,809           | 23,809                            |
| Loans   | 8,817            | -                | 8,817                             |
| Intergovernmental                               | 9,834            | -                | 9,834                             |
| Due from other funds                            | 2,543            | -                | 2,543                             |
| Prepaid items                                   | 1                | -                | 1                                 |
| <b>Total assets</b>                             | <b>\$ 72,701</b> | <b>\$ 73,341</b> | <b>\$ 146,042</b>                 |
| <br>  |                  |                  |                                   |
| <b><u>LIABILITIES and<br/>FUND BALANCES</u></b> |                  |                  |                                   |
| <b>Liabilities:</b>                             |                  |                  |                                   |
| Salaries payable                                | \$ 676           | \$ -             | \$ 676                            |
| Accounts payable                                | 4,378            | 29               | 4,407                             |
| Intergovernmental payable                       | 50               | -                | 50                                |
| Due to other funds                              | 5,701            | -                | 5,701                             |
| Unearned revenue                                | 15,845           | 24,284           | 40,129                            |
| <b>Total liabilities</b>                        | 26,650           | 24,313           | 50,963                            |
| <br>  |                  |                  |                                   |
| <b>Fund balances:</b>                           |                  |                  |                                   |
| Reserved for:                                   |                  |                  |                                   |
| Prepaid items                                   | 1                | -                | 1                                 |
| Pension liability                               | 32,527           | -                | 32,527                            |
| Unreserved, undesignated                        | 13,523           | 49,028           | 62,551                            |
| <b>Total fund balances</b>                      | 46,051           | 49,028           | 95,079                            |
| <b>Total liabilities and fund balances</b>      | <b>\$ 72,701</b> | <b>\$ 73,341</b> | <b>\$ 146,042</b>                 |

**GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES NONMAJOR FUNDS  
For the Fiscal Year Ended December 31, 2004**

**CITY OF MINNEAPOLIS, MINNESOTA**

**(In Thousands)**

|  | <u>Special Revenue</u> | <u>Debt Service</u>   | <u>Total<br/>Nonmajor<br/>Governmental</u> |
|--|------------------------|-----------------------|--|
| <b>REVENUES:</b>   |                        |                       |  |
| Taxes  | \$ 7,275               | \$ 29,130             | \$ 36,405                                  |
| Licenses and permits   | 401                    | -                     | 401  |
| Intergovernmental revenues                                   | 49,333                 | 35                    | 49,368                                     |
| Charges for services and sales                               | 929                    | -                     | 929  |
| Fines and forfeits   | 731                    | -                     | 731  |
| Special assessments  | -                      | 7,046                 | 7,046                                      |
| Interest   | 278                    | 365                   | 643  |
| Miscellaneous revenues                                       | 663                    | 2,947                 | 3,610                                      |
|  | <hr/>                  | <hr/>                 | <hr/>                                      |
| Total revenues   | 59,610                 | 39,523                | 99,133                                     |
| <b>EXPENDITURES:</b>   |                        |                       |  |
| Current:   |                        |                       |  |
| General government   | 24,437                 | -                     | 24,437                                     |
| Public safety  | 37,835                 | -                     | 37,835                                     |
| Public works   | 4,363                  | -                     | 4,363                                      |
| Culture and recreation                                       | 1,075                  | -                     | 1,075                                      |
| Health and welfare   | 5,957                  | -                     | 5,957                                      |
| Community & economic development                             | 13,045                 | -                     | 13,045                                     |
| Debt Service:  |                        |                       |  |
| Principal retirement   | -                      | 76,175                | 76,175                                     |
| Interest and fiscal charges                                  | -                      | 57,462                | 57,462                                     |
|  | <hr/>                  | <hr/>                 | <hr/>                                      |
| Total expenditures   | 86,712                 | 133,637               | 220,349                                    |
| Excess (deficiency) of revenues<br>over (under) expenditures | <hr/> (27,102)         | <hr/> (94,114)        | <hr/> (121,216)                            |
| <b>OTHER FINANCING SOURCES (USES):</b>                       |                        |                       |  |
| Transfers from other funds                                   | 5,805                  | 82,436                | 88,241                                     |
| Transfers (to) other funds                                   | (11,968)               | (1,211)               | (13,179)                                   |
| Bonds issued   | 29,710                 | -                     | 29,710                                     |
| Premium (discount)   | 80                     | 2,573                 | 2,653                                      |
| Refunding bonds issued                                       | -                      | 51,210                | 51,210                                     |
| Loans and notes issued                                       | -                      | -                     | -  |
| Payments to escrow agents                                    | -                      | (39,370)              | (39,370)                                   |
|  | <hr/>                  | <hr/>                 | <hr/>                                      |
| Total other financing sources (uses)                         | 23,627                 | 95,638                | 119,265                                    |
| Net change in fund balance                                   | (3,475)                | 1,524                 | (1,951)                                    |
| Fund balances - January 1                                    | <hr/> 49,526           | <hr/> 47,504          | <hr/> 97,030                               |
| <b>Fund balances - December 31</b>                           | <hr/> <hr/> \$ 46,051  | <hr/> <hr/> \$ 49,028 | <hr/> <hr/> \$ 95,079                      |

**SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET - NONMAJOR FUNDS  
December 31, 2004**

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

|                             | Arena Reserve | Board of Estimate and Taxation |          | Community Development Block Grant | Convention Facilities Reserve | Non-major           |                | Grants-Federal | Grants-Other | Police    | 2004 Total | 2003 Total |
|-----------------------------|---------------|--------------------------------|----------|-----------------------------------|-------------------------------|---------------------|----------------|----------------|--------------|-----------|------------|------------|
|                             |               | Estimate                       | Taxation |                                   |                               | Employee Retirement | Grants-Federal |                |              |           |            |            |
| <b>ASSETS</b>               |               |                                |          |                                   |                               |                     |                |                |              |           |            |            |
| Cash and cash equivalents   | \$ 3,993      | \$ 183                         | \$ -     | \$ 955                            | \$ 8,262                      | \$ 3,575            | \$ -           | \$ 3,848       | \$ 192       | \$ 21,008 | \$ 55,490  |            |
| Deposits with fiscal agents | -             | -                              | -        | 396                               | -                             | -                   | -              | -              | -            | 396       | 396        |            |
| Investments with trustees   | 1             | -                              | -        | -                                 | -                             | 29,707              | -              | -              | -            | 29,708    | -          |            |
| Receivables:                |               |                                |          |                                   |                               |                     |                |                |              |           |            |            |
| Accounts - net              | -             | -                              | -        | -                                 | -                             | 41                  | -              | 11             | 189          | 241       | 247        |            |
| Taxes                       | -             | 3                              | -        | -                                 | -                             | 150                 | -              | -              | -            | 153       | 187        |            |
| Loans                       | -             | -                              | -        | -                                 | -                             | -                   | 2,336          | 6,481          | -            | 8,817     | 10,017     |            |
| Intergovernmental           | -             | -                              | -        | 4,375                             | -                             | -                   | 5,037          | 422            | -            | 9,834     | 10,961     |            |
| Due from other funds        | 306           | -                              | -        | -                                 | -                             | 1,429               | 743            | 63             | 2            | 2,543     | 44         |            |
| Prepaid items               | -             | -                              | -        | -                                 | -                             | -                   | -              | 1              | -            | 1         | 2          |            |
| <b>Total assets</b>         | \$ 4,300      | \$ 186                         | \$ 5,726 | \$ 8,262                          | \$ 34,902                     | \$ 8,116            | \$ 10,826      | \$ 383         | \$ 72,701    | \$ 77,344 |            |            |

**LIABILITIES AND FUND BALANCES**

|                           |      |       |        |      |       |      |        |        |       |        |        |
|---------------------------|------|-------|--------|------|-------|------|--------|--------|-------|--------|--------|
| <b>Liabilities:</b>       |      |       |        |      |       |      |        |        |       |        |        |
| Salaries payable          | \$ - | \$ 16 | \$ 213 | \$ - | \$ -  | \$ - | \$ 238 | \$ 138 | \$ 71 | \$ 676 | \$ 445 |
| Accounts payable          | -    | 2     | 499    | -    | 2,254 | -    | 934    | 621    | 68    | 4,378  | 4,595  |
| Intergovernmental payable | -    | -     | -      | -    | -     | -    | 50     | -      | -     | 50     | 69     |
| Due to other funds        | -    | -     | 4,618  | -    | -     | -    | 1,083  | -      | -     | 5,701  | 8,072  |
| Deferred revenue          | -    | 3     | 396    | -    | 121   | -    | 5,811  | 9,514  | -     | 15,845 | 14,637 |
| <b>Total liabilities</b>  | -    | 21    | 5,726  | -    | 2,375 | -    | 8,116  | 10,273 | 139   | 26,650 | 27,818 |

**Fund balances:**

|  |          |        |          |          |           |          |           |        |           |           |        |
|--|----------|--------|----------|----------|-----------|----------|-----------|--------|-----------|-----------|--------|
| Reserved for:                              |          |        |          |          |           |          |           |        |           |           |        |
| Encumbrances                               | -        | -      | -        | -        | -         | -        | -         | -      | -         | -         | 13     |
| Prepaid items                              | -        | -      | -        | -        | -         | -        | -         | 1      | -         | 1         | 2      |
| Pension liability                          | -        | -      | -        | -        | 32,527    | -        | -         | -      | -         | 32,527    | 39,529 |
| Unreserved:                                |          |        |          |          |           |          |           |        |           |           |        |
| Undesignated                               | 4,300    | 165    | -        | 8,262    | -         | -        | -         | 552    | 244       | 13,523    | 9,982  |
| <b>Total fund balances</b>                 | 4,300    | 165    | -        | 8,262    | 32,527    | -        | -         | 553    | 244       | 46,051    | 49,526 |
| <b>Total liabilities and fund balances</b> | \$ 4,300 | \$ 186 | \$ 5,726 | \$ 8,262 | \$ 34,902 | \$ 8,116 | \$ 10,826 | \$ 383 | \$ 72,701 | \$ 77,344 |        |

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, 2004

(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 | 2004 Total | 2003 Total |
| <b>REVENUES:</b>  |                 |                                |                                   |                               |                     |                |              |        |            |            |
| Taxes   | \$ -            | \$ 151                         | \$ -                              | \$ -                          | \$ 6,859            | \$ -           | \$ 11        | \$ 254 | \$ 7,275   | \$ 6,995   |
| Licenses and permits                                      | -               | -                              | -                                 | -                             | -                   | -              | -            | 401    | 401        | 343        |
| Intergovernmental revenues                                | -               | -                              | 17,198                            | -                             | 9,249               | 16,126         | 6,760        | -      | 49,333     | 52,878     |
| Charges for services and sales                            | -               | -                              | -                                 | -                             | -                   | -              | 83           | 846    | 929        | 596        |
| Fines and forfeits  | -               | -                              | -                                 | -                             | 206                 | -              | -            | 525    | 731        | 678        |
| Interest  | 9               | -                              | -                                 | -                             | 233                 | -              | 36           | -      | 278        | 1,212      |
| Miscellaneous revenues                                    | -               | -                              | -                                 | -                             | -                   | 10             | 653          | -      | 663        | 1,246      |
| Total revenues  | 9               | 151                            | 17,198                            | -                             | 16,547              | 16,136         | 7,543        | 2,026  | 59,610     | 63,948     |
| <b>CURRENT EXPENDITURES:</b>                              |                 |                                |                                   |                               |                     |                |              |        |            |            |
| General government  | -               | 247                            | 2,007                             | -                             | 21,319              | 685            | 179          | -      | 24,437     | 47,454     |
| Public safety   | -               | -                              | 302                               | -                             | 29,618              | 4,803          | 694          | 2,418  | 37,835     | 26,419     |
| Culture and Recreation                                    | -               | -                              | 23                                | -                             | -                   | 1,052          | -            | -      | 1,075      | 213        |
| Public works  | -               | -                              | 250                               | -                             | -                   | 3,813          | 300          | -      | 4,363      | -          |
| Health and welfare  | -               | -                              | 2,435                             | -                             | -                   | 4              | 3,518        | -      | 5,957      | 19,441     |
| Community & economic development                          | -               | -                              | 4,227                             | -                             | -                   | 5,965          | 2,853        | -      | 13,045     | 529        |
| Total expenditures  | -               | 247                            | 9,244                             | -                             | 50,937              | 16,322         | 7,544        | 2,418  | 86,712     | 94,056     |
| Excess (deficiency) of revenues over (under) expenditures | 9               | (96)                           | 7,954                             | -                             | (34,390)            | (186)          | (1)          | (392)  | (27,102)   | (30,108)   |
| <b>OTHER FINANCING SOURCES (USES):</b>                    |                 |                                |                                   |                               |                     |                |              |        |            |            |
| Transfers from other funds                                | 3,217           | 92                             | -                                 | 1,150                         | -                   | 743            | 103          | 500    | 5,805      | 4,216      |
| Transfers (to) other funds                                | (918)           | -                              | (7,954)                           | -                             | (2,402)             | (557)          | (137)        | -      | (11,968)   | (15,069)   |
| Bonds issued  | -               | -                              | -                                 | -                             | 29,710              | -              | -            | -      | 29,710     | 53,900     |
| Premium(Discout)  | -               | -                              | -                                 | -                             | 80                  | -              | -            | -      | 80         | -          |
| Total other financing sources (uses)                      | 2,299           | 92                             | (7,954)                           | 1,150                         | 27,388              | 186            | (34)         | 500    | 23,627     | 43,047     |
| Net change in fund balances                               | 2,308           | (4)                            | -                                 | 1,150                         | (7,002)             | -              | (35)         | 108    | (3,475)    | 12,939     |
| Fund balances - January 1                                 | 1,992           | 169                            | -                                 | 7,112                         | 39,529              | -              | 588          | 136    | 49,526     | 36,587     |
| <b>Fund balances - December 31</b>                        | \$ 4,300        | \$ 165                         | \$ -                              | \$ 8,262                      | \$ 32,527           | \$ -           | \$ 553       | \$ 244 | \$ 46,051  | \$ 49,526  |

DEBT SERVICE FUNDS  
 COMBINING BALANCE SHEET - NONMAJOR FUNDS  
 December 31, 2004

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

|  | Community<br>Planning and<br>Economic<br>Development | Development     | General<br>Debt<br>Service | Special<br>Assessment | 2004<br>Total    | 2003<br>Total    |
|--|--|-----------------|----------------------------|-----------------------|------------------|------------------|
| <b>ASSETS</b>                              |  |                 |                            |                       |                  |                  |
| Cash and cash equivalents                  | \$ 12,323  | \$ 339          | \$ 21,597                  | \$ 12,378             | \$ 46,637        | \$ 44,132        |
| Investments with trustees                  | 832  | 1,255           | -                          | -                     | 2,087            | 1,371            |
| Receivables:                               |  |                 |                            |                       |                  |                  |
| Accounts - net                             | 120  | -               | 41                         | -                     | 161              | 18               |
| Taxes:                                     |  |                 |                            |                       |                  |                  |
| Current                                    | -  | -               | 117                        | -                     | 117              | 202              |
| Delinquent                                 | -  | -               | 530                        | -                     | 530              | 564              |
| Special assessments:                       |  |                 |                            |                       |                  |                  |
| Current                                    | -  | -               | -                          | 54                    | 54               | 71               |
| Delinquent                                 | -  | -               | -                          | 186                   | 186              | 181              |
| Deferred                                   | -  | -               | -                          | 23,569                | 23,569           | 21,037           |
| Due from other funds                       | -  | -               | -                          | -                     | -                | 1,747            |
| <b>Total assets</b>                        | <b>13,275</b>  | <b>1,594</b>    | <b>22,285</b>              | <b>36,187</b>         | <b>73,341</b>    | <b>69,323</b>    |
| <b>LIABILITIES AND FUND BALANCES</b>       |  |                 |                            |                       |                  |                  |
| <b>Liabilities:</b>                        |  |                 |                            |                       |                  |                  |
| Accounts payable                           | -  | 7               | 21                         | 1                     | 29               | -                |
| Due to other funds                         | -  | -               | -                          | -                     | -                | 37               |
| Deferred revenue                           | -  | -               | 530                        | 23,754                | 24,284           | 21,782           |
| <b>Total liabilities</b>                   | <b>-</b>   | <b>7</b>        | <b>551</b>                 | <b>23,755</b>         | <b>24,313</b>    | <b>21,819</b>    |
| <b>Fund balances:</b>                      |  |                 |                            |                       |                  |                  |
| Unreserved:                                |  |                 |                            |                       |                  |                  |
| Designated for debt service                | 13,275   | 1,587           | 21,734                     | 12,432                | 49,028           | 47,504           |
| <b>Total liabilities and fund balances</b> | <b>\$ 13,275</b>                                     | <b>\$ 1,594</b> | <b>\$ 22,285</b>           | <b>\$ 36,187</b>      | <b>\$ 73,341</b> | <b>\$ 69,323</b> |

**DEBT SERVICE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - NONMAJOR FUNDS**  
**For the Fiscal Year Ended December 31, 2004**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

|  | <u>Community<br/>Planning and<br/>Economic<br/>Development</u> | <u>Development</u> | <u>General<br/>Debt<br/>Service</u> | <u>Special<br/>Assessment</u> | <u>2004<br/>Total</u> | <u>2003<br/>Total</u> |
|--|--|--------------------|-------------------------------------|-------------------------------|-----------------------|-----------------------|
| <b>REVENUES:</b>   |  |                    |                                     |                               |                       |                       |
| Taxes:   |  |                    |                                     |                               |                       |                       |
| General property tax   | \$ -   | \$ -               | \$ 25,445                           | \$ -                          | \$ 25,445             | \$ 25,965             |
| Fiscal disparities   | -  | -                  | 3,685                               | -                             | 3,685                 | \$ 4,160              |
| Total taxes  | -  | -                  | 29,130                              | -                             | 29,130                | 30,125                |
| Intergovernmental revenues                                   |  |                    | 35                                  |                               | 35                    | 1,713                 |
| Special assessments  |  |                    | -                                   | 7,046                         | 7,046                 | 6,839                 |
| Interest   | (48)   | 84                 | 231                                 | 98                            | 365                   | 831                   |
| Miscellaneous revenues:                                      |  |                    |                                     |                               |                       |                       |
| Rents and commissions  | -  | 302                | 614                                 | -                             | 916                   | 736                   |
| Other  | -  | -                  | 1,890                               | 141                           | 2,031                 | 1,477                 |
| Total miscellaneous revenues                                 | -  | 302                | 2,504                               | 141                           | 2,947                 | 2,213                 |
| Total revenues   | (48)   | 386                | 31,900                              | 7,285                         | 39,523                | 41,721                |
| <b>EXPENDITURES:</b>   |  |                    |                                     |                               |                       |                       |
| Principal retirement on bonds                                | 13,890   | 15,005             | 29,595                              | 4,761                         | 63,251                | 66,661                |
| Principal retirement on notes                                | 12,059   | -                  | 865                                 | -                             | 12,924                | 668                   |
| Interest and fiscal charges                                  | 26,386   | 19,461             | 9,636                               | 1,979                         | 57,462                | 52,263                |
| Total expenditures   | 52,335   | 34,466             | 40,096                              | 6,740                         | 133,637               | 119,592               |
| Excess (deficiency) of revenues over<br>(under) expenditures | (52,383)   | (34,080)           | (8,196)                             | 545                           | (94,114)              | (77,871)              |
| <b>OTHER FINANCING SOURCES (USES):</b>                       |  |                    |                                     |                               |                       |                       |
| Transfers from other funds                                   | 41,135   | 31,201             | 9,910                               | 190                           | 82,436                | 79,329                |
| Transfers (to) other funds                                   | -  | -                  | (1,211)                             | -                             | (1,211)               | (258)                 |
| Refunding bonds issued                                       | 11,470   | 39,740             | -                                   | -                             | 51,210                | 31,810                |
| Premium (Discount)   | -  | 2,573              | -                                   | -                             | 2,573                 | -                     |
| Payments to escrow agents                                    | -  | (39,370)           | -                                   | -                             | (39,370)              | (31,625)              |
| Total other financing sources (uses)                         | 52,605   | 34,144             | 8,699                               | 190                           | 95,638                | 79,256                |
| Net change in fund balances                                  | 222  | 64                 | 503                                 | 735                           | 1,524                 | 1,385                 |
| Fund balances - January 1                                    | 13,053   | 1,523              | 21,231                              | 11,697                        | 47,504                | 46,119                |
| <b>Fund balances - December 31</b>                           | <b>\$ 13,275</b>   | <b>\$ 1,587</b>    | <b>\$ 21,734</b>                    | <b>\$ 12,432</b>              | <b>\$ 49,028</b>      | <b>\$ 47,504</b>      |

