

Comprehensive Annual Financial Report



City of Minneapolis, Minnesota
for the year ended December 31, 2007



Minneapolis
City of Lakes

Finance Department

COMPREHENSIVE ANNUAL FINANCIAL REPORT



CITY OF
MINNEAPOLIS, MINNESOTA

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007

FINANCE DEPARTMENT

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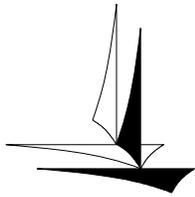
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Minneapolis
City of Lakes

Finance Department

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City Finance Officer

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June 16, 2008

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

TRANSMITTAL

We are pleased to present the Comprehensive Annual Financial Report (CAFR) for the City of Minneapolis (the City) for the year ended December 31, 2007. 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.

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

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

Minneapolis, as the major city within the larger metropolitan area, enjoys a strong and highly diverse business foundation of companies involved in manufacturing supercomputers, electronics, medical instruments, milling, machine manufacturing, food processing and graphic

arts. In addition, with seven hospitals and the University of Minnesota, Minneapolis is a nationally known medical center that produces many high technology medical products.

Most of the information above is from the *State of the City*, a publication of the City’s Community Planning and Economic Development Department. The *State of the City* contains a wealth of demographic and other data,

which paint a detailed and thorough picture of the City. The *State of the City* 2003 can be accessed from City's web site, at <http://www.ci.minneapolis.mn.us/planning/soc03/>

Form of Government and Organization

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

City Council

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

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

Mayor

The Mayor is responsible for a variety of leadership duties, including: appointing representatives to a variety of agencies and commissions, nominating department head candidates for Executive Committee and Council approval, proposing the annual operating and capital budgets, and reviewing, approving, or vetoing all Council actions.

Departments

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

THE REPORTING ENTITY

The City organizes its financial activities in a variety of funds. In accordance with GASB Statement No. 14, the City's financial statements include all funds of the City ("primary government") as well as its component units. The primary government represents all funds under the ultimate control of the Mayor and City Council. Component units are separate legal entities. While legally separate, component units are part of City government *in substance*. The City's financial statements would be misleading without incorporating component unit information. Some component units are reported in a separate column of the City's financial statement set apart from the rest of the primary government. Units are discretely presented in the financial statements because, while the City is financially accountable for them, they do not meet the criteria for a blended component unit. The Minneapolis Library Board, Minneapolis Park and Recreation Board, Meet Minneapolis, 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 2007 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 total return on investments during the year was 5.4 percent (source: Finance Department –Treasury Division).

DEBT MANAGEMENT

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

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

RISK MANAGEMENT

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

INDEPENDENT AUDIT

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

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

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its CAFR for the fiscal year ended December 31, 2006. A Certificate of Achievement is valid for a period of one year only. The City has received this prestigious award for thirty-eight 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 the GFOA's Distinguished Budget Presentation Award for its annual budget for the year 2007.

ACKNOWLEDGEMENTS

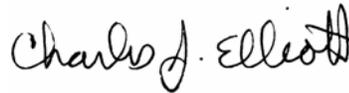
Preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the staff of the City's finance department, the Library Board, the Park Board, and the Community Planning and Economic Development. In addition, we would like to thank the State Auditor's Office for their thoroughness and professionalism in conducting the City's audit. Finally, we would like to thank the Mayor, members of the City Council, and the City Coordinator, Steven Bosacker, for their interest in conducting the financial operations of this City in a responsible and progressive manner.

Respectfully submitted,

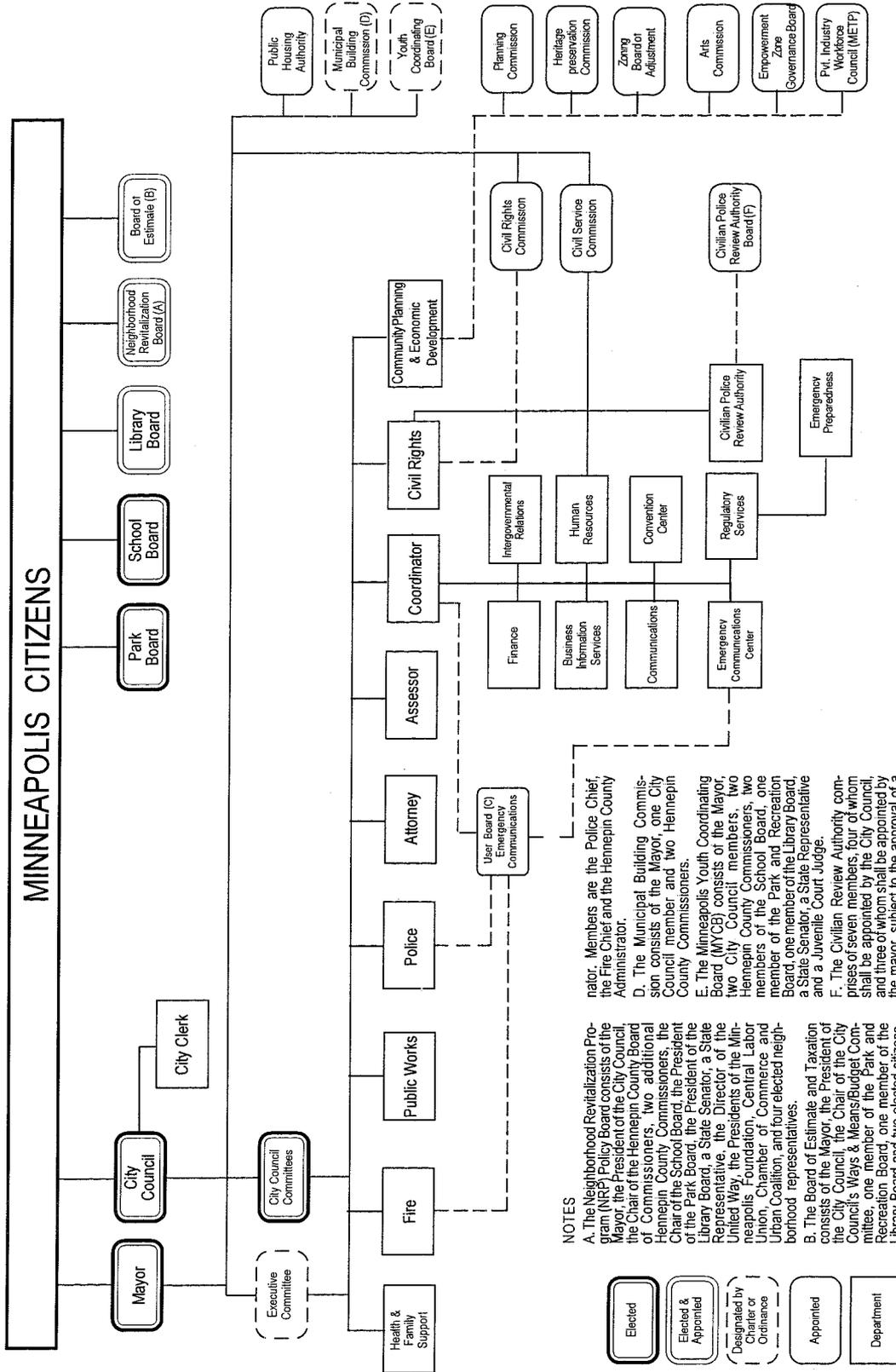
Patrick P. Born
Finance Officer



Charles Elliott, CPA
Controller



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 Library Board, a State Senator, a State Representative, the Director 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, one member 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.
- F. The Civilian Review Authority consists of seven members, four of whom shall be appointed by the City Council, and three of whom shall be appointed by the mayor, subject to the approval of a majority of the City Council.

Department of Communications,
612-673-2491 Aug. 2006

MAYOR AND COUNCIL

CITY OF MINNEAPOLIS, MINNESOTA

2007

Mayor R.T. RYBAK

CITY COUNCIL

Ward 1 PAUL OSTROW

Ward 2 CAM GORDON

Ward 3 DIANE HOFSTEDE

Ward 4 **President** BARBARA JOHNSON

Ward 5 DON SAMUELS

Ward 6 **Vice-President** ROBERT LILLIGREN

Ward 7 LISA GOODMAN

Ward 8 ELIZABETH GLIDDEN

Ward 9 GARY SCHIFF

Ward 10 RALPH REMINGTON

Ward 11 SCOTT BENSON

Ward 12 SANDY COLVIN ROY

Ward 13 BETSY HODGES

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, 2006

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.



Oliver S. Cox

President

Jeffrey R. Emer

Executive Director



REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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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, 2007, 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 did not audit the financial statements of Meet Minneapolis, which represents 0.4 percent, a negative 1.8 percent, and 7.1 percent, respectively, of the assets, net assets, and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Meet Minneapolis component unit, is based solely on the report of the other auditor.

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. The financial statements of Meet Minneapolis were not audited in accordance with *Government Auditing Standards*. 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 and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditors, 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, 2007, 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.

As discussed in Note 19 to the financial statements, the City of Minneapolis has implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

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 June 16, 2008, 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, and 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.



REBECCA OTTO
STATE AUDITOR



GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

June 16, 2008

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, 2007. 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 2007 fiscal year by \$1,077,863 (net assets). Of this amount, \$87,241 is restricted for specific purposes (restricted net assets) and \$1,021,147 is invested in capital assets net of related debt. Additionally, a deficiency \$30,525 in unrestricted net assets resulted primarily from other debt issued by the City to finance assets owned by the City's component units, debt related to unfunded pension liabilities, various development related debt, and prior period losses in the internal service funds
- The City's total net assets increased by \$149,851. Governmental activities increased the City's net assets by \$93,708 and the business type activities by \$56,143.
- As of December 31, 2007, unreserved fund balance for the general fund was \$53,851.
- The City's total long-term bond and note liability decreased by \$75,898 from the prior year. Total bonds and notes issued in 2007 was \$57,857 including \$1,750 of refunding transactions and total debt retirement was \$133,755, including refunding transactions. Major new debt issuances included bonds of \$34,055 for various infrastructure improvements in the five-year capital plan, \$9,900 for an economic development project and \$5,400 for special assessment projects.

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).

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

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

The government-wide financial statements include not only the City of Minneapolis (known as primary government), but also legally separate entities for which the City is accountable. For the City of Minneapolis, component units are included in the basic financial statements of the City, and consist of legally separate entities for which the City is financially accountable (discretely presented component units) and have substantially the same board as the City or provide services almost entirely to the primary government (blended component units). An example of blended funds is the Board of Estimate and Taxation (BET). Examples of discretely presented component units include the Minneapolis Library Board (Library Board), Minneapolis Park and Recreation Board (Park Board), and the Municipal Building Commission (MBC). In 2007, Meet Minneapolis, the marketing arm of Minneapolis is also reported as a discretely presented component unit.

The government-wide financial statements can be found on pages 24-25 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 Special Assessment Debt Service 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 26-29 of this report.

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

The proprietary funds' financial statements can be found on pages 30-33 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 34 of this report.

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

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 37-77

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

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

The combining statements referred to earlier, in connection with non-major governmental funds and internal service funds, are presented immediately following the required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Assets:

The City's assets exceeded liabilities by \$1,077,863 at the close of the fiscal year ending December 31, 2007, compared to \$883,334 at the end of the previous year.