**ARENA RESERVE SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended December 31, 2004**

**CITY OF MINNEAPOLIS, MINNESOTA**

**(In Thousands)**

|  | <b>2004</b>             |                 |                 |                 | <b>2003<br/>Actual</b> |
|--|-------------------------|-----------------|-----------------|-----------------|------------------------|
|  | <b>Budgeted Amounts</b> |                 | <b>Actual</b>   | <b>Variance</b> |                        |
|  | <b>Original</b>         | <b>Final</b>    |                 |                 |                        |
| <b>REVENUES:</b>   |                         |                 |                 |                 |                        |
| Interest   | \$ -                    | \$ -            | \$ 9            | \$ 9            | \$ 19                  |
| Excess (deficiency) of revenues over<br>(under) expenditures | -                       | -               | 9               | 9               | 19                     |
| <b>OTHER FINANCING SOURCES (USES):</b>                       |                         |                 |                 |                 |                        |
| Transfers from other funds                                   | -                       | -               | 3,217           | 3,217           | 2,860                  |
| Transfers (to) other funds                                   | -                       | -               | (918)           | (918)           | (2,015)                |
| Total other financing sources (uses)                         | -                       | -               | 2,299           | 2,299           | 845                    |
| Net change in fund balance                                   | -                       | -               | 2,308           | 2,308           | 864                    |
| Fund balance - January 1                                     | 1,992                   | 1,992           | 1,992           | -               | 1,128                  |
| <b>Fund balance - December 31</b>                            | <b>\$ 1,992</b>         | <b>\$ 1,992</b> | <b>\$ 4,300</b> | <b>\$ 2,308</b> | <b>\$ 1,992</b>        |

**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, 2004**

**CITY OF MINNEAPOLIS, MINNESOTA**

**(In Thousands)**

|  | 2004            |               |               |             | 2003<br>Actual |
|--|-----------------|---------------|---------------|-------------|----------------|
|  | Budgeted Amount |               | Actual        | Variance    |                |
|  | Original        | Final         |               |             |                |
| <b>REVENUES:</b>   |                 |               |               |             |                |
| Taxes:   |                 |               |               |             |                |
| General property tax   | \$ 127          | \$ 127        | \$ 129        | \$ 2        | \$ 117         |
| Property tax increment                                       | -               | -             | 1             | 1           | 1              |
| Fiscal disparities   | 21              | 21            | 21            | -           | 19             |
| Total taxes  | 148             | 148           | 151           | 3           | 137            |
| Intergovernmental revenues:                                  |                 |               |               |             |                |
| State grants and shared revenues                             | -               | -             | -             | -           | 8              |
| Total revenues   | 148             | 148           | 151           | 3           | 145            |
| <b>CURRENT EXPENDITURES:</b>                                 |                 |               |               |             |                |
| General government   | 249             | 249           | 247           | 2           | 242            |
| Excess (deficiency) of revenues over<br>(under) expenditures | (101)           | (101)         | (96)          | 5           | (97)           |
| <b>OTHER FINANCING SOURCES (USES):</b>                       |                 |               |               |             |                |
| Transfers from other funds                                   | 95              | 95            | 92            | (3)         | 100            |
| Net change in fund balance                                   | (6)             | (6)           | (4)           | 2           | 3              |
| Fund balance - January 1                                     | 169             | 169           | 169           | -           | 166            |
| <b>Fund balance - December 31</b>                            | <b>\$ 163</b>   | <b>\$ 163</b> | <b>\$ 165</b> | <b>\$ 2</b> | <b>\$ 169</b>  |

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

**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, 2004**

**CITY OF MINNEAPOLIS, MINNESOTA**

**(In Thousands)**

|  | 2004             |                   |                |                 |                 | 2003<br>Actual |
|--|------------------|-------------------|----------------|-----------------|-----------------|----------------|
|  | Budgeted Amounts |                   | Actual         | Variance        |                 |                |
|  | Original         | Final             |                |                 |                 |                |
| <b>REVENUES:</b>   |                  |                   |                |                 |                 |                |
| Intergovernmental revenues:                                  |                  |                   |                |                 |                 |                |
| Federal grantor agencies                                     | \$ 21,613        | \$ 21,613         | \$ 17,198      | \$ (4,415)      | \$ 18,159       |                |
| Interest   | -                | -                 | -              | -               | 335             |                |
| Miscellaneous revenues:                                      |                  |                   |                |                 |                 |                |
| Loan recapture   | 600              | 600               | -              | (600)           | 94              |                |
| Total revenues   | <u>22,213</u>    | <u>22,213</u>     | <u>17,198</u>  | <u>(5,015)</u>  | <u>18,588</u>   |                |
| <b>CURRENT EXPENDITURES:</b>                                 |                  |                   |                |                 |                 |                |
| General government   | 6,804            | 7,569             | 2,007          | 5,562           | 3,684           |                |
| Public safety  | 402              | 679               | 302            | 377             | -               |                |
| Culture and recreation                                       | 15               | 15                | 23             | (8)             | 191             |                |
| Public works   | 107              | 390               | 250            | -               | -               |                |
| Health and welfare   | 2,283            | 4,050             | 2,435          | 1,615           | 3,857           |                |
| Community & economic development                             | 2,513            | 8,161             | 4,227          | 3,934           | 529             |                |
| Total expenditures   | <u>12,124</u>    | <u>20,864</u>     | <u>9,244</u>   | <u>11,480</u>   | <u>8,261</u>    |                |
| Excess (deficiency) of revenues over<br>(under) expenditures | <u>10,089</u>    | <u>1,349</u>      | <u>7,954</u>   | <u>6,605</u>    | <u>10,327</u>   |                |
| <b>OTHER FINANCING SOURCES (USES):</b>                       |                  |                   |                |                 |                 |                |
| Transfers (to) other funds                                   | <u>(9,687)</u>   | <u>(9,687)</u>    | <u>(7,954)</u> | <u>1,733</u>    | <u>(10,327)</u> |                |
| Net change in fund balance                                   | 402              | (8,338)           | -              | 8,338           | -               |                |
| Fund balance - January 1                                     | -                | -                 | -              | -               | -               |                |
| <b>Fund balance - December 31</b>                            | <u>\$ 402</u>    | <u>\$ (8,338)</u> | <u>\$ -</u>    | <u>\$ 8,338</u> | <u>\$ -</u>     |                |

**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, 2004**

**CITY OF MINNEAPOLIS, MINNESOTA**

**(In Thousands)**

|  | <u>2004</u>             |                 |                 |                 | <u>2003<br/>Actual</u> |
|--|-------------------------|-----------------|-----------------|-----------------|------------------------|
|  | <u>Budgeted Amounts</u> |                 | <u>Actual</u>   | <u>Variance</u> |                        |
|  | <u>Original</u>         | <u>Final</u>    |                 |                 |                        |
| <b>OTHER FINANCING SOURCES (USES):</b> |                         |                 |                 |                 |                        |
| Transfers from other funds             | \$ 1,150                | \$ 1,150        | \$ 1,150        | \$ -            | \$ 1,150               |
| Net change in fund balance             | 1,150                   | 1,150           | 1,150           | -               | 1,150                  |
| Fund balance - January 1               | 7,112                   | 7,112           | 7,112           | -               | 5,962                  |
| <b>Fund balance - December 31</b>      | <u>\$ 8,262</u>         | <u>\$ 8,262</u> | <u>\$ 8,262</u> | <u>\$ -</u>     | <u>\$ 7,112</u>        |

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

**EMPLOYEE RETIREMENT SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended December 31, 2004**

**CITY OF MINNEAPOLIS, MINNESOTA**

**(In Thousands)**

|  | 2004             |                 |                  |                  | 2003<br>Actual   |
|--|------------------|-----------------|------------------|------------------|------------------|
|  | Budgeted Amounts |                 | Actual           | Variance         |                  |
|  | Original         | Final           |                  |                  |                  |
| <b>REVENUES:</b>   |                  |                 |                  |                  |                  |
| Taxes:   |                  |                 |                  |                  |                  |
| General property tax   | \$ 5,836         | \$ 5,836        | \$ 5,860         | \$ 24            | \$ 5,576         |
| Property tax increment                                       | -                | -               | 22               | 22               | 43               |
| Fiscal disparities   | 978              | 978             | 976              | (2)              | 904              |
| Other taxes  | -                | -               | 1                | 1                | 1                |
| Total taxes  | 6,814            | 6,814           | 6,859            | 45               | 6,524            |
| Intergovernmental revenues:                                  |                  |                 |                  |                  |                  |
| State grants and shared revenues                             | 5,443            | 5,618           | 9,249            | 3,631            | 7,567            |
| Fines and forfeits   | -                | -               | 206              | 206              | 249              |
| Interest   | -                | -               | 233              | 233              | 808              |
| Total revenues   | 12,257           | 12,432          | 16,547           | 4,115            | 15,148           |
| <b>CURRENT EXPENDITURES:</b>                                 |                  |                 |                  |                  |                  |
| General government   | 4,445            | 22,307          | 21,319           | 988              | 36,313           |
| Public safety  | 18,980           | 30,341          | 29,618           | 723              | 19,974           |
| Total expenditures   | 23,425           | 52,648          | 50,937           | 1,711            | 56,287           |
| Excess (deficiency) of revenues over<br>(under) expenditures | (11,168)         | (40,216)        | (34,390)         | 5,826            | (41,139)         |
| <b>OTHER FINANCING SOURCES (USES):</b>                       |                  |                 |                  |                  |                  |
| Transfers from other funds                                   | 12,500           | 12,500          | -                | (12,500)         | -                |
| Transfers (to) other funds                                   | -                | (2,402)         | (2,402)          | -                | (1,676)          |
| Bonds issued   | -                | -               | 29,710           | 29,710           | 53,900           |
| Premium (Discount)   | -                | -               | 80               | 80               | -                |
| Total other financing sources (uses)                         | 12,500           | 10,098          | 27,388           | 17,290           | 52,224           |
| Net change in fund balance                                   | 1,332            | (30,118)        | (7,002)          | 23,116           | 11,085           |
| Fund balance - January 1                                     | 39,529           | 39,529          | 39,529           | -                | 28,444           |
| <b>Fund balance - December 31</b>                            | <b>\$ 40,861</b> | <b>\$ 9,411</b> | <b>\$ 32,527</b> | <b>\$ 23,116</b> | <b>\$ 39,529</b> |

**GRANTS - FEDERAL SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended December 31, 2004**

**CITY OF MINNEAPOLIS, MINNESOTA**

**(In Thousands)**

|  | 2004              |                    |             |                  | 2003<br>Actual |
|--|-------------------|--------------------|-------------|------------------|----------------|
|  | Budgeted Amounts  |                    | Actual      | Variance         |                |
|  | Original          | Final              |             |                  |                |
| <b>REVENUES:</b>   |                   |                    |             |                  |                |
| Intergovernmental revenues:                                  |                   |                    |             |                  |                |
| Federal grantor agencies                                     | \$ 16,370         | \$ 30,720          | \$ 16,126   | \$ (14,594)      | \$ 20,851      |
| State grants and shared revenues                             | -                 | 150                | -           | (150)            | -              |
| Total intergovernmental revenues                             | 16,370            | 30,870             | 16,126      | (14,744)         | 20,851         |
| Charges for services and sales                               | -                 | -                  | -           | -                | 100            |
| Interest   | -                 | -                  | 10          | 10               | 33             |
| Miscellaneous revenues:                                      |                   |                    |             |                  |                |
| Other  | -                 | -                  | -           | -                | 264            |
| Total revenues   | 16,370            | 30,870             | 16,136      | (14,734)         | 21,248         |
| <b>CURRENT EXPENDITURES:</b>                                 |                   |                    |             |                  |                |
| General government   | 665               | 5,645              | 685         | 4,960            | 6,575          |
| Public safety  | 5,021             | 16,691             | 4,803       | 11,888           | 3,811          |
| Culture and recreation                                       | -                 | -                  | 4           | (4)              | 20             |
| Public works   | 2,502             | 2,798              | 1,052       | 1,746            | -              |
| Health and welfare   | 3,304             | 7,054              | 3,813       | 3,241            | 9,908          |
| Community & economic development                             | 7,546             | 11,790             | 5,965       | 5,825            | -              |
| Total expenditures   | 19,038            | 43,978             | 16,322      | 27,656           | 20,314         |
| Excess (deficiency) of revenues over<br>(under) expenditures | (2,668)           | (13,108)           | (186)       | 12,922           | 934            |
| <b>OTHER FINANCING SOURCES (USES):</b>                       |                   |                    |             |                  |                |
| Transfers from other funds                                   | -                 | -                  | 743         | 743              | -              |
| Transfers (to) other funds                                   | (62)              | (62)               | (557)       | (495)            | (934)          |
| Total other financing sources (uses)                         | (62)              | (62)               | 186         | 248              | (934)          |
| Net change in fund balance                                   | (2,730)           | (13,170)           | -           | 13,170           | -              |
| Fund balance - January 1                                     | -                 | -                  | -           | -                | -              |
| <b>Fund balance - December 31</b>                            | <b>\$ (2,730)</b> | <b>\$ (13,170)</b> | <b>\$ -</b> | <b>\$ 13,170</b> | <b>\$ -</b>    |

**GRANTS - OTHER SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended December 31, 2004**

**CITY OF MINNEAPOLIS, MINNESOTA**

**(In Thousands)**

|  | 2004             |                 |               |                 | 2003<br>Actual |
|--|------------------|-----------------|---------------|-----------------|----------------|
|  | Budgeted Amounts |                 | Actual        | Variance        |                |
|  | Original         | Final           |               |                 |                |
| <b>REVENUES:</b>   |                  |                 |               |                 |                |
| Taxes:   |                  |                 |               |                 |                |
| Other taxes  | \$ 60            | \$ 60           | \$ 11         | \$ (49)         | \$ 64          |
| Intergovernmental revenues:                                  |                  |                 |               |                 |                |
| State grants and shared revenues                             | 7,880            | 9,075           | 6,149         | (2,926)         | 5,941          |
| Other local grants   | 2,888            | 3,051           | 611           | (2,440)         | 352            |
| Total intergovernmental revenues                             | 10,768           | 12,126          | 6,760         | (5,366)         | 6,293          |
| Charges for services   | 25               | 25              | 83            | 58              | 427            |
| Interest   | -                | -               | 36            | 36              | 17             |
| Miscellaneous revenues:                                      |                  |                 |               |                 |                |
| Loan recapture   | -                | -               | 1             | 1               | 51             |
| Private contributions  | 364              | 718             | 434           | (284)           | 572            |
| Other  | 266              | 266             | 218           | (48)            | 232            |
| Total miscellaneous revenues                                 | 630              | 984             | 653           | (331)           | 855            |
| Total revenues   | 11,483           | 13,195          | 7,543         | (5,652)         | 7,656          |
| <b>CURRENT EXPENDITURES:</b>                                 |                  |                 |               |                 |                |
| General government   | 2,107            | 3,162           | 179           | 2,983           | 640            |
| Public safety  | 1,278            | 1,646           | 694           | 952             | 1,241          |
| Culture and recreation                                       | -                | -               | -             | -               | 2              |
| Public works   | -                | 300             | 300           | -               | -              |
| Health and welfare   | 4,281            | 5,121           | 3,518         | 1,603           | 5,676          |
| Community & economic development                             | 4,192            | 4,192           | 2,853         | 1,339           | -              |
| Total expenditures   | 11,858           | 14,421          | 7,544         | 6,877           | 7,559          |
| Excess (deficiency) of revenues over<br>(under) expenditures | (375)            | (1,226)         | (1)           | 1,225           | 97             |
| <b>OTHER FINANCING SOURCES (USES):</b>                       |                  |                 |               |                 |                |
| Transfers from other funds                                   | -                | -               | 103           | 103             | 106            |
| Transfers (to) other funds                                   | (116)            | (119)           | (137)         | (18)            | (116)          |
| Total other financing sources (uses)                         | (116)            | (119)           | (34)          | 85              | (10)           |
| Net change in fund balance                                   | (491)            | (1,345)         | (35)          | 1,310           | 87             |
| Fund balance - January 1                                     | 588              | 588             | 588           | -               | 501            |
| <b>Fund balance - December 31</b>                            | <u>\$ 97</u>     | <u>\$ (757)</u> | <u>\$ 553</u> | <u>\$ 1,310</u> | <u>\$ 588</u>  |

**POLICE SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended December 31, 2004**

**CITY OF MINNEAPOLIS, MINNESOTA**

**(In Thousands)**

|  | <b>2004</b>             |                |               |                 | <b>2003<br/>Actual</b> |
|--|-------------------------|----------------|---------------|-----------------|------------------------|
|  | <b>Budgeted Amounts</b> |                | <b>Actual</b> | <b>Variance</b> |                        |
|  | <b>Original</b>         | <b>Final</b>   |               |                 |                        |
| <b>REVENUES:</b>   |                         |                |               |                 |                        |
| Taxes:   |                         |                |               |                 |                        |
| Lawful gambling  | \$ 280                  | \$ 280         | \$ 254        | \$ (26)         | \$ 270                 |
| Licenses and permits   | 360                     | 360            | 401           | 41              | 343                    |
| Charges for services and sales                               | -                       | 1,633          | 846           | (787)           | 69                     |
| Fines and forfeits   | 600                     | 600            | 525           | (75)            | 429                    |
| Miscellaneous revenues:                                      |                         |                |               |                 |                        |
| Other  | 1,633                   | -              | -             | -               | 33                     |
| Total revenues   | <u>2,873</u>            | <u>2,873</u>   | <u>2,026</u>  | <u>(847)</u>    | <u>1,144</u>           |
| <b>CURRENT EXPENDITURES:</b>                                 |                         |                |               |                 |                        |
| Public safety  | <u>3,007</u>            | <u>3,582</u>   | <u>2,418</u>  | <u>1,164</u>    | <u>1,393</u>           |
| Excess (deficiency) of revenues over<br>(under) expenditures | <u>(134)</u>            | <u>(709)</u>   | <u>(392)</u>  | <u>317</u>      | <u>(249)</u>           |
| <b>OTHER FINANCING SOURCES (USES):</b>                       |                         |                |               |                 |                        |
| Transfers from other funds                                   | -                       | 500            | 500           | -               | -                      |
| Transfers (to) other funds                                   | <u>-</u>                | <u>-</u>       | <u>-</u>      | <u>-</u>        | <u>(1)</u>             |
| Net change in fund balance                                   | (134)                   | (209)          | 108           | 317             | (250)                  |
| Fund balance - January 1                                     | <u>136</u>              | <u>136</u>     | <u>136</u>    | <u>-</u>        | <u>386</u>             |
| <b>Fund balance - December 31</b>                            | <u>\$ 2</u>             | <u>\$ (73)</u> | <u>\$ 244</u> | <u>\$ 317</u>   | <u>\$ 136</u>          |

**INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF NET ASSETS  
December 31, 2004**

**CITY OF MINNEAPOLIS, MINNESOTA**

**(In Thousands)**

|  | Engineering<br>Materials<br>Testing | Inter-<br>governmental<br>Services | Property<br>Services | Equipment<br>Services | Public Works<br>Stores | Self-Insuranc<br>e | 2004<br>Total     | 2003<br>Total     |
|--|-------------------------------------|------------------------------------|----------------------|-----------------------|------------------------|--------------------|-------------------|-------------------|
| <b>ASSETS</b>                                      |                                     |                                    |                      |                       |                        |                    |                   |                   |
| Current assets:                                    |                                     |                                    |                      |                       |                        |                    |                   |                   |
| Cash and cash equivalents                          | \$ 633                              | \$ -                               | \$ 341               | \$ 1,752              | \$ -                   | \$ 299             | \$ 3,025          | \$ 2,111          |
| Receivables:                                       |                                     |                                    |                      |                       |                        |                    |                   |                   |
| Accounts - net                                     | 1                                   | 66                                 | 190                  | 153                   | 7                      | 605                | 1,022             | 602               |
| Intergovernmental                                  | -                                   | -                                  | -                    | -                     | -                      | 182                | 182               | 182               |
| Due from other funds                               | -                                   | 2,088                              | -                    | 1,285                 | -                      | 172                | 3,545             | 3,416             |
| Inventories  | 12                                  | -                                  | 464                  | 793                   | 3,660                  | -                  | 4,929             | 4,003             |
| Prepaid items                                      | -                                   | 88                                 | -                    | -                     | -                      | -                  | 88                | 89                |
| <b>Total current assets</b>                        | <b>646</b>                          | <b>2,242</b>                       | <b>995</b>           | <b>3,983</b>          | <b>3,667</b>           | <b>1,258</b>       | <b>12,791</b>     | <b>10,403</b>     |
| Long-term assets:                                  |                                     |                                    |                      |                       |                        |                    |                   |                   |
| Deferred charges                                   | -                                   | 5                                  | 12                   | 38                    | -                      | -                  | 55                | 43                |
| Capital assets:                                    |                                     |                                    |                      |                       |                        |                    |                   |                   |
| Land, leaseholds and easements                     | -                                   | -                                  | 21,664               | 2,186                 | -                      | -                  | 23,850            | 23,852            |
| Construction in progress                           | -                                   | 4,421                              | 5,785                | 1,091                 | -                      | -                  | 11,297            | 12,156            |
| Buildings and structures                           | -                                   | -                                  | 25,671               | 30,061                | -                      | -                  | 55,732            | 55,694            |
| Less accumulated depreciation                      | -                                   | -                                  | (18,347)             | (3,039)               | -                      | -                  | (21,386)          | (20,298)          |
| Public improvements                                | -                                   | 297                                | 2,736                | 330                   | -                      | -                  | 3,363             | 3,370             |
| Less accumulated depreciation                      | -                                   | (59)                               | (2,159)              | (103)                 | -                      | -                  | (2,321)           | (2,178)           |
| Machinery and equipment                            | 248                                 | 1,739                              | 6,224                | 51,573                | 132                    | -                  | 59,916            | 47,610            |
| Less accumulated depreciation                      | (177)                               | (1,339)                            | (712)                | (25,089)              | (119)                  | -                  | (27,436)          | (25,041)          |
| Computer equipment                                 | 61                                  | 40,637                             | 162                  | 37                    | 7                      | -                  | 40,904            | 40,673            |
| Less accumulated depreciation                      | (55)                                | (29,510)                           | (147)                | (33)                  | (7)                    | -                  | (29,752)          | (24,181)          |
| Software   | -                                   | 11,812                             | 8                    | -                     | 9                      | -                  | 11,829            | 9,735             |
| Less accumulated depreciation                      | -                                   | (3,865)                            | (7)                  | -                     | (8)                    | -                  | (3,880)           | (2,405)           |
| Other capital outlay                               | 15                                  | 94                                 | 21                   | -                     | 15                     | -                  | 145               | 144               |
| Less accumulated depreciation                      | (12)                                | (84)                               | (16)                 | -                     | (13)                   | -                  | (125)             | (123)             |
| <b>Total long-term assets</b>                      | <b>80</b>                           | <b>24,148</b>                      | <b>40,895</b>        | <b>57,052</b>         | <b>16</b>              | <b>-</b>           | <b>122,191</b>    | <b>119,051</b>    |
| <b>Total assets</b>                                | <b>\$ 726</b>                       | <b>\$ 26,390</b>                   | <b>\$ 41,890</b>     | <b>\$ 61,035</b>      | <b>\$ 3,683</b>        | <b>\$ 1,258</b>    | <b>\$ 134,982</b> | <b>\$ 129,454</b> |
| <b>LIABILITIES AND NET ASSETS</b>                  |                                     |                                    |                      |                       |                        |                    |                   |                   |
| Current liabilities:                               |                                     |                                    |                      |                       |                        |                    |                   |                   |
| Salaries payable                                   | \$ 53                               | \$ 371                             | \$ 374               | \$ 894                | \$ 39                  | \$ 339             | \$ 2,070          | \$ 1,675          |
| Accounts payable                                   | 19                                  | 2,008                              | 815                  | 1,493                 | 305                    | 1,050              | 5,690             | 3,646             |
| Intergovernmental payable                          | -                                   | -                                  | -                    | -                     | -                      | -                  | -                 | 2                 |
| Due to other funds                                 | 11                                  | 2,328                              | 38                   | 279                   | 694                    | 2,570              | 5,920             | 8,015             |
| Interest payable                                   | -                                   | 173                                | 34                   | 161                   | -                      | 8                  | 376               | 371               |
| Unearned revenue                                   | -                                   | 3,421                              | -                    | 363                   | -                      | 48                 | 3,832             | 3,171             |
| Bonds payable-current portion                      | -                                   | 6,195                              | 640                  | 4,415                 | -                      | 890                | 12,140            | 9,310             |
| <b>Total current liabilities</b>                   | <b>83</b>                           | <b>14,496</b>                      | <b>1,901</b>         | <b>7,605</b>          | <b>1,038</b>           | <b>4,905</b>       | <b>30,028</b>     | <b>26,190</b>     |
| Long-term liabilities:                             |                                     |                                    |                      |                       |                        |                    |                   |                   |
| Bonds payable                                      | -                                   | 36,205                             | 9,340                | 38,075                | -                      | 5,395              | 89,015            | 93,305            |
| Unamortized premium (discounts)                    | -                                   | 110                                | 248                  | 1,315                 | -                      | -                  | 1,673             | 1,403             |
| Advances from other funds                          | -                                   | 12,800                             | -                    | -                     | -                      | -                  | 12,800            | 12,800            |
| Compensated absences payable                       | 43                                  | 266                                | 325                  | 774                   | 30                     | 552                | 1,990             | 1,872             |
| Unpaid claims payable                              | -                                   | -                                  | -                    | -                     | -                      | 28,386             | 28,386            | 27,847            |
| <b>Total long-term liabilities</b>                 | <b>43</b>                           | <b>49,381</b>                      | <b>9,913</b>         | <b>40,164</b>         | <b>30</b>              | <b>34,333</b>      | <b>133,864</b>    | <b>137,227</b>    |
| <b>Total liabilities</b>                           | <b>126</b>                          | <b>63,877</b>                      | <b>11,814</b>        | <b>47,769</b>         | <b>1,068</b>           | <b>39,238</b>      | <b>163,892</b>    | <b>163,417</b>    |
| <b>Net Assets:</b>                                 |                                     |                                    |                      |                       |                        |                    |                   |                   |
| Invested in Capital Assets,<br>net of related debt | 80                                  | (18,366)                           | 30,654               | 13,207                | 17                     | -                  | 25,592            | 28,543            |
| Unrestricted                                       | 520                                 | (19,121)                           | (578)                | 59                    | 2,598                  | (37,980)           | (54,502)          | (62,506)          |
| <b>Total net assets</b>                            | <b>600</b>                          | <b>(37,487)</b>                    | <b>30,076</b>        | <b>13,266</b>         | <b>2,615</b>           | <b>(37,980)</b>    | <b>(28,910)</b>   | <b>(33,963)</b>   |
| <b>Total liabilities and net assets</b>            | <b>\$ 726</b>                       | <b>\$ 26,390</b>                   | <b>\$ 41,890</b>     | <b>\$ 61,035</b>      | <b>\$ 3,683</b>        | <b>\$ 1,258</b>    | <b>\$ 134,982</b> | <b>\$ 129,454</b> |

CITY OF MINNEAPOLIS, MINNESOTA

**INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND NET ASSETS**

**For the Fiscal Year Ended December 31, 2004**

**(In Thousands)**

|   | Engineering<br>Materials<br>and Testing | Inter-<br>governmental<br>Services | Property<br>Services | Equipment<br>Services | Public<br>Works<br>Stores | Self-<br>Insurance | 2004<br>Total | 2003<br>Total |
|---|---|------------------------------------|----------------------|-----------------------|---------------------------|--------------------|---------------|---------------|
| <b>Operating revenues:</b>                |   |                                    |                      |                       |                           |                    |               |               |
| Charges for services and sales            | \$ 3,821                                | \$ 5,840                           | \$ 6,573             | \$ 8,155              | \$ 3,920                  | \$ 56,036          | \$ 84,345     | \$ 77,833     |
| Rents and commissions                     | -                                       | -                                  | 6,269                | 21,265                | -                         | -                  | 27,534        | 34,985        |
| Total operating revenues                  | 3,821                                   | 5,840                              | 12,842               | 29,420                | 3,920                     | 56,036             | 111,879       | 112,818       |
| <b>Operating expenses:</b>                |   |                                    |                      |                       |                           |                    |               |               |
| Personal services                         | 846                                     | 5,097                              | 6,462                | 15,544                | 627                       | 11,035             | 39,611        | 39,555        |
| Contractual Services                      | 299                                     | 9,585                              | 4,452                | 3,684                 | 34                        | 46,094             | 64,148        | 64,418        |
| Materials, supplies, services and other   | 2,793                                   | 2,314                              | 1,421                | 2,666                 | 200                       | 4,018              | 13,412        | 21,401        |
| Rent                                      | 98                                      | 234                                | -                    | 668                   | 62                        | 422                | 1,484         | 1,539         |
| Cost of stores issuance                   | -                                       | -                                  | -                    | 2,746                 | 2,848                     | -                  | 5,594         | 5,641         |
| Depreciation                              | 14                                      | 7,314                              | 1,054                | 4,760                 | 1                         | -                  | 13,143        | 13,817        |
| Total operating expenses                  | 4,050                                   | 24,544                             | 13,389               | 30,068                | 3,772                     | 61,569             | 137,392       | 146,371       |
| <b>Operating income (loss)</b>            | (229)                                   | (18,704)                           | (547)                | (648)                 | 148                       | (5,533)            | (25,513)      | (33,553)      |
| <b>Non-operating revenue (expenses)</b>   |   |                                    |                      |                       |                           |                    |               |               |
| Interest revenue                          | -                                       | 1                                  | 2                    | 9                     | -                         | -                  | 12            | 1             |
| Interest expense                          | -                                       | (2,129)                            | (412)                | (1,853)               | -                         | (77)               | (4,471)       | (4,270)       |
| Gain (loss) on disposal of capital assets | 59                                      | (152)                              | (2)                  | 82                    | -                         | -                  | (13)          | (2,959)       |
| Damages/losses recovered                  | -                                       | -                                  | -                    | 141                   | -                         | -                  | 141           | 404           |
| Other revenues                            | -                                       | 78                                 | -                    | 11                    | -                         | 4,922              | 5,011         | 5,741         |
| Total non-operating revenues (expenses)   | 59                                      | (2,202)                            | (412)                | (1,610)               | -                         | 4,845              | 680           | (1,083)       |
| Income (loss) before operating transfers  | (170)                                   | (20,906)                           | (959)                | (2,258)               | 148                       | (688)              | (24,833)      | (34,636)      |
| Transfers in (out):                       |   |                                    |                      |                       |                           |                    |               |               |
| Transfers from other funds                | -                                       | 23,398                             | 842                  | 2,543                 | -                         | 3,697              | 30,480        | 31,653        |
| Transfers to other funds                  | (10)                                    | (185)                              | (35)                 | (344)                 | (14)                      | (6)                | (594)         | (794)         |
| Total transfers                           | (10)                                    | 23,213                             | 807                  | 2,199                 | (14)                      | 3,691              | 29,886        | 30,859        |
| <b>Change in net assets</b>               | (180)                                   | 2,307                              | (152)                | (59)                  | 134                       | 3,003              | 5,053         | (3,777)       |
| Net assets - January 1                    | 780                                     | (39,794)                           | 30,228               | 13,325                | 2,481                     | (40,983)           | (33,963)      | (30,186)      |
| <b>Net assets - December 31</b>           | \$ 600                                  | \$ (37,487)                        | \$ 30,076            | \$ 13,266             | \$ 2,615                  | \$ (37,980)        | \$ (28,910)   | \$ (33,963)   |

**INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
For the Fiscal Year Ended December 31, 2004**

**CITY OF MINNEAPOLIS, MINNESOTA**

**(In Thousands)**

|   | Engineering<br>Materials and<br>Testing | Inter-<br>governmental<br>Services | Property<br>Services | Equipment<br>Services | Public<br>Works<br>Stores | Self-<br>Insurance | 2004<br>Total     | 2003<br>Total      |
|---|---|------------------------------------|----------------------|-----------------------|---------------------------|--------------------|-------------------|--------------------|
| <b>Cash flows from operating activities:</b>  |   |                                    |                      |                       |                           |                    |                   |                    |
| Cash received from customers and users  | \$ 3,681                                | \$ 4,168                           | \$ 12,817            | \$ 31,960             | \$ 3,931                  | \$ 60,540          | \$ 117,097        | \$ 116,175         |
| Payments to suppliers   | (3,268)                                 | (12,205)                           | (5,486)              | (9,114)               | (3,335)                   | (52,045)           | (85,453)          | (102,374)          |
| Payments to employees   | (837)                                   | (4,927)                            | (6,291)              | (15,072)              | (585)                     | (10,964)           | (38,676)          | (39,435)           |
| <b>Net Cash Provided (used) by operating Activities</b>   | <b>(424)</b>                            | <b>(12,964)</b>                    | <b>1,040</b>         | <b>7,774</b>          | <b>11</b>                 | <b>(2,469)</b>     | <b>(7,032)</b>    | <b>(25,634)</b>    |
| <b>Cash flows from non-capital financing activities:</b>  |   |                                    |                      |                       |                           |                    |                   |                    |
| Transfers from other funds  | -                                       | 23,398                             | 842                  | 2,543                 | -                         | 3,697              | 30,480            | 31,653             |
| Principal paid on bonds and notes   | -                                       | -                                  | -                    | -                     | -                         | (860)              | (860)             | (1,600)            |
| Interest paid on bonds and notes  | -                                       | -                                  | -                    | -                     | -                         | (75)               | (75)              | (92)               |
| Transfers to other funds  | (10)                                    | (185)                              | (35)                 | (344)                 | (14)                      | (6)                | (594)             | (794)              |
| <b>Net cash provided (used) by non-capital financing activities</b>                               | <b>(10)</b>                             | <b>23,213</b>                      | <b>807</b>           | <b>2,199</b>          | <b>(14)</b>               | <b>2,756</b>       | <b>28,951</b>     | <b>29,167</b>      |
| <b>Cash flows from capital and related financing activities</b>                                   |   |                                    |                      |                       |                           |                    |                   |                    |
| Bonds issued  | -                                       | 3,540                              | -                    | 5,450                 | -                         | -                  | 8,990             | 15,190             |
| Principal paid on bonds   | -                                       | (5,740)                            | (730)                | (3,120)               | -                         | -                  | (9,590)           | (3,630)            |
| Interest paid on bonds  | -                                       | (2,237)                            | (432)                | (1,914)               | -                         | -                  | (4,583)           | (3,762)            |
| Acquisition and construction of capital assets  | -                                       | (5,992)                            | (574)                | (10,328)              | -                         | -                  | (16,894)          | (11,638)           |
| Premium (discount)  | -                                       | 185                                | -                    | 285                   | -                         | -                  | 470               | 260                |
| Bond issuance costs   | -                                       | (8)                                | -                    | (12)                  | -                         | -                  | (20)              | (45)               |
| Proceeds from sale of capital assets  | 132                                     | -                                  | -                    | 478                   | -                         | -                  | 610               | 663                |
| <b>Net cash provided (used) by capital and related financing activities</b>                       | <b>132</b>                              | <b>(10,252)</b>                    | <b>(1,736)</b>       | <b>(9,161)</b>        | <b>-</b>                  | <b>-</b>           | <b>(21,017)</b>   | <b>(2,962)</b>     |
| <b>Cash flows from investing activities:</b>  |   |                                    |                      |                       |                           |                    |                   |                    |
| Interest  | -                                       | 1                                  | 2                    | 9                     | -                         | -                  | 12                | 1                  |
| <b>Net increase (decrease) in cash and cash equivalents</b>                                       | <b>(302)</b>                            | <b>(2)</b>                         | <b>113</b>           | <b>821</b>            | <b>(3)</b>                | <b>287</b>         | <b>914</b>        | <b>572</b>         |
| Cash and cash equivalents, beginning of year  | 935                                     | 2                                  | 228                  | 931                   | 3                         | 12                 | 2,111             | 1,539              |
| <b>Cash and cash equivalents, end of year</b>   | <b>\$ 633</b>                           | <b>\$ -</b>                        | <b>\$ 341</b>        | <b>\$ 1,752</b>       | <b>\$ -</b>               | <b>\$ 299</b>      | <b>\$ 3,025</b>   | <b>\$ 2,111</b>    |
| <b>Reconciliation of operating income to net cash provided (used) by operating activities</b>     |   |                                    |                      |                       |                           |                    |                   |                    |
| Operating income (loss)   | \$ (229)                                | \$ (18,704)                        | \$ (547)             | \$ (648)              | \$ 148                    | \$ (5,533)         | \$ (25,513)       | \$ (33,553)        |
| Adjustment to reconcile change in net assets to net cash provided (used) by operating activities: |   |                                    |                      |                       |                           |                    |                   |                    |
| Depreciation  | 14                                      | 7,314                              | 1,054                | 4,760                 | 1                         | -                  | 13,143            | 13,817             |
| Accounts receivable   | -                                       | (64)                               | (179)                | 60                    | 11                        | (163)              | (335)             | (373)              |
| Inventories   | -                                       | -                                  | (91)                 | (70)                  | (765)                     | -                  | (926)             | 44                 |
| Prepays   | -                                       | -                                  | -                    | -                     | -                         | -                  | -                 | 111                |
| Due from other funds  | -                                       | (2,077)                            | 155                  | 1,965                 | -                         | (256)              | (213)             | (2,763)            |
| Due to other funds  | 11                                      | (922)                              | 38                   | 279                   | 539                       | (2,041)            | (2,096)           | (8,057)            |
| Salaries payable  | 9                                       | 109                                | 98                   | 148                   | 11                        | 18                 | 393               | 37                 |
| Accounts payable  | (78)                                    | 918                                | 478                  | 720                   | 62                        | (55)               | 2,045             | (2,606)            |
| Intergovernmental payable   | -                                       | -                                  | (1)                  | -                     | -                         | -                  | (1)               | 2                  |
| Unearned revenue  | (140)                                   | 391                                | -                    | 363                   | -                         | 48                 | 662               | 349                |
| Compensated absences payable  | (11)                                    | (7)                                | 35                   | 45                    | 4                         | 52                 | 118               | 82                 |
| Unpaid claims   | -                                       | -                                  | -                    | -                     | -                         | 539                | 539               | 1,131              |
| Damages/Losses recovered  | -                                       | -                                  | -                    | 141                   | -                         | -                  | 141               | 404                |
| Other non-operating revenue   | -                                       | 78                                 | -                    | 11                    | -                         | 4,922              | 5,011             | 5,741              |
| <b>Net cash provided (used) by operating activities</b>   | <b>\$ (424)</b>                         | <b>\$ (12,964)</b>                 | <b>\$ 1,040</b>      | <b>\$ 7,774</b>       | <b>\$ 11</b>              | <b>\$ (2,469)</b>  | <b>\$ (7,032)</b> | <b>\$ (25,634)</b> |
| <b>Non-cash investing, capital and financing activities:</b>                                      |   |                                    |                      |                       |                           |                    |                   |                    |
| (Loss) on disposal of capital assets  | \$ -                                    | \$ (152)                           | \$ (2)               | \$ -                  | \$ -                      | \$ -               | \$ (154)          | \$ (2,971)         |

ENGINEERING MATERIALS AND TESTING  
INTERNAL SERVICE FUND  
STATEMENT OF NET ASSETS  
December 31, 2004

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

|   | <u>2004</u>          | <u>2003</u>            |
|---|----------------------|------------------------|
| <b>ASSETS</b>                               |                      |                        |
| Current assets:                             |                      |                        |
| Cash and cash equivalents                   | \$ 633               | \$ 935                 |
| Receivables:                                |                      |                        |
| Accounts - net                              | 1                    | 1                      |
| Inventories                                 | <u>12</u>            | <u>12</u>              |
| Total current assets                        | <u>646</u>           | <u>948</u>             |
| Capital assets:                             |                      |                        |
| Construction in progress                    | -                    | 10                     |
| Machinery and equipment                     | 248                  | 420                    |
| Less accumulated depreciation               | (177)                | (273)                  |
| Computer equipment                          | 61                   | 61                     |
| Less accumulated depreciation               | (55)                 | (55)                   |
| Other capital outlay                        | 15                   | 15                     |
| Less accumulated depreciation               | <u>(12)</u>          | <u>(11)</u>            |
| Total capital assets                        | <u>80</u>            | <u>167</u>             |
| <b>Total assets</b>                         | <u><u>\$ 726</u></u> | <u><u>\$ 1,115</u></u> |
| <b>LIABILITIES AND FUND EQUITY</b>          |                      |                        |
| Current liabilities:                        |                      |                        |
| Salaries payable                            | \$ 53                | \$ 44                  |
| Accounts payable                            | 19                   | 97                     |
| Due to other funds                          | 11                   | -                      |
| Unearned revenue                            | <u>-</u>             | <u>140</u>             |
| Total current liabilities                   | <u>83</u>            | <u>281</u>             |
| Long-term liabilities:                      |                      |                        |
| Compensated absences payable                | <u>43</u>            | <u>54</u>              |
| Total long-term liabilities                 | <u>43</u>            | <u>54</u>              |
| <b>Total liabilities</b>                    | <u>126</u>           | <u>335</u>             |
| <b>Net Assets</b>                           |                      |                        |
| Invested in net assets, net of related debt | 80                   | 167                    |
| Unrestricted                                | <u>520</u>           | <u>613</u>             |
| <b>Total net assets</b>                     | <u>600</u>           | <u>780</u>             |
| <b>Total liabilities and net assets</b>     | <u><u>\$ 726</u></u> | <u><u>\$ 1,115</u></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>2003</u>   |
|---|---------------|---------------|
| Operating revenues:                     |               |               |
| Charges for services and sales          | \$ 3,821      | \$ 5,352      |
| Operating expenses:                     |               |               |
| Personal services                       | 846           | 1,138         |
| Contractual services                    | 299           | 602           |
| Materials, supplies, services and other | 2,793         | 3,314         |
| Rent                                    | 98            | 137           |
| Depreciation                            | 14            | 83            |
| Total operating expenses                | 4,050         | 5,274         |
| <b>Operating income (loss)</b>          | <u>(229)</u>  | <u>78</u>     |
| Non-operating revenues (expenses):      |               |               |
| Gain (loss) on disposal of fixed assets | 59            | (777)         |
| Income (loss) before transfers          | (170)         | (699)         |
| Transfers to other funds                | (10)          | (10)          |
| <b>Change in net assets</b>             | (180)         | (709)         |
| Net assets - January 1                  | 780           | 1,489         |
| <b>Net assets - December 31</b>         | <u>\$ 600</u> | <u>\$ 780</u> |

ENGINEERING MATERIALS AND TESTING  
INTERNAL SERVICE FUND  
STATEMENT OF CASH FLOWS  
For the fiscal year ended December 31, 2004

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

|   | 2004                   | 2003                 |
|---|------------------------|----------------------|
| <b>Cash flows from operating activities:</b>  |                        |                      |
| Cash received from customers and users  | \$ 3,681               | \$ 5,368             |
| Payments to suppliers   | (3,268)                | (3,887)              |
| Payments to employees   | (837)                  | (1,133)              |
| <b>Net Cash Provided (used) by operating Activities</b>   | <u>(424)</u>           | <u>348</u>           |
| <b>Cash flows from non-capital financing activities:</b>  |                        |                      |
| Transfers to other funds  | (10)                   | (10)                 |
| <b>Net cash provided (used) by non-capital financing activities</b>                               | <u>(10)</u>            | <u>(10)</u>          |
| <b>Cash Flows from capital and related financing activities</b>                                   |                        |                      |
| Acquisition and construction of capital assets  | -                      | (39)                 |
| Proceeds from sale of capital assets  | 132                    | -                    |
| <b>Net cash provided (used) by capital and related financing activities</b>                       | <u>132</u>             | <u>(39)</u>          |
| Net increase (decrease) in cash and cash equivalents  | (302)                  | 299                  |
| Cash and cash equivalents, beginning of year  | 935                    | 636                  |
| <b>Cash and cash equivalents, end of year</b>   | <u><u>633</u></u>      | <u><u>935</u></u>    |
| <b>Reconciliation of operating income to net cash provided (used) by operating activities</b>     |                        |                      |
| Operating income (loss)   | (229)                  | 78                   |
| Adjustment to reconcile change in net assets to net cash provided (used) by operating activities: |                        |                      |
| Depreciation  | 14                     | 83                   |
| A/R   | -                      | 16                   |
| Inventories   | -                      | 116                  |
| Due to other funds  | 11                     | -                    |
| Salaries payable  | 9                      | (1)                  |
| Accounts payable  | (78)                   | 50                   |
| Intergovernmental payable   | (140)                  | 1                    |
| Compensated absences payable  | (11)                   | 5                    |
| <b>Net cash provided (used) by operating activities</b>   | <u><u>\$ (424)</u></u> | <u><u>\$ 348</u></u> |
| <b>Non-cash investing, capital and financing activities:</b>                                      |                        |                      |
| (Loss) on disposal of capital assets  | \$ -                   | \$ (777)             |

INTERGOVERNMENTAL SERVICES  
INTERNAL SERVICE FUND  
STATEMENT OF NET ASSETS  
December 31, 2004

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

|   | 2004             | 2003             |
|---|------------------|------------------|
| <b>ASSETS</b>                                   |                  |                  |
| Current assets:                                 |                  |                  |
| Cash and cash equivalents                       | \$ -             | \$ 2             |
| Receivables:                                    |                  |                  |
| Accounts - net                                  | 66               | 1                |
| Due from other funds                            | 88               | 11               |
| Prepaid Expenses                                | 2,088            | 89               |
| Total current assets                            | 2,242            | 103              |
| Deferred charges                                | 5                | 2                |
| Capital assets:                                 |                  |                  |
| Construction in progress                        | 4,421            | 1,138            |
| Public improvements                             | 297              | 297              |
| Less accumulated depreciation                   | (59)             | (45)             |
| Machinery and equipment                         | 1,739            | 1,625            |
| Less accumulated depreciation                   | (1,339)          | (1,200)          |
| Computer equipment                              | 40,637           | 40,406           |
| Less accumulated depreciation                   | (29,510)         | (23,940)         |
| Software  | 11,812           | 9,718            |
| Less accumulated depreciation                   | (3,865)          | (2,391)          |
| Other capital outlay                            | 94               | 94               |
| Less accumulated depreciation                   | (84)             | (84)             |
| Total capital assets                            | 24,148           | 25,620           |
| <b>Total assets</b>                             | <b>\$ 26,390</b> | <b>\$ 25,723</b> |
| <b>LIABILITIES AND NET ASSETS</b>               |                  |                  |
| Current liabilities:                            |                  |                  |
| Salaries payable                                | \$ 371           | \$ 262           |
| Accounts payable                                | 2,008            | 1,090            |
| Due to other funds                              | 2,328            | 3,250            |
| Interest payable                                | 173              | 180              |
| Unearned revenue                                | 3,421            | 3,031            |
| Bonds payable-current portion                   | 6,195            | 4,600            |
| Total current liabilities                       | 14,496           | 12,413           |
| Long-term liabilities:                          |                  |                  |
| Bonds payable                                   | 36,205           | 40,000           |
| Unamortized premium (discounts)                 | 110              | 31               |
| Advances from other funds                       | 12,800           | 12,800           |
| Compensated absences payable                    | 266              | 273              |
| Total long-term liabilities                     | 49,381           | 53,104           |
| <b>Total liabilities</b>                        | <b>63,877</b>    | <b>65,517</b>    |
| <b>Net Assets:</b>                              |                  |                  |
| Invested in capital assets, net of related debt | (18,366)         | (18,450)         |
| Unrestricted                                    | (19,121)         | (21,344)         |
| <b>Total net assets</b>                         | <b>(37,487)</b>  | <b>(39,794)</b>  |
| <b>Total liabilities and net assets</b>         | <b>\$ 26,390</b> | <b>\$ 25,723</b> |

INTERGOVERNMENTAL SERVICES  
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>2003</u>        |
|---|--------------------|--------------------|
| Operating revenues:                     |                    |                    |
| Charges for services and sales          | \$ 5,840           | \$ 4,167           |
| Operating expenses:                     |                    |                    |
| Personal services                       | 5,097              | 5,771              |
| Contractual services                    | 9,585              | 9,067              |
| Materials, supplies, services and other | 2,314              | 1,245              |
| Rent                                    | 234                | 418                |
| Depreciation                            | 7,314              | 8,932              |
| Total operating expenses                | 24,544             | 25,433             |
| <b>Operating income (loss)</b>          | <u>(18,704)</u>    | <u>(21,266)</u>    |
| Non-operating revenues (expenses):      |                    |                    |
| Interest revenue                        | 1                  | -                  |
| Interest expense                        | (2,129)            | (2,215)            |
| Gain (loss) on disposal of fixed assets | (152)              | (2,027)            |
| Other revenues                          | 78                 | 83                 |
| Total non-operating revenues (expenses) | (2,202)            | (4,159)            |
| Income (loss) before transfers          | (20,906)           | (25,425)           |
| Transfers in (out):                     |                    |                    |
| Transfers from other funds              | 23,398             | 18,666             |
| Transfers to other funds                | (185)              | (51)               |
| Total transfers                         | 23,213             | 18,615             |
| <b>Change in net assets</b>             | <u>2,307</u>       | <u>(6,810)</u>     |
| Net assets - January 1                  | (39,794)           | (32,984)           |
| <b>Net assets - December 31</b>         | <u>\$ (37,487)</u> | <u>\$ (39,794)</u> |
|   | (37,487)           | (39,794)           |
|   | \$ -               | \$ -               |

INTERGOVERNMENTAL SERVICES  
INTERNAL SERVICE FUND  
STATEMENT OF CASH FLOWS  
For the fiscal year ended December 31, 2004

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

|   | 2004               | 2003               |
|---|--------------------|--------------------|
| <b>Cash flows from operating activities:</b>  |                    |                    |
| Cash received from customers and users  | \$ 4,168           | \$ 4,587           |
| Payments to suppliers   | (12,205)           | (9,455)            |
| Payments to employees   | (4,927)            | (5,811)            |
| <b>Net Cash Provided (used) by operating Activities</b>   | <u>(12,964)</u>    | <u>(10,679)</u>    |
| <b>Cash flows from non-capital financing activities:</b>  |                    |                    |
| Transfers from other funds  | 23,398             | 18,666             |
| Transfers to other funds  | (185)              | (51)               |
| <b>Net cash provided (used) by non-capital financing activities</b>                               | <u>23,213</u>      | <u>18,615</u>      |
| <b>Cash Flows from capital and related financing activities</b>                                   |                    |                    |
| Bonds issued  | 3,540              | 1,000              |
| Principal paid on bonds   | (5,740)            | (1,730)            |
| Interest paid on bonds  | (2,237)            | (2,235)            |
| Acquisition and construction of capital assets  | (5,992)            | (5,014)            |
| Premium (discount)  | 185                | 47                 |
| Bond issuance costs   | (8)                | (3)                |
| <b>Net cash provided (used) by capital and related financing activities</b>                       | <u>(10,252)</u>    | <u>(7,935)</u>     |
| <b>Cash flows from investing activities:</b>  | -                  | -                  |
| Interest  | 1                  | -                  |
| <b>Net cash provided (used) by investing activities</b>   | <u>1</u>           | <u>-</u>           |
| Net increase (decrease) in cash and cash equivalents  | (2)                | 1                  |
| Cash and cash equivalents, beginning of year  | 2                  | 1                  |
| <b>Cash and cash equivalents, end of year</b>   | <u>-</u>           | <u>2</u>           |
| <b>Reconciliation of operating income to net cash provided (used) by operating activities</b>     |                    |                    |
| Operating income (loss)   | (18,704)           | (21,266)           |
| Adjustment to reconcile change in net assets to net cash provided (used) by operating activities: |                    |                    |
| Depreciation  | 7,314              | 8,932              |
| A/R   | (64)               | -                  |
| Prepays   | -                  | 111                |
| Due from other funds  | (2,077)            | (11)               |
| Due to other funds  | (922)              | 992                |
| Salaries payable  | 109                | (58)               |
| Accounts payable  | 918                | 171                |
| Unearned revenue  | 391                | 349                |
| Compensated absences payable  | (7)                | 18                 |
| Other non-operating revenues  | 78                 | 83                 |
| <b>Net cash provided (used) by operating activities</b>   | <u>\$ (12,964)</u> | <u>\$ (10,679)</u> |
| <b>Non-cash investing, capital and financing activities:</b>                                      |                    |                    |
| (Loss) on disposal of capital assets  | \$ (152)           | \$ (2,027)         |

**PROPERTY SERVICES  
INTERNAL SERVICE FUND  
STATEMENT OF NET ASSETS  
December 31, 2004**

**CITY OF MINNEAPOLIS, MINNESOTA**

**(In Thousands)**

|   | <u>2004</u>      | <u>2003</u>      |
|---|------------------|------------------|
| <b>ASSETS</b>                                   |                  |                  |
| Current assets:                                 |                  |                  |
| Cash and cash equivalents                       | \$ 341           | \$ 228           |
| Receivables:                                    |                  |                  |
| Accounts - net                                  | 190              | 11               |
| Due from other funds                            | -                | 155              |
| Inventories                                     | 464              | 373              |
| Total current assets                            | <u>995</u>       | <u>767</u>       |
| Deferred charges                                | 12               | 13               |
| Capital assets:                                 |                  |                  |
| Land, leaseholds and easements                  | 21,664           | 21,666           |
| Construction in progress                        | 5,785            | 10,889           |
| Buildings and structures                        | 25,671           | 25,817           |
| Less accumulated depreciation                   | (18,347)         | (17,892)         |
| Public improvements                             | 2,736            | 2,743            |
| Less accumulated depreciation                   | (2,159)          | (2,045)          |
| Machinery and equipment                         | 6,224            | 545              |
| Less accumulated depreciation                   | (712)            | (381)            |
| Computer equipment                              | 162              | 162              |
| Less accumulated depreciation                   | (147)            | (146)            |
| Software  | 8                | 8                |
| Less accumulated depreciation                   | (7)              | (6)              |
| Other capital outlay                            | 21               | 21               |
| Less accumulated depreciation                   | (16)             | (16)             |
| Total capital assets                            | <u>40,895</u>    | <u>41,378</u>    |
| <b>Total assets</b>                             | <u>\$ 41,890</u> | <u>\$ 42,145</u> |
| <b>LIABILITIES AND NET ASSETS</b>               |                  |                  |
| Current liabilities:                            |                  |                  |
| Salaries payable                                | \$ 374           | \$ 275           |
| Accounts payable                                | 815              | 337              |
| Intergovernmental payable                       | -                | 2                |
| Due to other funds                              | 38               | -                |
| Interest payable                                | 34               | 36               |
| Bonds payable-current portion                   | 640              | 730              |
| Total current liabilities                       | <u>1,901</u>     | <u>1,380</u>     |
| Long-term liabilities:                          |                  |                  |
| Bonds payable                                   | 9,340            | 9,980            |
| Unamortized premium (discounts)                 | 248              | 267              |
| Compensated absences payable                    | 325              | 290              |
| Total long-term liabilities                     | <u>9,913</u>     | <u>10,537</u>    |
| <b>Total liabilities</b>                        | <u>11,814</u>    | <u>11,917</u>    |
| <b>Net Assets:</b>                              |                  |                  |
| Invested in capital assets, net of related debt | 30,654           | 31,310           |
| Unrestricted                                    | (578)            | (1,082)          |
| <b>Total net assets</b>                         | <u>30,076</u>    | <u>30,228</u>    |
| <b>Total liabilities and net assets</b>         | <u>\$ 41,890</u> | <u>\$ 42,145</u> |

**PROPERTY SERVICES  
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)**

|   | <b>2004</b>             | <b>2003</b>             |
|---|-------------------------|-------------------------|
| Operating revenues:                     |                         |                         |
| Charges for services and sales          | \$ 6,573                | \$ 5,472                |
| Rents and commissions                   | 6,269                   | 6,214                   |
| Total operating revenues                | <u>12,842</u>           | <u>11,686</u>           |
| Operating expenses:                     |                         |                         |
| Personal services                       | 6,462                   | 6,148                   |
| Contractual services                    | 4,452                   | 3,781                   |
| Materials, supplies, services and other | 1,421                   | 1,234                   |
| Depreciation                            | 1,054                   | 591                     |
| Total operating expenses                | <u>13,389</u>           | <u>11,754</u>           |
| <b>Operating income (loss)</b>          | <u>(547)</u>            | <u>(68)</u>             |
| Non-operating revenues (expenses):      |                         |                         |
| Interest revenue                        | 2                       | -                       |
| Interest expense                        | (412)                   | (337)                   |
| Gain (loss) on disposal of fixed assets | (2)                     | (165)                   |
| Total non-operating revenues (expenses) | <u>(412)</u>            | <u>(502)</u>            |
| Income (loss) before transfers          | <u>(959)</u>            | <u>(570)</u>            |
| Transfers in (out):                     |                         |                         |
| Transfers from other funds              | 842                     | 389                     |
| Transfers to other funds                | (35)                    | (232)                   |
| Total transfers                         | <u>807</u>              | <u>157</u>              |
| <b>Change in net assets</b>             | <u>(152)</u>            | <u>(413)</u>            |
| Net assets - January 1                  | <u>30,228</u>           | <u>30,641</u>           |
| <b>Net assets - December 31</b>         | <u><u>\$ 30,076</u></u> | <u><u>\$ 30,228</u></u> |

PROPERTY SERVICES  
INTERNAL SERVICE FUND  
STATEMENT OF CASH FLOWS  
For the fiscal year ended December 31, 2004

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

|   | 2004            | 2003              |
|---|-----------------|-------------------|
| <b>Cash flows from operating activities:</b>  |                 |                   |
| Cash received from customers and users  | \$ 12,817       | \$ 12,114         |
| Payments to suppliers   | (5,486)         | (9,310)           |
| Payments to employees   | (6,291)         | (6,099)           |
| <b>Net Cash Provided (used) by operating Activities</b>   | <u>1,040</u>    | <u>(3,295)</u>    |
| <b>Cash flows from non-capital financing activities:</b>  |                 |                   |
| Transfers from other funds  | 842             | 389               |
| Transfers to other funds  | (35)            | (232)             |
| <b>Net cash provided (used) by non-capital financing activities</b>                               | <u>807</u>      | <u>157</u>        |
| <b>Cash Flows from capital and related financing activities</b>                                   |                 |                   |
| Bonds issued  | -               | 4,560             |
| Principal paid on bonds   | (730)           | (275)             |
| Interest paid on bonds  | (432)           | (333)             |
| Acquisition and construction of capital assets  | (574)           | (790)             |
| Premium (discount)  |                 | 213               |
| Bond issuance costs   |                 | (14)              |
| <b>Net cash provided (used) by capital and related financing activities</b>                       | <u>(1,736)</u>  | <u>3,361</u>      |
| <b>Cash flows from investing activities:</b>  |                 |                   |
| Interest  | 2               | -                 |
| Net increase (decrease) in cash and cash equivalents  | 113             | 223               |
| Cash and cash equivalents, beginning of year  | 228             | 5                 |
| <b>Cash and cash equivalents, end of year</b>   | <u>341</u>      | <u>228</u>        |
| <b>Reconciliation of operating income to net cash provided (used) by operating activities</b>     |                 |                   |
| Operating income (loss)   | (547)           | (69)              |
| Adjustment to reconcile change in net assets to net cash provided (used) by operating activities: |                 |                   |
| Depreciation  | 1,054           | 591               |
| A/R   | (179)           | (9)               |
| Inventories   | (91)            | (267)             |
| Due from other funds  | 155             | 437               |
| Due to other funds  | 38              | (624)             |
| Salaries payable  | 98              | 25                |
| Accounts payable  | 478             | (3,404)           |
| Intergovernmental payable   | (1)             | 1                 |
| Compensated absences payable  | 35              | 24                |
| <b>Net cash provided (used) by operating activities</b>   | <u>\$ 1,040</u> | <u>\$ (3,295)</u> |
| <b>Non-cash investing, capital and financing activities:</b>                                      |                 |                   |
| (Loss) on disposal of capital assets  | \$ (2)          | \$ (165)          |

**EQUIPMENT SERVICES  
INTERNAL SERVICE FUND  
STATEMENT OF NET ASSETS  
December 31, 2004**

**CITY OF MINNEAPOLIS, MINNESOTA**

**(In Thousands)**

|   | <u>2004</u>             | <u>2003</u>             |
|---|-------------------------|-------------------------|
| <b>ASSETS</b>                                   |                         |                         |
| Current assets:                                 |                         |                         |
| Cash and cash equivalents                       | \$ 1,752                | \$ 931                  |
| Receivables:                                    |                         |                         |
| Accounts - net                                  | 153                     | 213                     |
| Due from other funds                            | 1,285                   | 3,250                   |
| Inventories                                     | <u>793</u>              | <u>723</u>              |
| Total current assets                            | <u>3,983</u>            | <u>5,117</u>            |
| Deferred charges                                | 38                      | 28                      |
| Capital assets:                                 |                         |                         |
| Land, leaseholds and easements                  | 2,186                   | 2,186                   |
| Construction in progress                        | 1,091                   | 119                     |
| Buildings and structures                        | 30,061                  | 29,877                  |
| Less accumulated depreciation                   | (3,039)                 | (2,406)                 |
| Public improvements                             | 330                     | 330                     |
| Less accumulated depreciation                   | (103)                   | (88)                    |
| Machinery and equipment                         | 51,573                  | 44,888                  |
| Less accumulated depreciation                   | (25,089)                | (23,068)                |
| Computer equipment                              | 37                      | 37                      |
| Less accumulated depreciation                   | <u>(33)</u>             | <u>(33)</u>             |
| Total capital assets                            | <u>57,052</u>           | <u>51,870</u>           |
| <b>Total assets</b>                             | <u><u>\$ 61,035</u></u> | <u><u>\$ 56,987</u></u> |
| <b>LIABILITIES AND NET ASSETS</b>               |                         |                         |
| Current liabilities:                            |                         |                         |
| Salaries payable                                | \$ 894                  | \$ 746                  |
| Accounts payable                                | 1,493                   | 772                     |
| Due to other funds                              | 279                     | -                       |
| Interest payable                                | 161                     | 150                     |
| Unearned revenue                                | 363                     | -                       |
| Bonds payable-current portion                   | <u>4,415</u>            | <u>3,120</u>            |
| Total current liabilities                       | <u>7,605</u>            | <u>4,788</u>            |
| Long-term liabilities:                          |                         |                         |
| Bonds payable                                   | 38,075                  | 37,040                  |
| Unamortized premium (discounts)                 | 1,315                   | 1,105                   |
| Compensated absences payable                    | <u>774</u>              | <u>729</u>              |
| Total long-term liabilities                     | <u>40,164</u>           | <u>38,874</u>           |
| <b>Total liabilities</b>                        | <u>47,769</u>           | <u>43,662</u>           |
| <b>Net Assets:</b>                              |                         |                         |
| Invested in capital assets, net of related debt | 13,207                  | 15,499                  |
| Unrestricted                                    | <u>59</u>               | <u>(2,174)</u>          |
| <b>Total net assets</b>                         | <u>13,266</u>           | <u>13,325</u>           |
| <b>Total liabilities and net assets</b>         | <u><u>\$ 61,035</u></u> | <u><u>\$ 56,987</u></u> |