Statement of Net Assets
December 31, 2007

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Current and other assets	\$ 533,912	\$ 513,724	\$ 213,113	\$ 140,356	\$ 747,025	\$ 654,080
Capital assets	946,799	947,923	896,669	939,604	1,843,468	1,887,527
Total assets	<u>1,480,711</u>	<u>1,461,647</u>	<u>1,109,782</u>	<u>1,079,960</u>	<u>2,590,493</u>	<u>2,541,607</u>
Current and other liabilities	193,454	300,528	65,558	69,547	259,012	370,075
Long-term liabilities	854,889	867,137	398,729	421,061	1,253,618	1,288,198
Total liabilities	<u>1,048,343</u>	<u>1,167,665</u>	<u>464,287</u>	<u>490,608</u>	<u>1,512,630</u>	<u>1,658,273</u>
Net assets:						
Invested in capital, net of related debt	492,007	471,115	529,140	541,670	1,021,147	1,012,785
Restricted net assets	54,226	47,526	33,015	33,222	87,241	80,748
Unrestricted net assets	(113,865)	(224,659)	83,340	14,460	(30,525)	(210,199)
Total net assets	<u>432,368</u>	<u>293,982</u>	<u>645,495</u>	<u>589,352</u>	<u>1,077,863</u>	<u>883,334</u>
Total liabilities and net assets	<u>\$ 1,480,711</u>	<u>\$ 1,461,647</u>	<u>\$ 1,109,782</u>	<u>\$ 1,079,960</u>	<u>\$ 2,590,493</u>	<u>\$ 2,541,607</u>

The largest portion of the City's net assets, \$1,021,147 reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investments in capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Another portion of the City's net assets represents a deficit in unrestricted net assets of (\$30,525), which, if positive, would be used for meeting the City's short and long-term obligations. The negative unrestricted net assets balance is a result of prior period losses within the internal service funds and debt obligations that are not offset with capital assets. The nature of the debt obligations include pension contributions, tax increment issued for the Community Planning and Economic

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

Development Fund (“CPED”), and debt issued on behalf of the City’s discrete component units. The City reports the debt, but not the assets related to city’s discrete component units.

The remaining balance of the City’s net assets, \$87,241 represents resources that are subject to external restrictions on how they may be used.

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

City and Discrete Component Units
Statement of Net Assets
December 31, 2007

	<u>Primary Government</u>		<u>Discrete Component Units</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Current and other assets	\$ 747,025	\$ 654,080	\$ 32,254	\$ 46,077	\$ 779,279	\$ 700,157
Capital assets	1,843,468	1,887,527	500,579	489,490	2,344,047	2,377,017
Total assets	<u>2,590,493</u>	<u>2,541,607</u>	<u>532,833</u>	<u>535,567</u>	<u>3,123,326</u>	<u>3,077,174</u>
Current and other liabilities	259,012	370,075	23,629	29,666	282,641	399,741
Long-term liabilities	1,253,618	1,288,198	20,625	12,643	1,274,243	1,300,841
Total liabilities	<u>1,512,630</u>	<u>1,658,273</u>	<u>44,254</u>	<u>42,309</u>	<u>1,556,884</u>	<u>1,700,582</u>
Net assets:						
Invested in capital, net of related debt	1,021,147	1,012,785	488,211	479,390	1,509,358	1,492,175
Restricted net assets	87,241	80,748	789	1,133	88,030	81,881
Unrestricted net assets, restated	(30,525)	(210,199)	(421)	12,735	(30,946)	(197,464)
Total net assets	<u>1,077,863</u>	<u>883,334</u>	<u>488,579</u>	<u>493,258</u>	<u>1,566,442</u>	<u>1,376,592</u>
Total liabilities and net assets	<u>\$ 2,590,493</u>	<u>\$ 2,541,607</u>	<u>\$ 532,833</u>	<u>\$ 535,567</u>	<u>\$ 3,123,326</u>	<u>\$ 3,077,174</u>

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

Statement of Activities

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

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

Statement of Activities
For the Year Ended December 31, 2007

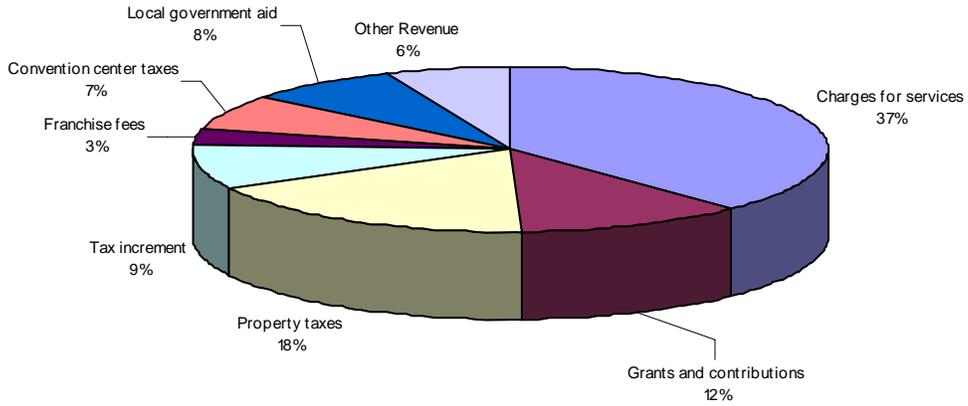
	Governmental Activities		Business-type Activities		Total	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Revenues						
Program revenues:						
Charges for services	\$ 108,136	\$ 116,793	\$ 230,461	\$ 221,631	\$ 338,597	\$ 338,424
Operating grants and contributions	84,926	68,894	1,737	13,553	86,663	82,447
Capital grants and contributions	19,174	18,717	-	-	19,174	18,717
General revenues:						
Property taxes	159,878	145,073	-	-	159,878	145,073
Property tax increment	77,979	71,556	-	-	77,979	71,556
Franchise fees	29,548	29,026	-	-	29,548	29,026
Convention center taxes	60,065	56,725	-	-	60,065	56,725
Other taxes	215	188	-	-	215	188
Local government aid	70,712	81,626	-	-	70,712	81,626
Grants & contributions not restricted to prgms	8	9	-	-	8	9
Gain on sale of capital assets	-	-	30,725	-	30,725	-
Interest and investment earnings	17,574	14,407	1,924	1,542	19,498	15,949
Miscellaneous	2,715	2,862	3,187	2,039	5,902	4,901
Total revenues	630,930	605,876	268,034	238,765	898,964	844,641
Expenses						
General government	57,519	67,780	-	-	57,519	67,780
Public safety	226,050	221,160	-	-	226,050	221,160
Public works	80,315	52,267	-	-	80,315	52,267
Culture and recreation	5,279	15,851	-	-	5,279	15,851
Health and welfare	14,325	14,572	-	-	14,325	14,572
Community & economic development	118,066	116,369	6,446	9,035	124,512	125,404
Interest on long-term debt	40,691	89,147	-	-	40,691	89,147
Sanitary Sewer	-	-	37,696	36,710	37,696	36,710
Storm Water	-	-	24,459	23,815	24,459	23,815
Solid waste and recycling	-	-	26,570	26,554	26,570	26,554
Water works	-	-	52,983	53,209	52,983	53,209
Municipal parking	-	-	58,714	60,097	58,714	60,097
Total expenses	542,245	577,146	206,868	209,420	749,113	786,566
Excess (deficiency) before transfers	88,685	28,730	61,166	29,345	149,851	58,075
Transfers	5,023	416	(5,023)	(416)	-	-
Change in net assets	93,708	29,146	56,143	28,929	149,851	58,075
Net assets - January 1 -restated note 1	338,660	264,836	589,352	560,423	928,012	825,259
Net assets - December 31, 2006	\$ 432,368	\$ 293,982	\$ 645,495	\$ 589,352	\$ 1,077,863	\$ 883,334