**EQUIPMENT SERVICES  
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>2003</u>      |
|---|------------------|------------------|
| Operating revenues:                     |                  |                  |
| Charges for services and sales          | \$ 8,155         | \$ 3,320         |
| Rents and commissions                   | 21,265           | 28,771           |
| Total operating revenues                | <u>29,420</u>    | <u>32,091</u>    |
| Operating expenses:                     |                  |                  |
| Personal services                       | 15,544           | 15,451           |
| Contractual services                    | 3,684            | 4,203            |
| Materials, supplies, services and other | 2,666            | 4,087            |
| Rent                                    | 668              | 527              |
| Cost of stores issuance                 | 2,746            | 2,144            |
| Depreciation                            | 4,760            | 4,206            |
| Total operating expenses                | <u>30,068</u>    | <u>30,618</u>    |
| <b>Operating income (loss)</b>          | <u>(648)</u>     | <u>1,473</u>     |
| Non-operating revenues (expenses):      |                  |                  |
| Interest revenue                        | 9                | 1                |
| Interest expense                        | (1,853)          | (1,629)          |
| Gain (loss) on disposal of fixed assets | 82               | 12               |
| Damages/losses recovered                | 141              | 404              |
| Other revenues                          | 11               | 5                |
| Total non-operating revenues (expenses) | <u>(1,610)</u>   | <u>(1,207)</u>   |
| Income (loss) before transfers          | <u>(2,258)</u>   | <u>266</u>       |
| Transfers in (out):                     |                  |                  |
| Transfers from other funds              | 2,543            | 1,819            |
| Transfers to other funds                | (344)            | (482)            |
| Total transfers                         | <u>2,199</u>     | <u>1,337</u>     |
| <b>Change in net assets</b>             | <u>(59)</u>      | <u>1,603</u>     |
| Net assets - January 1                  | <u>13,325</u>    | <u>11,722</u>    |
| <b>Net assets - December 31</b>         | <u>\$ 13,266</u> | <u>\$ 13,325</u> |

EQUIPMENT SERVICES  
INTERNAL SERVICE FUND  
STATEMENT OF CASH FLOWS  
For the fiscal year ended December 31, 2004

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

|   | 2004            | 2003              |
|---|-----------------|-------------------|
| <b>Cash flows from operating activities:</b>  |                 |                   |
| Cash received from customers and users  | \$ 31,960       | \$ 29,301         |
| Payments to suppliers   | (9,114)         | (16,946)          |
| Payments to employees   | (15,072)        | (15,308)          |
| <b>Net Cash Provided (used) by operating Activities</b>   | <u>7,774</u>    | <u>(2,953)</u>    |
| <b>Cash flows from non-capital financing activities:</b>  |                 |                   |
| Transfers from other funds  | 2,543           | 1,819             |
| Transfers to other funds  | (344)           | (482)             |
| <b>Net cash provided (used) by non-capital financing activities</b>                               | <u>2,199</u>    | <u>1,337</u>      |
| <b>Cash Flows from capital and related financing activities</b>                                   |                 |                   |
| Bonds issued  | 5,450           | 9,630             |
| Principal paid on bonds   | (3,120)         | (1,625)           |
| Interest paid on bonds  | (1,914)         | (1,194)           |
| Premium (discount)  | 285             | -                 |
| Acquisition and construction of capital assets  | (10,328)        | (5,795)           |
| Bond issuance costs   | 478             | (28)              |
| Proceeds from sale of capital assets  | (12)            | 663               |
| <b>Net cash provided (used) by capital and related financing activities</b>                       | <u>(9,161)</u>  | <u>1,651</u>      |
| <b>Cash flows from investing activities:</b>  |                 |                   |
| Interest  | 9               | 1                 |
| <b>Net cash provided (used) by investing activities</b>   | <u>9</u>        | <u>1</u>          |
| Net increase (decrease) in cash and cash equivalents  | 821             | 36                |
| Cash and cash equivalents, beginning of year  | 931             | 895               |
| <b>Cash and cash equivalents, end of year</b>   | <u>1,752</u>    | <u>931</u>        |
| <b>Reconciliation of operating income to net cash provided (used) by operating activities</b>     |                 |                   |
| Operating income (loss)   | (648)           | 1,472             |
| Adjustment to reconcile change in net assets to net cash provided (used) by operating activities: |                 |                   |
| Depreciation  | 4,760           | 4,206             |
| A/R   | 60              | (10)              |
| Inventories   | (70)            | (6)               |
| Due from other funds  | 1,965           | (3,189)           |
| Due to other funds  | 279             | (5,890)           |
| Salaries payable  | 148             | 58                |
| Accounts payable  | 720             | (89)              |
| Unearned revenue  | 363             | -                 |
| Compensated absences payable  | 45              | 86                |
| Damages/Losses recovered  | 141             | 404               |
| Other non-operating revenues  | 11              | 5                 |
| <b>Net cash provided (used) by operating activities</b>   | <u>\$ 7,774</u> | <u>\$ (2,953)</u> |
| <b>Non-cash investing, capital and financing activities:</b>                                      |                 |                   |
| (Loss) on disposal of capital assets  | \$ -            | \$ -              |

**PUBLIC WORKS STORES  
INTERNAL SERVICE FUND  
STATEMENT OF NET ASSETS  
December 31, 2004**

**CITY OF MINNEAPOLIS, MINNESOTA**

**(In Thousands)**

|   | <u>2004</u>     | <u>2003</u>     |
|---|-----------------|-----------------|
| <b>ASSETS</b>                                   |                 |                 |
| Current assets:                                 |                 |                 |
| Cash and cash equivalents                       | \$ -            | \$ 3            |
| Receivables:                                    |                 |                 |
| Accounts - net                                  | 7               | 18              |
| Inventories                                     | <u>3,660</u>    | <u>2,895</u>    |
| Total current assets                            | <u>3,667</u>    | <u>2,916</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                   | <u>(13)</u>     | <u>(12)</u>     |
| Total capital assets                            | <u>16</u>       | <u>16</u>       |
| <b>Total assets</b>                             | <u>\$ 3,683</u> | <u>\$ 2,932</u> |
| <b>LIABILITIES AND NET ASSETS</b>               |                 |                 |
| Current liabilities:                            |                 |                 |
| Salaries payable                                | \$ 39           | \$ 27           |
| Accounts payable                                | 305             | 243             |
| Due to other funds                              | <u>694</u>      | <u>155</u>      |
| Total current liabilities                       | <u>1,038</u>    | <u>425</u>      |
| Long-term liabilities:                          |                 |                 |
| Compensated absences payable                    | <u>30</u>       | <u>26</u>       |
| Total long-term liabilities                     | <u>30</u>       | <u>26</u>       |
| <b>Total liabilities</b>                        | <u>1,068</u>    | <u>451</u>      |
| <b>Net Assets:</b>                              |                 |                 |
| Invested in capital assets, net of related debt | 17              | 17              |
| Unrestricted                                    | <u>2,598</u>    | <u>2,464</u>    |
| <b>Total net assets</b>                         | <u>2,615</u>    | <u>2,481</u>    |
| <b>Total liabilities and net assets</b>         | <u>\$ 3,683</u> | <u>\$ 2,932</u> |

**PUBLIC WORKS STORES  
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>2003</u>     |
|---|-----------------|-----------------|
| Operating revenues:                     |                 |                 |
| Charges for services and sales          | \$ 3,920        | \$ 4,705        |
| Operating expenses:                     |                 |                 |
| Personal services                       | 627             | 555             |
| Contractual services                    | 34              | 85              |
| Materials, supplies, services and other | 200             | 204             |
| Rent                                    | 62              | 63              |
| Cost of stores issuance                 | 2,848           | 3,497           |
| Depreciation                            | 1               | 5               |
| Total operating expenses                | <u>3,772</u>    | <u>4,409</u>    |
| <b>Operating income (loss)</b>          | <u>148</u>      | <u>296</u>      |
| Non-operating revenues (expenses):      |                 |                 |
| Gain (loss) on disposal of fixed assets | -               | (2)             |
| Income (loss) before transfers          | <u>148</u>      | <u>294</u>      |
| Transfers in (out):                     |                 |                 |
| Transfers to other funds                | (14)            | (14)            |
| <b>Change in net assets</b>             | <u>134</u>      | <u>280</u>      |
| Net assets - January 1                  | <u>2,481</u>    | <u>2,201</u>    |
| <b>Net assets - December 31</b>         | <u>\$ 2,615</u> | <u>\$ 2,481</u> |

**PUBLIC WORK STORES  
INTERNAL SERVICE FUND  
STATEMENT OF CASH FLOWS  
For the fiscal year ended December 31, 2004**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

|   | <u>2004</u>         | <u>2003</u>         |
|---|---------------------|---------------------|
| <b>Cash flows from operating activities:</b>  |                     |                     |
| Cash received from customers and users  | \$ 3,931            | \$ 4,689            |
| Payments to suppliers   | (3,335)             | (4,128)             |
| Payments to employees   | (585)               | (546)               |
| <b>Net Cash Provided (used) by operating Activities</b>   | <u>11</u>           | <u>15</u>           |
| <b>Cash flows from non-capital financing activities:</b>  |                     |                     |
| Transfers to other funds  | (14)                | (14)                |
| <b>Net cash provided (used) by non-capital financing activities</b>                               | <u>(14)</u>         | <u>(14)</u>         |
| Net increase (decrease) in cash and cash equivalents  | (3)                 | 1                   |
| Cash and cash equivalents, beginning of year  | 3                   | 2                   |
| <b>Cash and cash equivalents, end of year</b>   | <u><u>-</u></u>     | <u><u>3</u></u>     |
| <b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>    |                     |                     |
| Operating income (loss)   | 148                 | 296                 |
| Adjustment to reconcile change in net assets to net cash provided (used) by operating activities: |                     |                     |
| Depreciation  | 1                   | 5                   |
| A/R   | 11                  | (17)                |
| Inventories   | (765)               | 201                 |
| Due to other funds  | 539                 | (525)               |
| Salaries payable  | 11                  | 6                   |
| Accounts payable  | 62                  | 46                  |
| Compensated absences payable  | 4                   | 3                   |
| <b>Net cash provided (used) by operating activities</b>   | <u><u>\$ 11</u></u> | <u><u>\$ 15</u></u> |
| <b>Non-cash investing, capital and financing activities:</b>                                      |                     |                     |
| (Loss) on disposal of capital assets  | \$ -                | \$ (2)              |

SELF-INSURANCE  
INTERNAL SERVICE FUND  
STATEMENT OF NET ASSETS  
December 31, 2004

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

|   | 2004            | 2003            |
|---|-----------------|-----------------|
| <b>ASSETS</b>                           |                 |                 |
| Current assets:                         |                 |                 |
| Cash and cash equivalents               | \$ 299          | \$ 12           |
| Receivables:                            |                 |                 |
| Accounts - net                          | 605             | 358             |
| Intergovernmental                       | 182             | 182             |
| Due from other funds                    | 172             | -               |
| Total current assets                    | <u>1,258</u>    | <u>552</u>      |
| <b>Total assets</b>                     | <u>\$ 1,258</u> | <u>\$ 552</u>   |
| <b>LIABILITIES AND NET ASSETS</b>       |                 |                 |
| Current liabilities:                    |                 |                 |
| Salaries payable                        | \$ 339          | \$ 321          |
| Accounts payable                        | 1,050           | 1,107           |
| Due to other funds                      | 2,570           | 4,610           |
| Interest payable                        | 8               | 5               |
| Unearned revenue                        | 48              | -               |
| Bonds payable-current portion           | 890             | 860             |
| Total current liabilities               | <u>4,905</u>    | <u>6,903</u>    |
| Long-term liabilities:                  |                 |                 |
| Bonds payable                           | 5,395           | 6,285           |
| Compensated absences payable            | 552             | 500             |
| Unpaid claims payable                   | 28,386          | 27,847          |
| Total long-term liabilities             | <u>34,333</u>   | <u>34,632</u>   |
| <b>Total liabilities</b>                | <u>39,238</u>   | <u>41,535</u>   |
| <b>Net Assets:</b>                      |                 |                 |
| Unrestricted                            | <u>(37,980)</u> | <u>(40,983)</u> |
| <b>Total net assets</b>                 | <u>(37,980)</u> | <u>(40,983)</u> |
| <b>Total liabilities and net assets</b> | <u>\$ 1,258</u> | <u>\$ 552</u>   |

SELF-INSURANCE  
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>2003</u>        |
|---|--------------------|--------------------|
| Operating revenues:                     |                    |                    |
| Charges for services and sales          | \$ 56,036          | \$ 54,817          |
| Operating expenses:                     |                    |                    |
| Personal services                       | 11,035             | 10,492             |
| Contractual services                    | 46,094             | 46,680             |
| Materials, supplies, services and other | 4,018              | 11,317             |
| Rent                                    | 422                | 394                |
| Total operating expenses                | <u>61,569</u>      | <u>68,883</u>      |
| <b>Operating income (loss)</b>          | <u>(5,533)</u>     | <u>(14,066)</u>    |
| Non-operating revenues (expenses):      |                    |                    |
| Interest expense                        | (77)               | (89)               |
| Other revenues                          | 4,922              | 5,653              |
| Total non-operating revenues (expenses) | <u>4,845</u>       | <u>5,564</u>       |
| Income (loss) before transfers          | <u>(688)</u>       | <u>(8,502)</u>     |
| Transfers in (out):                     |                    |                    |
| Transfers from other funds              | 3,697              | 10,779             |
| Transfers to other funds                | (6)                | (5)                |
| Total transfers                         | <u>3,691</u>       | <u>10,774</u>      |
| <b>Change in net assets</b>             | <u>3,003</u>       | <u>2,272</u>       |
| Net assets - January 1                  | <u>(40,983)</u>    | <u>(43,255)</u>    |
| <b>Net assets - December 31</b>         | <u>\$ (37,980)</u> | <u>\$ (40,983)</u> |

0  
(40,983)

SELF-INSURANCE  
INTERNAL SERVICE FUND  
STATEMENT OF CASH FLOWS  
For the fiscal year ended December 31, 2004

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

|   | 2004              | 2003              |
|---|-------------------|-------------------|
| <b>Cash flows from operating activities:</b>  |                   |                   |
| Cash received from customers and users  | \$ 60,540         | \$ 60,116         |
| Payments to suppliers   | (52,045)          | (58,648)          |
| Payments to employees   | (10,964)          | (10,538)          |
| <b>Net Cash Provided (used) by operating Activities</b>   | <u>(2,469)</u>    | <u>(9,070)</u>    |
| <b>Cash flows from non-capital financing activities:</b>  |                   |                   |
| Transfers from other funds  | 3,697             | 10,779            |
| Principal paid on bonds and notes   | (860)             | (1,600)           |
| Interest paid on bonds and notes  | (75)              | (92)              |
| Transfers to other funds  | (6)               | (5)               |
| <b>Net cash provided (used) by non-capital financing activities</b>                               | <u>2,756</u>      | <u>9,082</u>      |
| Net increase (decrease) in cash and cash equivalents  | 287               | 12                |
| Cash and cash equivalents, beginning of year  | 12                | -                 |
| <b>Cash and cash equivalents, end of year</b>   | <u>299</u>        | <u>12</u>         |
| <b>Reconciliation of operating income to net cash provided (used) by operating activities</b>     |                   |                   |
| Operating income (loss)   | (5,533)           | (14,065)          |
| Adjustment to reconcile change in net assets to net cash provided (used) by operating activities: |                   |                   |
| A/R   | (163)             | (353)             |
| Due from other funds  | (256)             | -                 |
| Due to other funds  | (2,041)           | (2,010)           |
| Salaries payable  | 18                | 7                 |
| Accounts payable  | (55)              | 621               |
| Unearned revenue  | 48                | -                 |
| Compensated absences payable  | 52                | (54)              |
| Unpaid claims   | 539               | 1,131             |
| Other non-operating revenues  | 4,922             | 5,653             |
| <b>Net cash provided (used) by operating activities</b>   | <u>\$ (2,469)</u> | <u>\$ (9,070)</u> |
| <b>Non-cash investing, capital and financing activities:</b>                                      |                   |                   |
| (Loss) on disposal of capital assets  | \$ -              | \$ -              |

**COMBINING STATEMENT OF FIDUCIARY NET ASSETS CITY OF MINNEAPOLIS, MINNESOTA**  
**AGENCY FUNDS**  
**December 31, 2004** **(In Thousands)**

|                           | <u>Minneapolis<br/>Agency</u> | <u>Skyway Debt<br/>Service</u> | <u>Total</u>           |
|---------------------------|-------------------------------|--------------------------------|------------------------|
| <b>ASSETS</b>             |                               |                                |                        |
| Cash and cash equivalents | \$ 1,270                      | \$ 223                         | \$ 1,493               |
| Receivables:              |                               |                                |                        |
| Accounts-net              | <u>95</u>                     | <u>-</u>                       | <u>95</u>              |
| <b>Total assets</b>       | <u><u>1,365</u></u>           | <u><u>223</u></u>              | <u><u>1,588</u></u>    |
| <b>LIABILITIES</b>        |                               |                                |                        |
| Accounts payable          | 1,365                         | -                              | 1,365                  |
| Deposits held for others  | <u>-</u>                      | <u>223</u>                     | <u>223</u>             |
| <b>Total liabilities</b>  | <u><u>\$ 1,365</u></u>        | <u><u>\$ 223</u></u>           | <u><u>\$ 1,588</u></u> |

**FIDUCIARY FUNDS  
COMBINING STATEMENT OF CHANGES  
IN ASSETS AND LIABILITIES  
AGENCY FUNDS  
For the fiscal year ended December 31, 2004**

**CITY OF MINNEAPOLIS, MINNESOTA**

**(In Thousands)**

|                               | <u>Balance<br/>January 1,<br/>2004</u> | <u>Additions</u>  | <u>Deductions</u> | <u>Balance<br/>December 31,<br/>2004</u> |
|-------------------------------|--|-------------------|-------------------|--|
| <b>MINNEAPOLIS AGENCY</b>     |  |                   |                   |  |
| <b>Assets:</b>                |  |                   |                   |  |
| Cash and cash equivalents     | \$ 1,107                               | \$ 361,148        | \$ 360,985        | \$ 1,270                                 |
| Receivables:                  |  |                   |                   |  |
| Accounts-net                  | 94                                     | 29                | 28                | 95                                       |
| Total assets                  | <u>1,201</u>                           | <u>361,177</u>    | <u>361,013</u>    | <u>1,365</u>                             |
| <b>Liability:</b>             |  |                   |                   |  |
| Accounts payable              | <u>1,201</u>                           | <u>361,178</u>    | <u>361,014</u>    | <u>1,365</u>                             |
| <b>SKYWAY DEBT SERVICE</b>    |  |                   |                   |  |
| <b>Assets:</b>                |  |                   |                   |  |
| Cash and cash equivalents     | <u>224</u>                             | <u>103</u>        | <u>104</u>        | <u>223</u>                               |
| <b>Liability:</b>             |  |                   |                   |  |
| Deposits held for others      | <u>224</u>                             | <u>103</u>        | <u>104</u>        | <u>223</u>                               |
| <b>TOTAL ALL AGENCY FUNDS</b> |  |                   |                   |  |
| <b>Assets:</b>                |  |                   |                   |  |
| Cash and cash equivalents     | 1,331                                  | 361,251           | 361,089           | 1,493                                    |
| Receivables:                  |  |                   |                   |  |
| Accounts-net                  | 94                                     | 29                | 28                | 95                                       |
| Total assets                  | <u>1,425</u>                           | <u>361,280</u>    | <u>361,117</u>    | <u>1,588</u>                             |
| <b>Liabilities:</b>           |  |                   |                   |  |
| Accounts payable              | 1,201                                  | 361,178           | 361,014           | 1,365                                    |
| Deposits held for others      | 224                                    | 103               | 104               | 223                                      |
| Total liabilities             | <u>\$ 1,425</u>                        | <u>\$ 361,281</u> | <u>\$ 361,118</u> | <u>\$ 1,588</u>                          |