Governmental Activities—Governmental activities increased the City’s net assets by \$93,708, compared to an increase of \$29,146 in 2006. 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 2007, the City relied primarily on taxes, various charges for services, and local government aid for funding governmental activities. Specifically, property tax increment revenues supported economic development activities.

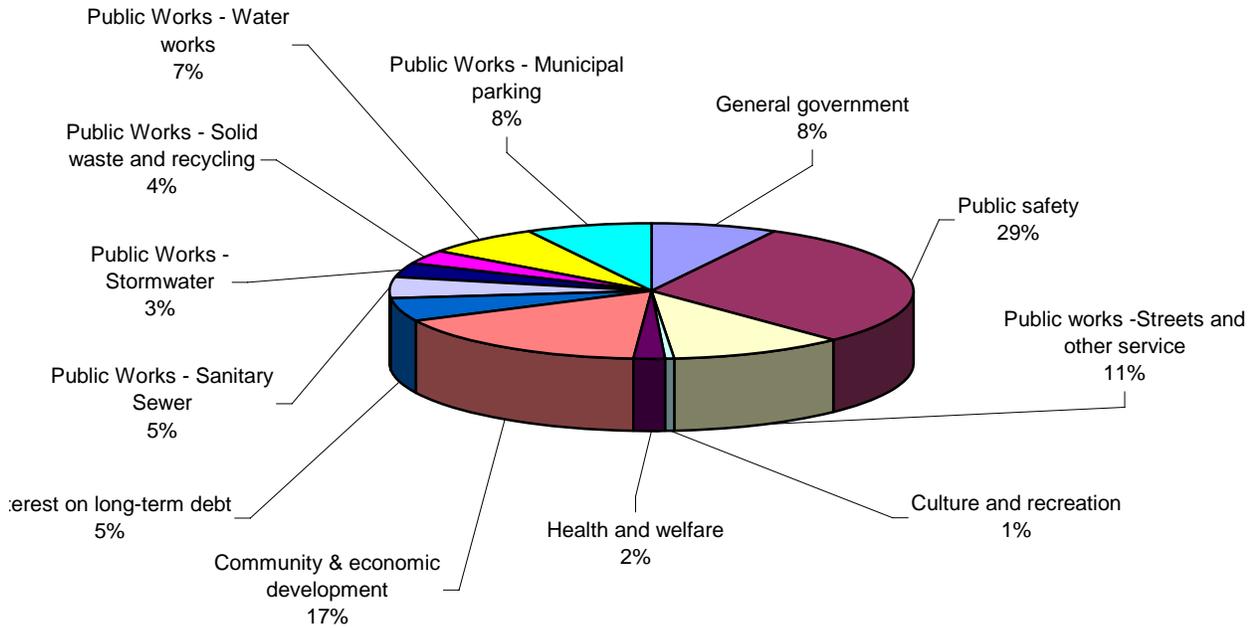
A significant expense in the statement of activities, compared to fund statements, is depreciation. Current year depreciation for governmental activities was \$30,105.

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

Government-wide Revenues



Government-wide Expenses

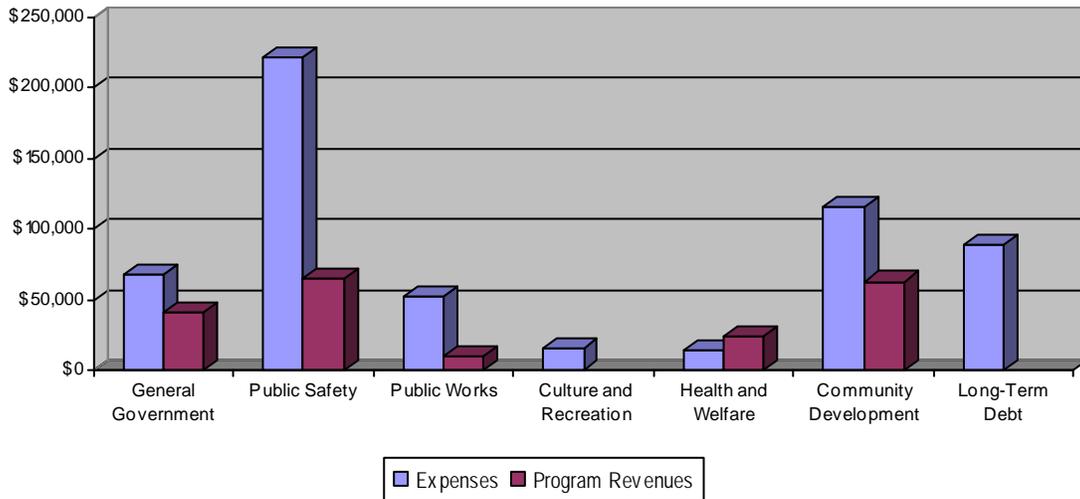


(All dollar amounts are expressed in thousands unless otherwise indicated.)