SCHEDULE OF GOVERNMENTAL ACTIVITY BONDS AND NOTES

CITY OF MINNEAPOLIS, MINNESOTA

December 31, 2004

(In Thousands)

| Issues Outstanding                                     | Interest Rates | Issue Date | Final Maturity Date | Issued   | Retired  | Outstanding | Principal Due in 2005 |                      |
|--|----------------|------------|---------------------|----------|----------|-------------|-----------------------|----------------------|
|  |                |            |                     |          |          |             | Due in 2005           | Interest Due in 2005 |
| <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 | \$ 1,184 | \$ 2,200    | \$ 1,100              | \$ 88                |
|  | 4.00% to 5.00% | 06/24/04   | 12/01/07            | 1,178    | 78       | 1,100       | 300                   | 52                   |
| Libraries  | 4.00% to 5.00% | 06/24/04   | 12/01/07            | 930      | 30       | 900         | 300                   | 42                   |
| Park Improvements                                      | Variable       | 06/21/95   | 12/01/04            | 1,880    | 1,880    | -           | -                     | -                    |
|  | Variable       | 06/25/97   | 12/01/04            | 2,000    | 2,000    | -           | -                     | -                    |
|  | 2.00% to 2.50% | 06/25/03   | 12/01/04            | 1,920    | 1,920    | -           | -                     | -                    |
|  | 4.00%          | 06/24/04   | 12/01/05            | 2,630    | 630      | 2,000       | 2,000                 | 80                   |
| Parkway Improvements                                   | Variable       | 06/21/95   | 12/01/05            | 600      | 500      | 100         | 100                   | 5                    |
|  | 4.00%          | 06/24/04   | 12/01/04            | 650      | 650      | -           | -                     | -                    |
| Public Buildings                                       | Variable       | 06/05/96   | 12/01/04            | 5,718    | 5,718    | -           | -                     | -                    |
|  | Variable       | 06/25/97   | 12/01/04            | 5,953    | 5,953    | -           | -                     | -                    |
|  | 2.00% to 4.00% | 06/25/03   | 12/01/07            | 9,649    | 2,511    | 7,138       | 3,850                 | 286                  |
|  | Variable       | 10/30/03   | 12/01/05            | 400      | 200      | 200         | 200                   | 10                   |
|  | 4.00% to 5.00% | 06/24/04   | 12/01/07            | 2,690    | 490      | 2,200       | 200                   | 108                  |
| Municipal Buildings                                    | 2.00% to 4.00% | 06/25/03   | 12/01/07            | 662      | 300      | 362         | 150                   | 14                   |
| Street Improvements                                    | Variable       | 05/24/94   | 12/01/05            | 8,726    | 8,226    | 500         | 500                   | 25                   |
|  | Variable       | 06/21/95   | 12/01/05            | 5,864    | 3,464    | 2,400       | 2,400                 | 120                  |
|  | Variable       | 06/05/96   | 12/01/04            | 6,230    | 6,230    | -           | -                     | -                    |
|  | Variable       | 06/25/97   | 12/01/06            | 4,351    | 1        | 4,350       | 1,850                 | 218                  |
|  | Variable       | 06/25/97   | 12/01/04            | 1,473    | 1,473    | -           | -                     | -                    |
|  | Variable       | 06/25/98   | 12/01/05            | 5,057    | 3,247    | 1,810       | 1,810                 | 90                   |
|  | 3.00% to 4.00% | 07/11/02   | 12/01/11            | 9,596    | 6,496    | 3,100       | 500                   | 124                  |
|  | 2.00% to 4.00% | 06/25/03   | 12/01/06            | 9,529    | 4,229    | 5,300       | 3,900                 | 212                  |
|  | Variable       | 10/30/03   | 12/01/05            | 3,600    | 600      | 3,000       | 600                   | 150                  |
|  | 4.00% to 5.00% | 06/24/04   | 12/01/07            | 6,897    | 497      | 6,400       | -                     | 320                  |

(continued)

SCHEDULE OF GOVERNMENTAL ACTIVITY BONDS AND NOTES

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

December 31, 2004

| Issues Outstanding   | Interest Rates  | Issue Date | Final Maturity Date | Issued  | Retired | Outstanding | Principal Due in 2005 | Interest Due in 2005 |
|--|-----------------|------------|---------------------|---------|---------|-------------|-----------------------|----------------------|
| <u>Property Tax Supported General Obligation Bonds (continued)</u> |                 |            |                     |         |         |             |                       |                      |
| Public Safety Capital Initiative                                   | 3.00% to 4.60%  | 07/11/02   | 12/01/19            | 4,735   | 605     | 4,130       | 110                   | 174                  |
|  | 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                             |                 |            |                     | 117,802 | 60,957  | 56,845      | 19,870                | 2,516                |
| 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  | 1,100   | 55,900      | 225                   | 2,795                |
|  | 3.00% to 5.00%  | 12/01/04   | 12/01/25            | 28,000  | -       | 28,000      | 350                   | 1,282                |
| Sub-total Library Referendum Bonds                                 |                 |            |                     | 94,500  | 1,100   | 93,400      | 575                   | 4,482                |
| 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 (MFDR)   | 3.00% to 3.625% | 12/01/04   | 12/01/08            | 4,740   | -       | 4,740       | 2,340                 | 154                  |
| Pension Bonds (MPRA)   | 2.00% to 4.98%  | 12/19/02   | 12/01/14            | 10,600  | 815     | 9,785       | 655                   | 422                  |
|  | Variable        | 10/30/03   | 12/01/13            | 17,900  | 525     | 17,375      | 1,635                 | 869                  |
|  | 5.00% to 5.30%  | 12/01/04   | 12/01/21            | 24,970  | -       | 24,970      | 2,270                 | 1,282                |
| Sub-total Pension Obligation Bonds                                 |                 |            |                     | 119,210 | 1,340   | 117,870     | 6,900                 | 5,922                |
| Total Property Tax Supported General Obligation Bonds              |                 |            |                     | 331,512 | 63,397  | 268,115     | 27,345                | 12,920               |
| <u>Self-Supporting General Obligation Bonds</u>                    |                 |            |                     |         |         |             |                       |                      |
| 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  | 6,535   | 6,645       | 5                     | 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  | 4,090   | 44,310      | 4,485                 | 2,171                |
|  | 5.00%           | 06/24/04   | 12/01/14            | 39,740  | -       | 39,740      | 3,155                 | 1,908                |
| Nicollet Mall Improvement  | 2.55% to 5.20%  | 07/01/93   | 03/01/10            | 830     | 590     | 240         | 120                   | 12                   |

(continued)

SCHEDULE OF GOVERNMENTAL ACTIVITY BONDS AND NOTES

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

December 31, 2004

| Issues Outstanding  | Interest Rates   | Issue Date | Final Maturity Date | Issued  | Retired | Outstanding | Principal Due in 2005 |                      |
|---|------------------|------------|---------------------|---------|---------|-------------|-----------------------|----------------------|
|   |                  |            |                     |         |         |             | Due in 2005           | Interest Due in 2005 |
| <u>Self-Supporting General Obligation Bonds (continued)</u> |                  |            |                     |         |         |             |                       |                      |
| Park Acquisition  | 4.00% to 5.00%   | 08/29/01   | 12/01/19            | 11,270  | 1,145   | 10,125      | 455                   | 506                  |
|   | 3.00% to 4.00%   | 07/11/02   | 12/01/21            | 2,200   | 200     | 2,000       | -                     | 95                   |
| Mann Areaways   | 4.00% to 5.00%   | 07/01/99   | 12/01/05            | 1,055   | 815     | 240         | 240                   | 12                   |
| Library Parking Ramp  | 3.25% to 4.75%   | 12/19/02   | 12/01/28            | 10,100  | -       | 10,100      | -                     | 457                  |
| Total Self-Supporting General Obligation Bonds              |                  |            |                     | 421,210 | 154,410 | 266,800     | 8,460                 | 13,162               |
| <u>General Obligation Improvement Bonds</u>                 |                  |            |                     |         |         |             |                       |                      |
| Improvements  | 2.40% to 5.20%   | 07/01/93   | 12/01/11            | 11,085  | 7,920   | 3,165       | 730                   | 161                  |
|   | 3.25% to 5.20%   | 05/24/94   | 12/01/14            | 2,670   | 1,330   | 1,340       | 135                   | 66                   |
|   | 4.50% to 5.625%  | 07/01/95   | 12/01/15            | 3,505   | 1,705   | 1,800       | 175                   | 97                   |
|   | 5.10% to 5.70%   | 06/05/96   | 12/01/16            | 2,315   | 1,055   | 1,260       | 130                   | 68                   |
|   | 4.85% to 5.25%   | 06/25/97   | 12/01/17            | 2,965   | 1,195   | 1,770       | 165                   | 89                   |
|   | 3.20% to 4.75%   | 11/01/98   | 12/01/18            | 1,500   | 870     | 630         | 145                   | 25                   |
|   | 4.00% to 5.00%   | 11/01/98   | 12/01/11            | 1,955   | 900     | 1,055       | 155                   | 47                   |
|   | 4.00% to 5.00%   | 08/29/01   | 12/01/21            | 9,245   | 2,035   | 7,210       | 500                   | 317                  |
|   | 4.00% to 4.10%   | 11/07/02   | 12/01/22            | 5,890   | 845     | 5,045       | 355                   | 227                  |
|   | 2.50% to 4.50%   | 11/06/03   | 12/01/23            | 6,130   | 490     | 5,640       | 455                   | 192                  |
|   | Variable         | 10/30/03   | 12/01/13            | 1,460   | 145     | 1,315       | 145                   | 65                   |
|   | 2.50% to 4.375%  | 12/01/04   | 12/01/24            | 9,740   | -       | 9,740       | 695                   | 346                  |
| Nicollet Mall Improvement                                   | 2.55% to 5.20%   | 07/01/93   | 03/01/10            | 18,290  | 10,525  | 7,765       | 1,150                 | 368                  |
| Northrop Lane Improvement                                   | 4.375% to 4.875% | 07/01/98   | 12/01/18            | 157     | 74      | 83          | 6                     | 4                    |
| Park Diseased Trees   | 4.00% to 5.00%   | 07/01/99   | 12/01/04            | 150     | 150     | -           | -                     | -                    |
|   | 5.00%            | 06/29/00   | 12/01/05            | 400     | 320     | 80          | 80                    | 4                    |
|   | 4.00% to 5.00%   | 08/29/01   | 12/01/06            | 500     | 300     | 200         | 100                   | 10                   |
|   | 3.00% to 4.00%   | 07/11/02   | 12/01/07            | 500     | 200     | 300         | 100                   | 12                   |
|   | 2.00% to 4.00%   | 06/25/03   | 12/01/08            | 500     | 100     | 400         | 100                   | 16                   |
|   | 4.00% to 5.00%   | 06/24/04   | 12/01/09            | 500     | -       | 500         | 100                   | 24                   |
| Total General Obligation Improvement Bonds                  |                  |            |                     | 79,457  | 30,159  | 49,298      | 5,421                 | 2,138                |

(continued)

SCHEDULE OF GOVERNMENTAL ACTIVITY BONDS AND NOTES

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

December 31, 2004

| Issues Outstanding  | Interest Rates  | Issue Date | Final Maturity Date | Issued    | Retired | Outstanding | Principal Due in 2005 | Interest Due in 2005 |
|---|-----------------|------------|---------------------|-----------|---------|-------------|-----------------------|----------------------|
|   |                 |            |                     |           |         |             |                       |                      |
| <u>Tax Increment General Obligation Bonds</u>                             |                 |            |                     |           |         |             |                       |                      |
| Laurel Village Tax Increment  | 2.00% to 4.20%  | 01/29/03   | 03/01/16            | \$ 26,350 | \$ 900  | \$ 25,450   | \$ 1,400              | \$ 859               |
| Nicollet Mall Tax Increment   | 2.55% to 5.20%  | 07/01/93   | 03/01/10            | 2,260     | 1,315   | 945         | 140                   | 45                   |
| Tax Increment   | 2.55% to 5.20%  | 07/01/93   | 03/01/13            | 67,330    | 24,170  | 43,160      | 3,940                 | 2,170                |
|   | 2.55% to 5.20%  | 07/01/93   | 03/01/08            | 12,660    | 4,935   | 7,725       | 1,785                 | 347                  |
| Tax Redevelopment - Arena Acquisition                                     | 4.25% to 5.20%  | 01/15/96   | 10/01/24            | 67,555    | 5,915   | 61,640      | 1,845                 | 3,172                |
| 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      | -                     | 530                  |
| Block E Development - Taxable   | Variable        | 10/26/00   | 03/01/27            | 18,390    | -       | 18,390      | -                     | 920                  |
| Milwaukee Depot Development   | 7.00% to 7.375% | 11/29/00   | 03/01/20            | 9,300     | 410     | 8,890       | 240                   | 634                  |
| 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                              |                 |            |                     | 243,955   | 37,645  | 206,310     | 9,350                 | 10,142               |
| <u>Revenue Bonds</u>  |                 |            |                     |           |         |             |                       |                      |
| Arena Acquisition Project Series A  | Variable        | 03/01/95   | 10/01/24            | 6,100     | 1,110   | 4,990       | 160                   | 245                  |
| Arena Acquisition Project Series B  | 5.50%           | 03/01/95   | 10/01/24            | 6,550     | 1,175   | 5,375       | 160                   | 296                  |
| 2004 Village at St. Anthony Falls-Taxable                                 | 5.50%           | 03/16/04   | 03/16/07            | 4,000     | -       | 4,000       | -                     | 220                  |
| 2004 Village at St. Anthony Falls-Tax Exempt                              | 2.35% to 5.75%  | 03/01/04   | 03/01/27            | 7,470     | -       | 7,470       | 165                   | 389                  |
| Subordinated Development-Tax Increment                                    | 7.00% to 7.25%  | 01/09/90   | 09/01/09            | 112,785   | 59,938  | 52,847      | 12,477                | 24,168               |
| Total Revenue Bonds   |                 |            |                     | 136,905   | 62,223  | 74,682      | 12,962                | 25,318               |
| Total Governmental Activity Bonds (excluding Internal Service Fund bonds) |                 |            |                     | 1,213,039 | 347,834 | 865,205     | 63,538                | 63,680               |

(continued)

SCHEDULE OF GOVERNMENTAL ACTIVITY BONDS AND NOTES

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

December 31, 2004

| Issues Outstanding  | Interest Rates | Issue Date  | Final Maturity Date | Issued    | Retired | Outstanding | Principal Due in 2005 |                      |
|---|----------------|-------------|---------------------|-----------|---------|-------------|-----------------------|----------------------|
|   |                |             |                     |           |         |             | Due in 2005           | Interest Due in 2005 |
| <u>Revenue Notes</u>  |                |             |                     |           |         |             |                       |                      |
| Edison Youth Hockey Association   | 6.18%          | 10/02/96    | 07/02/08            | 1,045     | 281     | 764         | 46                    | 46                   |
| Community Health and Education  | 5.86%          | 08/05/97    | 08/05/12            | 680       | 156     | 524         | 28                    | 30                   |
| NSP Energy  | 0.00%          | 1996 - 1998 | 12/31/08            | 5,973     | 4,917   | 1,056       | 309                   | -                    |
| Tax Increment-  | 0.00%          | 01/00/00    | 01/00/00            | -         | -       | -           | -                     | -                    |
| College of St. Thomas District  | 6.93%          | 04/01/91    | 02/01/16            | 9,200     | -       | 9,200       | -                     | 289                  |
| Village at St. Anthony, Blk 2 - 2002  | 9.00%          | 03/20/01    | 03/20/06            | 2,737     | 2,737   | -           | -                     | -                    |
| Village at St. Anthony, Blk 3 - 2002  | 8.00%          | 06/27/01    | 06/27/06            | 7,369     | 7,369   | -           | -                     | -                    |
| Urban Village - 2002B   | Variable       | 11/19/01    | 12/01/31            | 3,000     | -       | 3,000       | -                     | 47                   |
| Urban Village - 2002B   | Variable       | 11/19/01    | 12/01/31            | 2,000     | -       | 2,000       | -                     | 50                   |
| Grant Park Project  | 7.25%          | 08/28/02    | 08/01/07            | 9,825     | -       | 9,825       | -                     | 712                  |
| East River Unocal Site  | 7.00%          | 09/19/02    | 08/01/07            | 1,500     | -       | 1,500       | -                     | 105                  |
| Promissory Note   | 0.00%          | 11/08/02    | 11/08/04            | 1,960     | 1,960   | -           | -                     | -                    |
| Section 108 - Near North  | Variable       | 04/26/01    | 08/01/20            | 3,900     | 230     | 3,670       | 230                   | 125                  |
| Section 108 - Portland Place  | 7.60%          | 08/01/00    | 08/01/17            | 610       | 46      | 564         | 23                    | 43                   |
| Section 108 - Green Institute   | Variable       | 02/14/02    | 08/01/21            | 3,500     | 105     | 3,395       | 110                   | 117                  |
| Section 108 - Midtown Exchange  | Variable       | 12/01/04    | 08/01/24            | 6,500     | -       | 6,500       | -                     | 183                  |
| Total Revenue Notes   |                |             |                     | 59,799    | 17,801  | 41,998      | 746                   | 1,747                |
| Total Governmental Activity Bonds and Notes (excluding Internal Service Fund bonds) |                |             |                     | 1,272,838 | 365,635 | 907,203     | 64,284                | 65,427               |

(continued)

SCHEDULE OF GOVERNMENTAL ACTIVITY BONDS AND NOTES

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

December 31, 2004

| Issues Outstanding  | Interest Rates | Issue Date | Final Maturity Date | Issued       | Retired    | Outstanding  | Principal Due in 2005 | Interest Due in 2005 |
|---|----------------|------------|---------------------|--------------|------------|--------------|-----------------------|----------------------|
| <u>Internal Service Fund Related GO Bonds</u>                             |                |            |                     |              |            |              |                       |                      |
| Equipment Fund General Obligation Bonds                                   |                |            |                     |              |            |              |                       |                      |
| Currie Facility   | 4.00% to 5.00% | 08/29/01   | 12/01/28            | 26,150       | 3,845      | 22,305       | 2,760                 | 1,115                |
| Equipment Purchases 2002  | 3.25% to 3.50% | 12/01/02   | 12/01/07            | 6,100        | -          | 6,100        | -                     | 206                  |
| Equipment Purchases 2003  | 2.00% to 4.00% | 07/10/03   | 12/01/18            | 9,630        | 995        | 8,635        | 995                   | 345                  |
| Equipment Purchases 2004  | 4.00% to 5.00% | 06/24/04   | 12/01/19            | 5,450        | -          | 5,450        | 660                   | 266                  |
| Sub-total Equipment Fund General Obligation Bonds                         |                |            |                     | 47,330       | 4,840      | 42,490       | 4,415                 | 1,932                |
| Property Fund General Obligation Bonds                                    |                |            |                     |              |            |              |                       |                      |
|   | 3.00% to 4.60% | 07/11/02   | 12/01/19            | 6,425        | 555        | 5,870        | 290                   | 245                  |
|   | 2.00% to 4.00% | 07/10/03   | 12/01/18            | 4,560        | 450        | 4,110        | 350                   | 164                  |
| Sub-total Property Fund General Obligation Bonds                          |                |            |                     | 10,985       | 1,005      | 9,980        | 640                   | 409                  |
| Information & Technology Services Fund General Obligation Bonds           |                |            |                     |              |            |              |                       |                      |
|   | 4.00% to 5.00% | 07/01/99   | 12/01/06            | 13,600       | 6,000      | 7,600        | 3,700                 | 380                  |
|   | 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          | 455        | 110          | 110                   | 5                    |
|   | 5.00%          | 06/29/00   | 12/01/06            | 6,556        | 2,356      | 4,200        | 2,100                 | 220                  |
|   | 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            | 5,518        | 248        | 5,270        | 85                    | 264                  |
|   | 2.00%          | 07/10/03   | 12/01/04            | 1,000        | 1,000      | -            | -                     | -                    |
|   | 4.00% to 5.00% | 06/24/04   | 12/01/07            | 2,475        | 75         | 2,400        | 200                   | 118                  |
|   | 4.00% to 5.00% | 06/24/04   | 12/01/07            | 1,065        | 1,065      | -            | -                     | -                    |
| Sub-total Information & Technology Services Fund General Obligation Bonds |                |            |                     | 53,979       | 11,579     | 42,400       | 6,195                 | 2,071                |
| Self-Insurance Fund General Obligation Bonds                              |                |            |                     |              |            |              |                       |                      |
|   | Variable       | 09/21/00   | 12/01/10            | 8,800        | 2,515      | 6,285        | 890                   | 314                  |
| Sub-total Self-Insurance Fund   |                |            |                     | 8,800        | 2,515      | 6,285        | 890                   | 314                  |
| Total Internal Service Fund Related GO Bonds                              |                |            |                     |              |            |              |                       |                      |
|   |                |            |                     | 121,094      | 19,939     | 101,155      | 12,140                | 4,726                |
| Total Governmental Activity Bonds and Notes                               |                |            |                     |              |            |              |                       |                      |
|   |                |            |                     | \$ 1,393,932 | \$ 385,574 | \$ 1,008,358 | \$ 76,424             | \$ 70,153            |

SCHEDULE OF BUSINESS ACTIVITY BONDS AND NOTES

CITY OF MINNEAPOLIS, MINNESOTA

December 31, 2004

(In Thousands)

| Issues Outstanding                            | Interest Rates   | Issue Date | Final Maturity Date | Issued   | Retired | Outstanding | Principal Due in 2005 |             | Interest Due in 2005 |
|---|------------------|------------|---------------------|----------|---------|-------------|-----------------------|-------------|----------------------|
|   |                  |            |                     |          |         |             | Issued                | Outstanding |                      |
| <u>Sewer Fund - General Obligation Bonds</u>  |                  |            |                     |          |         |             |                       |             |                      |
|   | 4.70% to 5.75%   | 06/01/93   | 12/01/15            | \$ 3,856 | \$ 585  | \$ 3,271    | \$ 315                | \$ 298      |                      |
|   | 3.90% to 5.10%   | 07/01/93   | 12/01/08            | 7,095    | 5,935   | 1,160       | 440                   | 59          |                      |
|   | 4.25% to 5.05%   | 05/24/94   | 12/01/08            | 4,225    | 1,625   | 2,600       | 600                   | 349         |                      |
|   | Variable         | 06/05/96   | 12/01/06            | 1,250    | 950     | 300         | 100                   | 15          |                      |
|   | Variable         | 06/19/97   | 12/01/07            | 2,950    | 2,000   | 950         | 300                   | 47          |                      |
|   | 4.375% to 4.875% | 07/01/98   | 12/01/05            | 3,400    | 2,400   | 1,000       | 1,000                 | 44          |                      |
|   | 4.00% to 5.00%   | 11/01/98   | 12/01/17            | 9,345    | 1,180   | 8,165       | 370                   | 399         |                      |
|   | 5.00% to 5.25%   | 06/29/00   | 12/01/06            | 10,110   | 6,110   | 4,000       | 2,000                 | 210         |                      |
|   | 4.00% to 5.00%   | 08/29/01   | 12/01/08            | 11,102   | 5,102   | 6,000       | 1,500                 | 300         |                      |
|   | 2.00% to 4.00%   | 06/25/03   | 12/01/10            | 8,590    | 2,590   | 6,000       | 1,000                 | 240         |                      |
|   | 4.00% to 5.00%   | 06/24/04   | 12/01/09            | 7,410    | 350     | 7,060       | 500                   | 348         |                      |
| <u>Storm Drains</u>                           |                  |            |                     |          |         |             |                       |             |                      |
|   | Variable         | 05/24/94   | 12/01/04            | 1,043    | 1,043   | -           | -                     | -           |                      |
|   | Variable         | 06/21/95   | 12/01/04            | 1,206    | 1,206   | -           | -                     | -           |                      |
|   | Variable         | 06/25/97   | 12/01/05            | 590      | 340     | 250         | 250                   | 12          |                      |
| <u>Great River Road</u>                       |                  |            |                     |          |         |             |                       |             |                      |
|   | 3.90% to 5.00%   | 07/01/93   | 12/01/05            | 1,665    | 1,360   | 305         | 305                   | 15          |                      |
| Total Sewer Fund General Obligation Bonds     |                  |            |                     | 73,837   | 32,776  | 41,061      | 8,680                 | 2,336       |                      |
| <u>Water Fund - General Obligation Bonds</u>  |                  |            |                     |          |         |             |                       |             |                      |
|   | 4.70% to 5.75%   | 06/01/93   | 12/01/15            | 6,715    | 2,770   | 3,945       | 299                   | 283         |                      |
|   | 4.25% to 5.05%   | 05/24/94   | 12/01/08            | 11,775   | 4,875   | 6,900       | 1,800                 | 1,046       |                      |
|   | 4.375% to 4.875% | 07/01/98   | 12/01/07            | 8,960    | 5,720   | 3,240       | 1,080                 | 142         |                      |
|   | 4.00% to 5.00%   | 11/01/98   | 12/01/17            | 15,340   | 1,785   | 13,554      | 295                   | 663         |                      |
|   | 4.00% to 5.00%   | 07/01/99   | 12/01/04            | 13,560   | 13,560  | -           | -                     | -           |                      |
|   | 5.00% to 5.25%   | 06/29/00   | 12/01/06            | 9,160    | 6,940   | 2,220       | 1,220                 | 116         |                      |
|   | 2.00% to 4.00%   | 06/25/03   | 12/01/10            | 8,350    | 2,350   | 6,000       | 1,000                 | 240         |                      |
|   | 4.00% to 5.00%   | 06/24/04   | 12/01/06            | 7,250    | 3,125   | 4,125       | 3,125                 | 175         |                      |
| <u>Drinking Water Program - Notes Payable</u> |                  |            |                     |          |         |             |                       |             |                      |
|   |                  | 12/17/02   | 08/20/22            | 27,400   | 900     | 26,500      | 500                   | 747         |                      |
|   |                  | 02/21/04   | 08/20/23            | 24,502   | -       | 24,502      | 250                   | 577         |                      |
| Total Water Fund General Obligation Bonds     |                  |            |                     | 133,012  | 42,025  | 90,986      | 9,569                 | 3,989       |                      |

(continued)

SCHEDULE OF BUSINESS ACTIVITY BONDS AND NOTES

CITY OF MINNEAPOLIS, MINNESOTA  
(Continued)

December 31, 2004

| Issues Outstanding   | Interest Rates   | Issue Date | Final Maturity Date | Issued  | Retired | Outstanding | Principal Due in 2005 |                      |
|--|------------------|------------|---------------------|---------|---------|-------------|-----------------------|----------------------|
|  |                  |            |                     |         |         |             | Due in 2005           | Interest Due in 2005 |
| <u>Municipal Parking Fund General Obligation Bonds</u>               |                  |            |                     |         |         |             |                       |                      |
|  | 3.90% to 5.45%   | 04/01/93   | 04/01/14            | 24,065  | 24,065  | -           | -                     | -                    |
|  | 4.70% to 5.75%   | 06/01/93   | 12/01/15            | 4,530   | 1,145   | 3,385       | 385                   | 364                  |
|  | 3.20% to 5.20%   | 07/01/93   | 03/01/12            | 24,615  | 9,780   | 14,835      | 1,520                 | 724                  |
|  | 2.40% to 5.15%   | 07/01/93   | 12/01/09            | 11,485  | 10,415  | 1,070       | 220                   | 54                   |
|  | 2.40% to 5.15%   | 07/01/93   | 12/01/09            | 12,305  | 7,690   | 4,615       | 975                   | 234                  |
|  | Variable         | 06/05/96   | 12/01/06            | 1,700   | 1,300   | 400         | 200                   | 20                   |
|  | Variable         | 06/19/97   | 12/01/07            | 2,000   | 1,260   | 740         | 260                   | 37                   |
|  | 4.375% to 4.875% | 07/16/98   | 12/01/18            | 2,282   | 684     | 1,598       | 114                   | 73                   |
|  | 4.00% to 5.00%   | 11/01/98   | 12/01/17            | 30,730  | 3,140   | 27,590      | 1,340                 | 1,324                |
|  | 4.55% to 4.75%   | 11/01/98   | 12/01/26            | 19,200  | -       | 19,200      | -                     | 908                  |
|  | 4.70% to 5.125%  | 07/01/99   | 12/01/17            | 14,000  | 700     | 13,300      | 650                   | 654                  |
|  | 5.25% to 6.00%   | 01/12/00   | 12/01/25            | 10,800  | -       | 10,800      | 25                    | 628                  |
|  | 5.00% to 5.125%  | 08/01/01   | 12/01/28            | 15,000  | -       | 15,000      | -                     | 761                  |
|  | 3.00% to 5.00%   | 07/11/02   | 12/01/12            | 11,485  | 2,015   | 9,470       | 1,105                 | 412                  |
|  | 3.00% to 5.00%   | 07/11/02   | 12/01/12            | 7,135   | 1,250   | 5,885       | 690                   | 256                  |
|  | 4.00% to 5.00%   | 11/07/02   | 12/01/26            | 25,000  | 440     | 24,560      | 550                   | 1,211                |
|  | Variable         | 10/30/03   | 12/01/18            | 10,525  | -       | 10,525      | -                     | 526                  |
|  | Variable         | 12/11/03   | 12/01/28            | 16,100  | -       | 16,100      | -                     | 805                  |
|  | Variable         | 06/12/04   | 12/01/14            | 19,170  | -       | 19,170      | 1,370                 | 958                  |
| <u>Municipal Parking Fund General Obligation/Tax Increment Bonds</u> |                  |            |                     |         |         |             |                       |                      |
|  | 4.70% to 5.125%  | 07/01/99   | 12/01/24            | 16,150  | 1,375   | 14,775      | 250                   | 745                  |
|  | 5.00% to 5.25%   | 06/29/00   | 12/01/15            | 5,000   | 600     | 4,400       | 100                   | 231                  |
|  | 5.00% to 5.00%   | 11/14/00   | 03/01/26            | 46,225  | 900     | 45,325      | 1,000                 | 2,241                |
|  | 6.3% to 7.00%    | 11/29/00   | 03/01/12            | 15,000  | 3,800   | 11,200      | 1,400                 | 713                  |
| Total Municipal Parking Fund General Obligation Bonds                |                  |            |                     | 344,502 | 70,559  | 273,943     | 12,154                | 13,879               |

(continued)

SCHEDULE OF BUSINESS ACTIVITY BONDS AND NOTES

CITY OF MINNEAPOLIS, MINNESOTA  
(Continued)

December 31, 2004

(In Thousands)

| Issues Outstanding  | Interest Rates  | Issue Date | Final Maturity Date | Issued  | Retired | Outstanding | Principal Due in 2005 | Interest Due in 2005 |
|---|-----------------|------------|---------------------|---------|---------|-------------|-----------------------|----------------------|
| <u>Community Planning and Economic Development Fund (CPED) - General Obligation Bonds (Self-Supporting)</u> |                 |            |                     |         |         |             |                       |                      |
| Home Ownership & Renovation II  | 5.50% to 7.10%  | 06/01/91   | 06/01/21            | 7,500   | 7,400   | 100         | -                     | 7                    |
| Home Ownership & Renovation III   | 4.00% to 5.70%  | 12/01/93   | 12/01/23            | 10,000  | 8,810   | 1,190       | 30                    | 67                   |
| Total CPED Fund Self-Supporting General Obligation Bonds  |                 |            |                     | 17,500  | 16,210  | 1,290       | 30                    | 74                   |
| <u>Total Business Activity General Obligation Bonds</u>   |                 |            |                     |         |         |             |                       |                      |
|   |                 |            |                     | 568,851 | 161,570 | 407,280     | 30,433                | 20,278               |
| <u>CPED Fund - General Agency Reserve Fund System Bonds</u>   |                 |            |                     |         |         |             |                       |                      |
| Shaw Acquisition Corporation II   | 10.40%          | 07-01-87   | 02-01-07            | 945     | 660     | 285         | 85                    | 30                   |
| The Lakes Limited Partnership   | 10.35%          | 09-01-90   | 02-01-10            | 3,825   | 1,850   | 1,975       | 255                   | 204                  |
| Diversified Graphics  | 6.75% to 10.00% | 06-01-92   | 12-01-12            | 1,660   | 955     | 705         | 120                   | 61                   |
| Precision Tapes, Inc.   | 4.70% to 6.50%  | 11-01-93   | 06-01-13            | 2,100   | 1,270   | 830         | 70                    | 51                   |
| NICO Properties   | 5.60% to 6.80%  | 07-01-95   | 02-01-24            | 4,650   | 1,205   | 3,445       | 180                   | 231                  |
| Carlson Companies   | 4.85% to 6.00%  | 03-01-96   | 02-01-11            | 8,370   | 3,905   | 4,465       | 585                   | 256                  |
| Halper Box  | 5.10% to 6.15%  | 04-01-97   | 06-01-17            | 2,400   | 555     | 1,845       | 100                   | 109                  |
| Ambassador Press  | 5.10% to 6.20%  | 05-01-97   | 06-01-17            | 4,600   | 1,570   | 3,030       | 275                   | 179                  |
| Shaw Refunding  | 4.90% to 5.40%  | 04-01-97   | 06-01-05            | 1,365   | 1,195   | 170         | 170                   | 5                    |
| Baker Bearing   | 5.10% to 6.20%  | 05-01-97   | 12-01-17            | 2,900   | 670     | 2,230       | 120                   | 133                  |
| Laurel Village Alden Limited Partnership II   | 4.30% to 5.75%  | 10-01-97   | 06-01-27            | 2,515   | 265     | 2,250       | 50                    | 125                  |
| 100 East 22nd Associates - A  | 4.00% to 5.50%  | 10-01-97   | 06-01-12            | 2,820   | 1,020   | 1,800       | 200                   | 93                   |
| Cord Sets   | 4.10% to 5.50%  | 06-01-18   | 06-01-18            | 1,500   | 300     | 1,200       | 60                    | 62                   |
| 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   | 405     | 595         | 105                   | 134                  |
| Pajor and Associates  | 4.75% to 6.75%  | 03-01-00   | 12-01-25            | 1,505   | 120     | 1,385       | 35                    | 90                   |
| Resource Inc  | 4.65% to 6.00%  | 08-01-00   | 12-01-20            | 1,650   | 210     | 1,440       | 60                    | 82                   |
| Elmer Enterprises Refunding   | 3.90% to 5.875% | 04-01-01   | 06-01-19            | 2,395   | 280     | 2,115       | 100                   | 118                  |
| Theatres Project (Pantages)   | 5.35% to 5.45%  | 10-01-01   | 10-01-31            | 22,225  | -       | 22,225      | -                     | 1,206                |
| Stimson Building  | 5.80%           | 10-01-01   | 12-01-06            | 6,000   | 250     | 5,750       | 95                    | 334                  |
| Bridgerail Properties (All-Weather Roofing)   | 4.31 to 7.00%   | 09-01-02   | 06-01-22            | 2,750   | 165     | 2,585       | 90                    | 159                  |
| Kristol Properties  | 2.45 to 5.12%   | 11-20-03   | 12-01-23            | 3,300   | 205     | 3,095       | 220                   | 133                  |
| Infinite Graphics   | 2.25 to 5.50%   | 07-14-04   | 12-01-24            | 2,475   | -       | 2,475       | 105                   | 119                  |
| Total CPED Fund - General Agency Reserve Fund System Bonds  |                 |            |                     | 84,850  | 17,055  | 67,795      | 3,080                 | 3,914                |

(continued)

SCHEDULE OF BUSINESS ACTIVITY BONDS AND NOTES

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

December 31, 2004

| Issues Outstanding  | Interest Rates | Issue Date | Final Maturity Date | Issued  | Retired | Outstanding | Principal Due in 2005 | Interest Due in 2005 |
|---|----------------|------------|---------------------|---------|---------|-------------|-----------------------|----------------------|
| <u>CPED Fund - Mortgage Revenue Bonds</u>                   |                |            |                     |         |         |             |                       |                      |
| Home Ownership Program                                      | 7.00%          | 10/05/95   | 10/01/12            | 4,562   | 3,377   | 1,185       | -                     | 83                   |
| Mortgage Revenue Bonds                                      | 4.50 to 6.50%  | 10/05/95   | 10/01/28            | 30,630  | 28,220  | 2,410       | -                     | 157                  |
| Total CPED Fund - Mortgage Revenue Bonds                    |                |            |                     | 35,192  | 31,597  | 3,595       | -                     | 240                  |
| <hr/>   |                |            |                     |         |         |             |                       |                      |
| Total CPED Fund Bonds (incl General Obligation Bonds above) |                |            |                     | 137,542 | 64,862  | 72,680      | 3,110                 | 4,228                |
| <hr/>   |                |            |                     |         |         |             |                       |                      |
| <u>CPED Fund - Revenue Notes</u>                            |                |            |                     |         |         |             |                       |                      |
| Economic Development Program                                |                | 12/14/97   | 12/14/12            | 440     | 155     | 285         | 28                    | 17                   |
| Federal Home Loan Note                                      |                | 04/01/99   | 04/01/14            | 1,200   | 330     | 870         | 71                    | 52                   |
| Federal Home Loan Note                                      |                |            |                     | 1,640   | 485     | 1,155       | 99                    | 69                   |
| Total CPED Fund - Revenue Notes                             |                |            |                     | 690,533 | 210,707 | 479,825     | 33,612                | 24,501               |
| Total Business Activity Bonds and Notes                     |                |            |                     |         |         |             |                       |                      |

**MUNICIPAL BUILDING COMMISSION  
BALANCE SHEET  
December 31, 2004**

**CITY OF MINNEAPOLIS, MINNESOTA**

**(In Thousands)**

|   | <b>General Fund</b> | <b>Capital<br/>Projects<br/>Fund</b> | <b>Total</b>    |
|---|---------------------|--------------------------------------|-----------------|
| <b><u>ASSETS</u></b>                        |                     |                                      |                 |
| Cash and cash equivalents                   | \$ 853              | \$ 359                               | \$ 1,212        |
| Accounts receivable - net                   | 583                 | 89                                   | 672             |
| Taxes receivable                            | 76                  | -                                    | 76              |
|   | <u>1,512</u>        | <u>448</u>                           | <u>1,960</u>    |
| <b>Total assets</b>                         |                     |                                      |                 |
| <b><u>LIABILITIES and FUND BALANCES</u></b> |                     |                                      |                 |
| <b>Liabilities:</b>                         |                     |                                      |                 |
| Salaries payable                            | 217                 | 2                                    | 219             |
| Accounts payable                            | 570                 | 121                                  | 691             |
| Due to primary government                   | -                   | -                                    | -               |
| Unearned revenue                            | 62                  | -                                    | 62              |
|   | <u>849</u>          | <u>123</u>                           | <u>1,034</u>    |
| <b>Total liabilities</b>                    |                     |                                      |                 |
| <b>Fund balances:</b>                       |                     |                                      |                 |
| Reserved for:                               |                     |                                      |                 |
| Encumbrances                                | 11                  | -                                    | 11              |
| Unreserved, undesignated                    | 652                 | 325                                  | 977             |
|   | <u>663</u>          | <u>325</u>                           | <u>988</u>      |
| <b>Total liabilities and fund balances</b>  | <u>\$ 1,512</u>     | <u>\$ 448</u>                        | <u>\$ 2,022</u> |

**MINNEAPOLIS BUILDING COMMISSION  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
For the Fiscal Year Ended December 31, 2004**

**CITY OF MINNEAPOLIS, MINNESOTA**

**(In Thousands)**

|   | <u>General Fund</u> | <u>Capital<br/>Projects<br/>Fund</u> | <u>Total</u>  |
|---|---------------------|--------------------------------------|---------------|
| <b>REVENUES:</b>  |                     |                                      |               |
| Taxes   | \$ 3,502            | \$ -                                 | \$ 3,502      |
| Intergovernmental revenues  | 258                 | -                                    | 258           |
| Charges for services and sales  | 3,208               | 762                                  | 3,970         |
| Miscellaneous revenues  | 64                  | 687                                  | 751           |
| Total revenues  | <u>7,032</u>        | <u>1,449</u>                         | <u>8,481</u>  |
| <b>EXPENDITURES:</b>  |                     |                                      |               |
| Current:  |                     |                                      |               |
| General government  | 6,947               | -                                    | 6,947         |
| Capital outlay  | -                   | 1,553                                | 1,553         |
| Total expenditures  | <u>6,947</u>        | <u>1,553</u>                         | <u>8,500</u>  |
| Excess (deficiency) of revenues over (under) expenditures   | <u>85</u>           | <u>(104)</u>                         | <u>(19)</u>   |
| <b>OTHER FINANCING SOURCES (USES):</b>  |                     |                                      |               |
| Transfers from other funds  | -                   | 355                                  | 355           |
| Transfers (to) other funds  | (355)               | -                                    | (355)         |
| Total other financing sources (uses)  | <u>(355)</u>        | <u>355</u>                           | <u>-</u>      |
| Excess (deficiency) of revenues and other financing sources<br>over (under) expenditures and other financing uses | <u>(270)</u>        | <u>251</u>                           | <u>(19)</u>   |
| Fund balances - January 1   | <u>933</u>          | <u>74</u>                            | <u>1,007</u>  |
| <b>Fund balances - December 31</b>  | <u>\$ 663</u>       | <u>\$ 325</u>                        | <u>\$ 988</u> |

**GOVERNMENT-WIDE EXPENSES BY FUNCTION  
LAST FOUR FISCAL YEARS  
December 31, 2004**

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

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

Source: Minneapolis Finance Department

UNAUDITED

**GOVERNMENT-WIDE REVENUES  
LAST FOUR FISCAL YEARS  
December 31, 2004**

**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    |

Source: Minneapolis Finance Department

(UNAUDITED)

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

**CITY OF MINNEAPOLIS, MINNESOTA  
Table 3**

| <b>December 31, 2004</b> |                           | <b>(Dollar Amounts Expressed in Thousands)</b> |                             |                               |                           |                              |                             |                     |              |         |  |
|--------------------------|---------------------------|--|-----------------------------|-------------------------------|---------------------------|------------------------------|-----------------------------|---------------------|--------------|---------|--|
| <b>Fiscal Year</b>       | <b>General Government</b> | <b>Public Safety</b>                           | <b>Highways and Streets</b> | <b>Culture and recreation</b> | <b>Health and Welfare</b> | <b>Community Development</b> | <b>Capital Improvements</b> | <b>Debt Service</b> | <b>Total</b> |         |  |
| 1994                     | \$ 52,304                 | \$ 124,028                                     | \$ 33,513                   | \$                            | \$ 12,881                 | \$ 4,602                     | \$ 104,556                  | \$ 78,423           | \$           | 410,307 |  |
| 1995                     | 47,607                    | 126,599  | 33,253                      |                               | 13,852                    | 6,779                        | 156,284                     | 163,873             |              | 548,247 |  |
| 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 |  |

Source: Minneapolis Finance Department

(UNAUDITED)

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

**CITY OF MINNEAPOLIS, MINNESOTA  
Table 4**

**December 31, 2004** (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      |
|-------------|-----------|----------------------|-----------------------------|--------------------------------|--------------------|---|------------|
| 1995        | \$ 99,722 | \$ 11,350            | \$ 152,254                  | \$ 28,293                      | \$ 6,549           | \$ 45,836   | \$ 344,004 |
| 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    |

Source: Minneapolis Finance Department

(UNAUDITED)

PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS

CITY OF MINNEAPOLIS, MINNESOTA  
Table 5

December 31, 2004

(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 Collections To Total Tax Levy | Outstanding Delinquent Taxes | Percent of Delinquent Taxes to Total Tax Levy |
|-------------|------------------|----------------------------|---------------------------|-------------------------------|-----------------------|--|------------------------------|---|
| 1995        | \$ 129,594       | \$ 126,541                 | 98                        | \$ (95)                       | \$ 126,446            | 97.571   | \$ 4,248                     | 3.278   |
| 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                           | 157,230               | 98.999   | 3,129                        | 1.970   |
| 2004        | 176,066          | 173,565                    | 98.580                    | 359                           | 173,924               | 98.783   | 3,801                        | 2.159   |

\* 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.