Summary of expenses and program revenues - Governmental Activities
For the Year ended December 31, 2007

Functions/Programs	Expenses	Program revenues	Net (Expense) Revenue by Program
General government	\$ 57,519	\$ 55,020	\$ (2,499)
Public safety	226,050	54,805	(171,245)
Public works	80,315	21,788	(58,527)
Culture and recreation	5,279	4,477	(802)
Health and welfare	14,325	10,649	(3,676)
Community & economic development	118,066	65,497	(52,569)
Interest on long term debt	40,691	-	(40,691)
	<u>\$ 542,245</u>	<u>\$ 212,236</u>	<u>\$ (330,009)</u>

General revenues and transfers supporting governmental activities	<u>423,717</u>
Change in net assets	93,708
Net assets - January 1 -restated note 1	<u>338,660</u>
Net assets - December 31, 2007	<u>\$ 432,368</u>



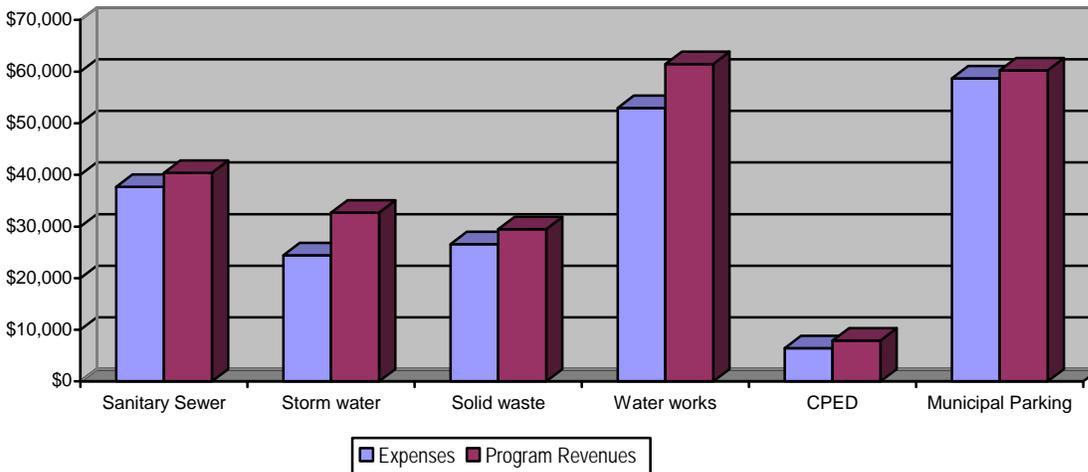
Business-Type Activities—Business-type activities increased the City’s net assets by \$56,143, compared with an increase of \$28,929 in 2006.

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

Summary of expenses and program revenues - Business-Type Activities
For the Year ended December 31, 2007

Functions/Programs	Expenses	Program revenues	Net (Expense) Revenue by Program
Sanitary sewer	\$ 37,696	\$ 40,380	\$ 2,684
Stormwater	24,459	32,707	8,248
Solid waste and recycling	26,570	29,510	2,940
Water works	52,983	61,459	8,476
Community & economic development	6,446	7,917	1,471
Municipal parking	58,714	60,225	1,511
	<u>\$ 206,868</u>	<u>\$ 232,198</u>	<u>\$ 25,330</u>

General revenues net of transfers out supporting business-type activities	30,813
Change in net assets	<u>56,143</u>
Net assets - January 1, 2007	589,352
Net assets - December 31, 2007	<u>\$ 645,495</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.

During 2007, 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 Special Assessment Debt Services Fund. At December 31, 2007, the City's governmental funds reported combined ending fund balances of \$399,949 a small increase of \$8,020 compared with the prior year. Approximately 47 percent of this total

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

amount (\$188,499) constitutes unreserved fund balance, which is available for spending at the City's discretion. The following presents the amounts of unreserved balances by various fund types:

<u>Fund Type</u>	<u>Unreserved Balance</u>
General fund	\$ 53,851
Special revenue funds	79,230
Debt service funds	54,226
Capital projects	<u>1,192</u>
Total	<u>\$ 188,499</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 (\$15,643), 2) to pay for land development and specific projects (\$161,093) or 3) for a variety of other restricted purposes (\$34,714).

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

**Revenues by Source
Governmental Funds**

Revenue by Source	FY 2007		FY 2006		Increase/ (Decrease)
	Amount	Percent of Total	Amount	Percent of Total	Amount
Taxes	\$ 326,187	51.09	\$ 300,893	47.92	\$ 25,294
Licenses and permits	26,407	4.14	25,838	4.11	569
Intergovernmental revenues	160,384	25.12	175,981	28.02	(15,597)
Charges for services and sales	53,778	8.42	55,112	8.78	(1,334)
Fines and forfeits	9,397	1.48	9,249	1.48	148
Special assessments	13,555	2.12	12,363	1.97	1,192
Interest	19,075	2.99	14,517	2.31	4,558
Miscellaneous revenue	29,626	4.64	34,001	5.41	(4,375)
Total	<u>\$ 638,409</u>	<u>100.00</u>	<u>\$ 627,954</u>	<u>100.00</u>	<u>\$ 10,455</u>

**Expenditures by Function
Governmental Funds**

Expenditures by Function	FY 2007		FY 2006		Increase/ (Decrease)
	Amount	Percent of Total	Amount	Percent of Total	Amount
General government	\$ 55,581	8.83%	\$ 66,803	10.26%	\$ (11,222)
Public safety	222,823	35.42%	220,346	33.85%	2,477
Public works	41,892	6.66%	39,171	6.02%	2,721
Culture and recreation	5,279	0.84%	15,851	2.43%	(10,572)
Health and Welfare	14,193	2.26%	14,613	2.24%	(420)
Community & economic development	116,348	18.49%	112,103	17.22%	4,245
Capital Outlay	43,846	6.97%	45,447	6.98%	(1,601)
Debt service - principal retirement	66,744	10.61%	72,768	11.18%	(6,024)
Debt service - interest payment	62,424	9.92%	63,490	9.82%	(1,066)
Total	<u>\$ 629,130</u>	<u>100%</u>	<u>\$ 650,592</u>	<u>100%</u>	<u>\$ (21,462)</u>

(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, 2007, unreserved fund balance in the General Fund was \$53,851, while total fund balance reached \$55,245. The fund balance of the City’s General Fund increased by \$133 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. The year-end fund balance is in compliance with the City’s policy of maintaining a minimum fund balance of 15% of the following year’s revenue budget for the General Fund.

The following table provides changes in revenues by source from 2006 to 2007:

Revenues by Source	FY 2007		FY 2006		Increase/ (Decrease) Amount
	Amount	Percent of Total	Amount	Percent of Total	
	Taxes	\$ 150,886	46.35	\$ 137,889	
Licenses and permits	25,202	7.74	24,938	7.61	264
Intergovernmental revenues	84,026	25.81	91,614	27.97	(7,588)
Charges for services and sales	35,902	11.03	38,169	11.65	(2,267)
Fines and forfeits	8,488	2.61	8,598	2.62	(110)
Special assessments	4,423	1.36	3,008	0.92	1,415
Interest	2,780	0.85	907	0.28	1,873
Miscellaneous revenues	1,066	0.33	1,446	0.44	(380)
Total revenues	\$ 312,773	96.09	\$ 306,569	93.59	\$ 6,204
Transfers in	12,736	3.91	20,994	6.41	(8,258)
Total revenues and other financing sources	\$ 325,509	100	\$ 327,563	100	\$ (2,054)

In 2007, General Fund revenues and transfers have decreased by about 0.6% from the previous year. Some highlights included:

- Tax revenues increased by \$12,997 or 9.4%.
- Intergovernmental revenues decreased by \$7,588 or 8.3%, primarily due to a decrease in local government aid.

The following table provides the changes in expenditures by function from 2006 to 2007.

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

General Fund Expenditures by Function					
<u>Expenditures by Function</u>	<u>2007</u>		<u>2006</u>		Increase/ (Decrease) Amount
	Amount	Percent of Total	Amount	Percent of Total	
General government	\$ 48,048	14.77	\$ 46,861	14.37	\$ 1,187
Public safety	198,652	61.05	193,813	59.45	4,839
Public works	40,569	12.47	38,734	11.88	1,835
Culture and recreation	1,205	0.37	200	0.06	1,005
Health and family support	4,047	1.24	3,693	1.13	354
Community & economic development	3,642	1.12	3,530	1.09	112
Total expenditures	296,163	91.02	286,831	87.98	9,332
Transfers out	29,213	8.98	39,182	12.02	(9,969)
Total expenditures and other financing uses	<u>\$ 325,376</u>	<u>100.00</u>	<u>\$ 326,013</u>	<u>100.00</u>	<u>\$ (637)</u>

Overall, general fund expenditures decreased by \$637 or 0.2% from the previous year. This result was primarily due to the various cost reduction actions adopted by the Mayor and City Council.

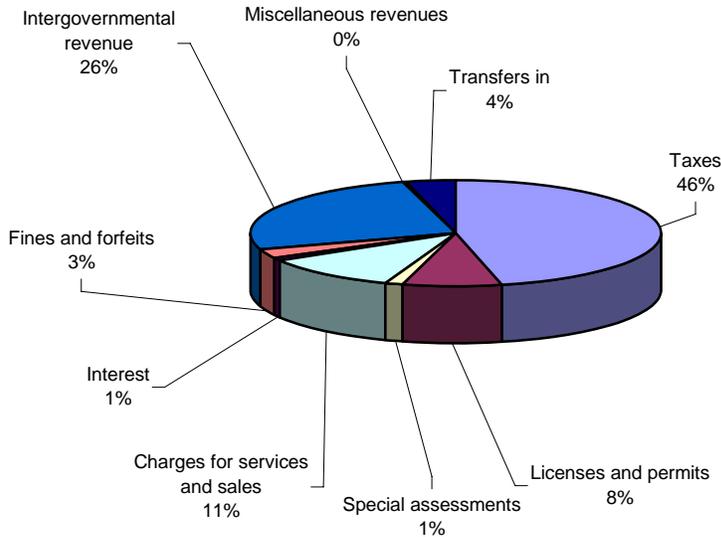
General Fund Budgetary Highlights: The final budget for the City's General Fund represents the original budget, any previously appropriated funds set aside for the purpose of honoring legally incurred obligations (prior year encumbrances and commitments), and any additional supplemental appropriations that may occur during the fiscal year. In 2007, the following were significant budget actions:

- \$6,300 of 2006 unspent appropriation was carried forward into 2007.
- Police budget was increased by \$3,400 to cover overspending. This was primarily due to increased expenditures for overtime, technology, Hennepin County Jail fees, and other contractual services.
- The original General Fund appropriation for fiscal year 2007 was \$326,778, which included projected transfers out of \$33,806. The final appropriation was \$331,755, including transfers out of \$29,213. General revenues and other resources were originally estimated at \$327,083, which included projected transfers of \$19,391. The final revenue estimate was \$322,355 including transfers of \$11,391

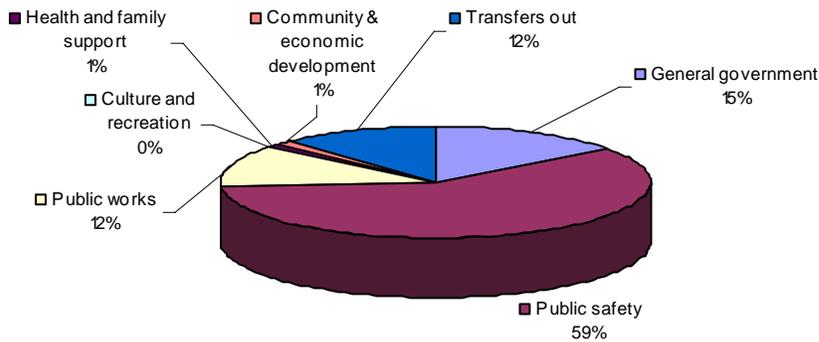
Current fiscal year revenue and expenditure budgets for the General Fund by major category or function are as follows

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

General Fund Revenue Budget by Major Category



General Fund Expenditure Budget by Function



Community Planning and Economic Development (CPED) Special Revenue Fund

The Community Planning & Economic Development (CPED) Special Revenue Fund accounts for governmental fund proceeds that are legally restricted to expenditures for specific purposes in a series of housing and economic development programs. The range of programs operated within this fund are created to increase the City's economic competitiveness, to ensure an array of attractive housing choices, to support strong and diverse neighborhoods, and to preserve our historic structures. These programs are financed primarily through federal, state, and local grants, tax increment financing, and administrative fees collected for the issuance of housing and economic revenue bonds. A development account program

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

provides loans and grants to outside organizations within the City to assist commercial and housing development. The program is capitalized with residual equities from development projects and UDAG repayments.