Source: City Finance Department

(UNAUDITED)

**TAX CAPACITY AND MARKET VALUATION  
OF TAXABLE PROPERTY  
LAST TEN FISCAL YEARS  
December 31, 2004**

**CITY OF MINNEAPOLIS, MINNESOTA  
Table 6**

**(Dollar Amounts Expressed in Thousands)**

| Fiscal Year | Real Property |           | Net Tax Capacity  |            | Total      | Taxable Net Tax Capacity | Estimated Market Valuation | Ratio of Taxable Net Tax Capacity to Estimated Market Valuation |
|-------------|---------------|-----------|-------------------|------------|------------|--------------------------|----------------------------|---|
|             |               |           | Personal Property |            |            |                          |                            |   |
| 1995        | \$ 310,044    | \$ 10,059 | \$ 10,059         | \$ 320,103 | \$ 282,816 | \$ 12,885,774            | .0219:1                    |   |
| 1996        | 329,158       | 12,825    | 12,825            | 341,983    | 303,386    | 13,531,923               | .0224:1                    |   |
| 1997        | 311,743       | 10,837    | 10,837            | 322,580    | 278,387    | 14,462,748               | .0192:1                    |   |
| 1998        | 301,945       | 9,530     | 9,530             | 311,475    | 267,870    | 15,597,493               | .0172:1                    |   |
| 1999        | 318,674       | 9,615     | 9,615             | 328,289    | 281,161    | 16,980,768               | .0166:1                    |   |
| 2000        | 353,438       | 9,849     | 9,849             | 363,287    | 308,064    | 19,383,387               | .0159:1                    |   |
| 2001        | 274,914       | 5,809     | 5,809             | 280,723    | 240,567    | 23,162,298               | .0104:1                    |   |
| 2002        | 288,427       | 6,827     | 6,827             | 295,254    | 250,694    | 25,872,329               | .0097:1                    |   |
| 2003        | 303,286       | 6,981     | 6,981             | 310,267    | 267,042    | 28,524,370               | .0094:1                    |   |
| 2004        | 332,859       | 7,254     | 7,254             | 340,113    | 295,462    | 31,090,168               | .0095:1                    |   |

(UNAUDITED)

**PROPERTY TAX RATES AND TAX LEVIES  
DIRECT AND OVERLAPPING GOVERNMENTS  
LAST TEN FISCAL YEARS  
December 31, 2004**

**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> |                    |            |            |            |           |            |
| 1995                             | 1996               | 34.58%     | 68.44%     | 33.45%     | 5.10%     | 141.57%    |
| 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%    |
| <u>TAX LEVIES</u>                |                    |            |            |            |           |            |
| 1995                             | 1996               | \$ 125,927 | \$ 201,153 | \$ 104,370 | \$ 18,506 | \$ 449,956 |
| 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    | 79,834     | 116,359    | 21,499    | 401,667    |

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

Source: City Budget Office

(UNAUDITED)

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

**CITY OF MINNEAPOLIS, MINNESOTA  
Table 8**

**December 31, 2004** (Dollar Amounts Expressed in Thousands)

| Fiscal Year | Special Assessments Billings | Special Assessments Collected (1) |
|-------------|------------------------------|-----------------------------------|
| 1995        | \$ 9,769                     | \$ 9,658                          |
| 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                            |

(1) Includes prepayments and foreclosures.

Source: City Finance Department

(UNAUDITED)

**RATIO OF NET GENERAL OBLIGATION DEBT TO NET TAX CAPACITY  
AND NET GENERAL OBLIGATION DEBT PER CAPITA  
LAST TEN YEARS  
December 31, 2004**

**CITY OF MINNEAPOLIS, MINNESOTA  
Table 9**

| Fiscal<br>Year | Net General Obligation Debt |  |  |           | Net Tax<br>Capacity * | Population | Ratio of   |   |
|----------------|-----------------------------|--|--|-----------|-----------------------|------------|--|---|
|                | Total (1) *                 | Less All Self-<br>Supporting and<br>Tax Increment<br>Bonds * | Less Assets<br>in General Debt<br>Service Fund * | Net *     |                       |            | Net General<br>Obligation Debt<br>to Net Tax<br>Capacity | Net General<br>Obligation<br>Debt per<br>Capita |
| 1995           | \$ 729,859                  | \$ 642,849   | \$ 13,339  | \$ 73,671 | \$ 320,103            | 368,383    | .2301:1  | \$ 200  |
| 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    | .0000:1  | 160   |
| 2001           | 1,133,227                   | 1,063,867  | 19,814   | 49,546    | 280,723               | 382,618    | .0000:1  | 129   |
| 2002           | 1,076,254                   | 973,009  | 18,301   | 84,944    | 295,254               | 382,618    | .0000:1  | 222   |
| 2003           | 1,203,810                   | 981,420  | 21,231   | 201,159   | 310,267               | 382,618    | .0000:1  | 526   |
| 2004           | -                           | -  | 21,734   | (21,734)  | 340,113               | 382,618    | .0000:1  | (57)  |

\* Amounts expressed in thousands.

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

(UNAUDITED)

**COMPUTATION OF LEGAL DEBT MARGIN**

**CITY OF MINNEAPOLIS, MINNESOTA  
Table 10**

| <b>December 31, 2004</b>  |                                 |
|---|---------------------------------|
| <b>(Dollar Amounts Expressed in Thousands)</b>                      |                                 |
| Real Property (2004 Market Value)                                   | \$ 30,716,505                   |
| Personal Property (2004 Market Value)                               | 373,663                         |
|   | <u>31,090,168</u>               |
| Adjustment for Exempt Personal Property (1966 Market Value)         | 298,030                         |
| Adjustment for Net Fiscal Disparities (Contribution)/Distribution   | 255,207                         |
| Total Market Value Applicable to Debt Limit                         | <u><u>31,643,405</u></u>        |
| <b>Debt Limit (3-1/3% of Market Value Applicable to Debt Limit)</b> | <b>\$ 1,054,780</b>             |
| General Obligation Bonds Subject to Debt Limit:                     |                                 |
| Supported by Property Tax Levy                                      | 268,115                         |
| Supported by Special Assessments:                                   |                                 |
| Park Diseased Trees   | 1,480                           |
| Lyn-Lake Municipal/Commercial Parking                               | 1,598                           |
| Self-Supporting (Supported by Internal User Charges):               |                                 |
| Management Information Systems                                      | 42,400                          |
| Park Board - Land acquisitions & athletic field development         | 12,125                          |
| Public Works Fleet and Equipment                                    | 42,490                          |
| Property Fund   | 9,980                           |
| Self-Insurance Fund   | 6,285                           |
|   | <u>384,473</u>                  |
| Total General Obligation Bonds Subject to Debt Limit                | 384,473                         |
| Less: Assets in Debt Service Fund                                   | <u>(21,734)</u>                 |
| Total Debt Applicable to Debt Limit                                 | <u>362,739</u>                  |
| <b>Legal Margin for New Bonds Subject to Debt Limit</b>             | <b>\$ <u><u>692,041</u></u></b> |

(UNAUDITED)

COMPUTATION OF DIRECT AND OVERLAPPING DEBT  
GENERAL OBLIGATION BONDS

CITY OF MINNEAPOLIS, MINNESOTA  
Table 11

December 31, 2004 (Dollar Amounts Expressed in Thousands)

| Jurisdiction                                | Net General<br>Obligation<br>Bonded Debt<br>Outstanding | Percent of Debt<br>Applicable to the<br>City of Minneapolis | Amount<br>Applicable to<br>City of<br>Minneapolis |
|---|---|---|---|
| <u>Direct:</u>                              |   |   |   |
| City of Minneapolis                         | \$ 246,381 (1)  | 100.00%   | \$ 246,381  |
| Total Direct Debt                           | \$ 246,381  |   | \$ 246,381  |
| <u>Overlapping:</u>                         |   |   |   |
| Special School District No. 1               | \$ 366,296  | 100.00%   | \$ 366,296  |
| Hennepin County                             | 390,000 (2)   | 23.52%  | 91,728  |
| Hennepin County Regional Railroad Authority | 47,440  | 23.52%  | 11,158  |
| Metropolitan Council                        | 142,248   | 19.04%  | 27,084  |
| Total Overlapping Debt                      | \$ 945,984  |   | \$ 496,266  |
| Total Direct and Overlapping Debt           | \$ 1,192,365  |   | \$ 742,647  |

(1) Excluding \$775,236 of general obligation debt reported as self-supporting bonds, \$206,310 of general obligation debt payable from tax increment revenues, and \$49,298 of general obligation debt payable from special assessment revenues.

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

(UNAUDITED)

**DIRECT & OVERLAPPING DEBT PER CAPITA**

**CITY OF MINNEAPOLIS, MINNESOTA  
Table 12**

**LAST TEN YEARS  
December 31, 2004**

| Fiscal Year | Direct & Overlapping Debt Applicable to the City of Minneapolis by Jurisdiction |                                |                  |  |                                       |  |                       |                  |  |                       | City of Minneapolis Population* | Percent of Total Attributable to the City of Minneapolis | Total Direct & Overlapping Debt * | Direct & Overlapping Debt per Capita** |
|-------------|---|--------------------------------|------------------|--|---------------------------------------|--|-----------------------|------------------|--|-----------------------|---------------------------------|--|-----------------------------------|--|
|             | City of Minneapolis*  | Special School District No. 1* | Hennepin County* | Hennepin County Regional Railroad Authority* | Hennepin County Metropolitan Council* | Hennepin County Regional Railroad Authority* | Metropolitan Council* | Hennepin County* | Hennepin County Regional Railroad Authority* | Metropolitan Council* |                                 |  |                                   |  |
| 1995        | \$ 73,671   | \$ 85,609                      | \$ 19,315        | \$ -   | \$ 12,015                             | \$ -   | \$ 190,610            | 38.7%            | 368.4  | \$ 517                |                                 |  |                                   |  |
| 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        | 246,381   | 366,296                        | 91,728           | 11,158                                       | 27,084                                | -  | 742,647               | 33.2%            | 382.6  | 1,941                 |                                 |  |                                   |  |

\* Amounts expressed in thousands.  
\*\* Amounts expressed in whole dollars.

(UNAUDITED)

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR  
GENERAL BONDED DEBT TO TOTAL GENERAL EXPENDITURES  
LAST TEN FISCAL YEARS  
December 31, 2004**

**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) |
|-------------|------------|-----------|--------------------|-----------------------|---|
| 1995        | \$ 133,904 | \$ 29,969 | \$ 163,873         | \$ 476,141            | 34.42   |
| 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               | 25.3  |
| 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     | 57,463    | 133,638            | 650,965               | 20.53   |

\* General Expenditures include those expenditures of the General Fund, Special Revenue Funds and Debt Service Funds of Primary Government and its Component Units, (Component Unit amounts not included since GASB 34 implementation in 2002).

(UNAUDITED)

**REVENUE BOND COVERAGE  
ISSUED AS GENERAL OBLIGATION BONDS  
LAST TEN FISCAL YEARS  
December 31, 2004**

**CITY OF MINNEAPOLIS, MINNESOTA  
Table 14**

**(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 |          |
| 1995        | \$ 32,084         | \$ 20,391              | \$ 4,335                             | 16,028                                 | \$ 3,601                  | \$ 8,393 | 1.34     |
| 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        | 55,561            | 47,449                 | 13,993                               | 22,105                                 | 11,434                    | 13,452   | 0.89     |

- (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

(UNAUDITED)

**REVENUE BOND COVERAGE  
ISSUED AS GENERAL OBLIGATION BONDS  
LAST TEN FISCAL YEARS  
December 31, 2004**

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

| Fiscal Year | Gross Revenue (1) | Operating Expenses (2) | Net Revenue Available for Debt Service | Debt Service Requirements |          |          | Coverage |
|-------------|-------------------|------------------------|--|---------------------------|----------|----------|----------|
|             |                   |                        |  | Principal                 | Interest | Total    |          |
| 1995        | \$ 40,953         | \$ 39,521              | \$ 1,432                               | \$ 1,235                  | \$ 861   | \$ 2,096 | 0.68     |
| 1996        | 43,705            | 39,622                 | 4,083                                  | 1,130                     | 785      | 1,915    | 2.13     |
| 1997        | 45,867            | 39,991                 | 5,876                                  | 1,345                     | 747      | 2,092    | 2.81     |
| 1998        | 50,703            | 38,045                 | 12,658                                 | 1,720                     | 768      | 2,488    | 5.09     |
| 1999        | 51,493            | 36,546                 | 14,947                                 | 6,685                     | 1,598    | 8,283    | 1.80     |
| 2000        | 58,999            | 41,420                 | 17,579                                 | 11,070                    | 2,038    | 13,108   | 1.34     |
| 2001        | 63,301            | 42,429                 | 20,872                                 | 10,187                    | 2,017    | 12,204   | 1.71     |
| 2002        | 66,347            | 45,785                 | 20,562                                 | 6,690                     | 2,092    | 8,782    | 2.34     |
| 2003        | 63,846            | 47,010                 | 16,836                                 | 9,026                     | 2,135    | 11,161   | 1.51     |
| 2004        | 67,422            | 55,830                 | 11,592                                 | 9,120                     | 2,292    | 11,412   | 1.02     |

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

(2) Total expenses exclusive of depreciation.

(UNAUDITED)

**REVENUE BOND COVERAGE  
ISSUED AS GENERAL OBLIGATION BONDS  
LAST TEN FISCAL YEARS  
December 31, 2004**

**CITY OF MINNEAPOLIS, MINNESOTA  
Table 14  
(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  |          |
| 1995        | \$ 36,202         | \$ 27,598              | \$ 8,604                               | \$ 1,890                  | \$ 924 | 3.06     |
| 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        | 63,430            | 46,702                 | 16,728                                 | 11,930                    | 3,221  | 1.10     |

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

(2) Total expenses exclusive of depreciation.

(UNAUDITED)

**DEMOGRAPHIC STATISTICS  
LAST TEN FISCAL YEARS**

**CITY OF MINNEAPOLIS, MINNESOTA  
Table 15**

**December 31, 2004**

| Fiscal Year | Population (1) | School Enrollment (2) | Unemployment Rate (3) |
|-------------|----------------|-----------------------|-----------------------|
| 1995        | 368,383        | 46,837                | 3.4%                  |
| 1996        | 368,383        | 47,528                | 4.0%                  |
| 1997        | 368,383        | 46,940                | 3.2%                  |
| 1998        | 368,383        | 47,927                | 2.6%                  |
| 1999        | 368,383        | 47,364                | 2.8%                  |
| 2000        | 382,618        | 48,991                | 3.2%                  |
| 2001        | 382,618        | 47,726                | 3.9%                  |
| 2002        | 382,618        | 46,182                | 3.7%                  |
| 2003        | 382,618        | 43,132                | 4.9%                  |
| 2004        | 382,618        | 39,932                | 5.0%                  |

- (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, 2004 (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   |
| 1995        | 18                      | \$ 98,790 | 196                      | \$ 18,369 | \$ 20,227,434 | \$ 3,798,379          | \$ 8,865,541 | \$ 3,803,642 |
| 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    |

(UNAUDITED)

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

**December 31, 2004** (Dollar Amounts Expressed in Thousands)

| Rank | Taxpayer                            | Type of Business               | Net Tax Capacity | Percentage Of Total Tax Capacity |
|------|-------------------------------------|--------------------------------|------------------|----------------------------------|
| 1.   | Northern State Power Co.            | Utilities                      | 6,038            | 4.37%                            |
| 2.   | Target Corporation                  | Office Building and Retail     | 4,961            | 3.93%                            |
| 3.   | American Express Financial Corp.    | Financial                      | 4,932            | 3.81%                            |
| 4.   | NWC Limited Partnership             | Commercial/Industrial Building | 2,823            | 2.21%                            |
| 5.   | City Center Associates              | Office Building                | 2,365            | 1.88%                            |
| 6.   | Ryan Companies US, Inc              | Real Estate/Office Building    | 2,359            | 1.87%                            |
| 7.   | Eighth Street Tower Corp.           | Office Building                | 2,233            | 1.78%                            |
| 8.   | Wells Operating Partnership L P     | Office Building                | 2,233            | 1.76%                            |
| 9.   | First Minneapolis-Hines Co.         | Office Building                | 2,013            | 1.56%                            |
| 10.  | Federal Reserve Bank of Minneapolis | Banking                        | <u>1,084</u>     | <u>1.39%</u>                     |
|      |                                     |                                | <u>\$ 31,041</u> | <u>24.56%</u>                    |

Source: Bonding Issue Report

(UNAUDITED)

Table 18

|   |                  |   |             |
|---|------------------|---|-------------|
| <b>December 31, 2004</b>  |                  |   |             |
| Date of Incorporation   | 1867             | Park and Recreation System                              | 6,500       |
|   |                  | Acres   | 7           |
| Date of Adoption of City Charter                                | November 2, 1920 | Number of Golf Links                                    | 2           |
| Form of Government  | Mayor-Council    | Number of Golf Learning Centers                         | 28          |
|   |                  | Number of Community Centers                             | 21          |
| Area - Square Miles   | 58.72            | Number of Neighborhood Centers                          | 7           |
|   |                  | Number of Shelter Buildings                             | 108         |
|   |                  | Number Playgrounds                                      | 14          |
|   |                  | Number of Municipal Beaches and Swimming Pools          | 55          |
|   |                  | Miles of Parkways                                       |             |
| Miles of Streets and Alleys                                     | 1,063            | Police Protection                                       |             |
| Streets Paved   | 7                | Number of Stations                                      | 5           |
| Streets - Unpaved   | 379              | Average Number of Employees                             | 966         |
| Alleys  | 1,900            | Number of Major Crimes                                  | 25,457      |
| Sidewalks   |                  |   |             |
| Miles of Sewers:  |                  |   |             |
| Main Sewer Lines  | 830              | Municipal Water Plant                                   | 98,200      |
| Sanitary Sewer  | 531              | Number Customers  | 57,342,750  |
| Storm Drain   |                  | Daily Average Consumption - Gallons                     | 180,000,000 |
| Tunnels   | 14.7             | Design Plant Capacity - Gallons                         | 1,000.26    |
| Storm   | 5.47             | Miles of Water Mains                                    | 8,084       |
| Sanitary  |                  | Number of Fire Hydrants                                 |             |
| Number of Street and Alley Lights                               | 39,000           | Election  |             |
| Building Permits in 2004:                                       |                  | Registered Voters - Primary                             | 227,779     |
| Permits Issued  | 13,497           | Registered Voters - General                             | 287,459     |
| Estimated Costs   | 927,000,000      | Number of votes cast in Primary Election                | 22,766      |
|   |                  | Number of votes cast in General Election                | 201,672     |
| Average Number of Permanent Employees excluding Police and Fire | 4,154            | Percent of Registered Voters voting in Primary Election | 10%         |
|   |                  | Percent of Registered Voters voting in General Election | 70%         |
| Fire Protection   |                  |   |             |
| Number of Stations  | 19               | Population - Federal Census                             |             |
| Average Number of Employees                                     | 449.5            | 1910  | 301,408     |
| Number of Inspections   | 9,460            | 1920  | 380,582     |
|   |                  | 1930  | 464,356     |
| Library System  |                  | 1940  | 492,370     |
| Number of Public Facilities                                     | 15               | 1950  | 521,718     |
| Sized of Collection (print plus non-print)                      | 3,772,200        | 1960  | 482,872     |
| Books per capita  | 9.85             | 1970  | 434,400     |
| Circulation per capita  | 6.55             | 1980  | 370,951     |
| Reference questions per capita                                  | 1.44             | 1990  | 368,383     |
| Central Library visitors  | 310,593          | 2000  | 382,618     |

Data Supplied by the Minneapolis Finance Department

UNAUDITED

MINNEAPOLIS SPREAD LEVY \*

CITY OF MINNEAPOLIS, MINNESOTA  
Table 19

**December 31, 2004** (Dollar Amounts Expressed in Thousands)

| Budget Year | Taxes Payable Year | Total Tax Levy | HACA      | Certified Levy | Fiscal Disparities | Spread Levy |
|-------------|--------------------|----------------|-----------|----------------|--------------------|-------------|
| 1995        | 1996               | \$ 129,621     | \$ 30,000 | \$ 99,621      | \$ 14,117          | \$ 85,504   |
| 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     |

\* 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: City Budget Office

(UNAUDITED)