The total revenues of the CPED Special Revenue fund in 2007 were \$107,629. 72% of the fund’s revenue was derived from property tax increment. The remaining revenue was derived from a variety of miscellaneous sources. The expenditures for the fund in 2007 were \$50,945. The fund’s expenditures are primarily for contractual services for the housing and economic programs operated within the fund and for the staff costs to monitor and deliver these programs. The level of fund revenues and fund expenditures in 2007 was comparable to the prior year.

In 2007 there was \$11,151 of transfers into the fund recorded during the year. Nearly all the transfers were pass-through grant proceeds from other City funds, and from the CPED Enterprise Fund. The fund’s transfers out of \$67,709 were to provide resources for the debt service of obligations issued by the City for community development programs, and to transfer funds to pay for neighborhood revitalization projects.

At year-end the fund balance of the fund was \$224,664; essentially unchanged from the prior year. The unreserved portion of the fund balance at December 31, 2007 was \$43,100. 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 revenues. Local taxes for convention center activities include:

- 0.5 % citywide sales tax;
- 3 % food and liquor tax applied to core downtown establishments;
- 3 % citywide entertainment tax;
- 3 % citywide lodging tax for motels and hotels with 50 units or more.
- Overall tax proceeds for 2007 exceeded 2006 levels by 6% and have achieved 107% of the budget.

Minneapolis Convention Center Tax Revenues				
Taxes	2007		2006	
	Budget	Actual	Actual	
Sales and use	\$ 28,394	\$ 29,535	\$ 27,867	
Entertainment	9,382	9,880	9,248	
Food	9,525	10,319	9,993	
Liquor	3,714	3,757	3,627	
Lodging	5,301	6,574	5,990	
Total	\$ 56,316	\$ 60,065	\$ 56,725	

The total revenues of the Convention Center Fund in 2007 were \$76,343 and exceeded 2006 levels by 5% and the original budget by 6%. Much of the increase can be attributed to increases in local tax collections, catering commissions, and increases in services, such as audio visual, cleanup, labor, security, and utilities. For 2007, the Convention center fund’s expenditures of \$33,686 came in 4% over 2006 levels. Thus, the ending fund balance is \$45,918 or \$4,696 more than the 2006 level of \$41,222.

Special Assessment Debt Service funds

The City of Minneapolis uses special assessment debt service funds to collect special assessments from residents and businesses for public improvements which are wholly or partially paid by the taxpayers. Special assessments are levied and

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

collected each year via Hennepin County property tax statements as well as through voluntary prepayments and title company remittances upon sale of properties. These improvements are typically related to infrastructure items such as roadway, streetscape and street lighting projects and diseased tree removal on private property.

At the end of 2007, the City had \$44,435 of debt outstanding for special assessment improvements, including \$5,400 of new bonds issued during 2007. During 2007, the City received debt related assessment collections and interest earnings of \$8,207 and paid total debt service of \$8,081 special assessment bonds, of which \$6,186 was principal repayment.

Enterprise Funds

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

Overall, the enterprise funds had a positive net asset of \$664,196 at December 31, 2007. Total net assets for all enterprise funds increased by \$57,110 during 2007.

The following table summarizes the total assets, total liabilities, operating income, changes in net assets, and net asset balances for each of the enterprise funds, from 2006 to 2007:

Enterprise Funds							Total	
Key Balance Sheet Account Balances and Revenue and Expense Activities								
December 31, 2007								
	Sanitary Sewer	Storm water	Solid Waste & Recycling	Water Works	CPED	Municipal Parking	2007	2006
Assets	93,466	269,550	26,059	256,502	111,059	371,857	1,128,493	1,111,004
Liabilities	7,324	38,291	1,938	101,636	68,939	246,169	464,297	503,918
Operating Income(loss)	753	9,529	2,683	10,594	5,173	13,937	42,669	33,357
Changes in net assets	261	8,033	2,432	10,168	(2,564)	38,780	57,110	29,266
Net Assets	86,142	231,259	24,121	154,866	42,120	125,688	\$664,196	\$607,086

Sanitary Sewer Fund

The Sewer Rental fund was split in 2005 into two funds, Stormwater and Sanitary Sewer. The Sanitary Sewer fund accounts for the majority of the payments to the Metropolitan Council Environmental Services (MCES) for sewage interceptor and treatment services. It also accounts for the sanitary sewer maintenance and design. Overall, the net asset balance as of December 31, 2007 was \$86,142.

Stormwater Fund

The Storm water fund accounts for Storm water activities including the Combined Sewer Overflow (CSO) program. Overall, the net asset balance as of December 31, 2007 was \$231,259.

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 \$2,432 for 2007. The fund’s net asset balance at December 31, 2007 was \$24,121.

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

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 \$10,168 for the year, resulting in a net asset balance at December 31, 2007 of \$154,866.

Community Planning and Economic Development Enterprise Fund (CPED)

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

Net assets decreased by \$2,564 during the year. Transfers in the amount of \$5,736 were made from the resources generated by the programs of the CPED Enterprise Fund for the benefit of other economic development activities of the City.

Municipal Parking Fund

The Municipal Parking Fund accounts for the operation and maintenance of parking ramps, lots, on-street parking meters, municipal impound lot, and traffic/parking control system. The net asset balance for December 31, 2007 was \$125,688, which is an increase of \$38,780 from 2006 balance.

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. There were a total of six parking ramps that were sold in 2007 as part of the plan with the proceeds used to pay off existing debt service, and to restore the fund's cash balance.

Internal Service Funds

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

While the financial condition of the internal service funds continue to represent a major financial challenge for the City, key financial management measures taken in 2001 have marked a turning point for these funds. The previous eight years, the financial condition of these funds had deteriorated, reaching a low point at year-end 2000 when the combined net asset deficit had declined to (\$54,407). Now at the end of 2007, the combined net assets in the internal service funds has improved to \$13,365. This improvement resulted from a change in accounting principle and prior period adjustments of \$17,555 in 2001, due to the implementation of GASB Statement No. 34. The restatement recognized assets previously unrecorded within the internal service funds. The remaining improvement of \$50,192 can be credited to the deficit reduction plans that the Managers of their respective funds implemented. Another milestone reached is that the six Internal Service Funds have a positive combined cash balance that continues to increase. If the Internal Service Funds continue on this pace of financial recovery, a positive Net Assets will be achieved by all funds by the end of the year 2011.

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:

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

Internal Service Funds
Key Balance Sheet Account Balances and Revenue and Expense Activities
12/31/07

	Eng. Materials & Testing	Intergovernmental Services	Property Services	Equipment Services	Public Works Stores	Self Insurance	Total	
							2,007	2,006
Cash	243	114	315	200	9	9,002	9,883	7,911
Assets	323	40,565	37,968	58,157	4,410	11,189	152,612	149,689
Liabilities	127	54,177	10,061	36,443	879	37,560	139,247	152,960
Operating Income(loss)	(29)	(2,835)	(1,624)	802	172	(8,029)	(11,543)	(6,971)
Changes in net assets	(71)	10,152	(674)	3,337	161	3,731	16,636	18,602
Net Assets	196	(13,612)	27,907	21,714	3,531	(26,371)	13,365	(3,271)

Engineering Materials and Testing Fund

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

The disposal of assets related to the discontinuation of operations of the asphalt plant was the major contributor to the losses of \$229, \$104, and \$71 in 2005, 2006 and 2007 respectively. Net Assets have been reduced from \$267 at the end of 2006 to \$196 at the end of 2007.

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 net asset increases of \$2,307 in 2004, \$3,231 in 2005, \$10,492 in 2006, and \$10,152 in 2007 increases the fund's net asset deficit to a balance of (\$13,612). The original deficit reduction plan forecasted that the fund would increase net assets by \$3,125 for fiscal year 2007 with an ending net asset balance of a deficit (\$33,849). This fund has performed better than projected the last four years.

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 \$674 for 2007. This amount represents a decrease of 2.4% from the 2006 balance of \$28,581 to an ending balance in 2007 of \$27,907.

Equipment Services

Equipment Services Fund is used to account for the City's fleet of vehicles and related equipment and accessories. The fund reported an increase in net assets of \$3,337 in 2007, or 18.2%, and closed the year with a net asset balance of \$21,714. The updated deficit reduction plan forecasted an increase in net assets of \$3,593 with an ending net asset balance of \$22,621. The fund has increased net assets by \$2,137 in 2004, \$2,974 in 2005, and \$3,338 in 2006 and is tracking close to the deficit reduction plan.

There is an incentive for the customer to take care of the equipment or vehicles in the newly devised plan implemented in 2004 which charges actual expenses related to their vehicles. Procedures have been refined in 2007 in order to account for the multitude of transactions in a more efficient manner.

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

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

Public Works Stores

This fund accounts for the centralized procurement, warehousing, and distribution of stocked inventory items, and the purchase of special goods and services. In addition, this fund stores an inventory of traffic signal components for assembly for Public Works-Transportation. For 2007, the fund reported a net asset increase of \$161 with an ending net asset balance of \$3,531.

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 \$3,731 in 2007, which benefited the fund's net asset position by reducing the total net asset deficit balance to \$26,371 at year end. The original deficit reduction plan, adopted in 2003, began with an ending net asset deficit of \$40,983 and forecasted a 2007 ending net asset deficit of \$27,877. Beginning in 2003, the fund's net assets have increased \$3,004 in 2004, \$1,940 in 2005, and \$5,937 in 2006. The 2007 cash balance for the fund is \$9,002 with a due from other funds of \$2,000. The deficit reduction plan predicted a 2007 cash balance of \$3,778. The actual performance of the fund over the past four years compared to the deficit reduction plan resulted in a net asset balance that is ahead of plan and a cash balance that is significantly increased over the plan's forecast. In 2006, the City Council adopted a one-time use of General Fund reserve of \$3,082 to assist in the reduction of bond debt. At year end 2007, the total bond debt is \$1,060 a reduction of \$320 from the debt balance of \$1,380 at year end 2006.

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, 2007, was \$1,843,468 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, roads, highways, and bridges. The total decrease in the City's investment in capital assets for the current fiscal year was 2.5% (a 0.1% decrease for governmental activities and a 4.6% decrease for business-type activities).

The following table summarizes capital assets for governmental and business-type activities for 2007 and 2006:

Capital Assets (Net of depreciation)

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Land and easements	\$ 111,084	\$ 111,632	\$ 127,328	\$ 135,076	\$ 238,412	\$ 246,708
Infrastructure	103,593	115,614	247,844	252,235	351,437	367,849
Construction in progress	272,531	250,992	95,029	88,423	367,560	339,415
Structures and Improvements	399,605	407,318	420,652	456,492	820,257	863,810
Equipment	59,986	62,367	5,816	7,378	65,802	69,745
Total	\$ 946,799	\$ 947,923	\$ 896,669	\$ 939,604	\$1,843,468	\$1,887,527

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

The sale of six of the City's parking ramps. These were 10th and Washington ramp which was sold on September 28, 2007 and the Center Village Municipal Parking Ramp, the Downtown East Ramp, the Seven Corners Ramp, the Loring Ramp and the Gateway Ramp on October 25, 2007 for \$64,800.

Additional information on the City's capital assets can be found in Note 4 on pages 55-57 of this report.

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

Long-term debt. As of December 31, 2007, the City had total long-term bonds outstanding of \$1,199,369 compared to \$1,273,742 in the prior year. Of this amount, \$833,691 related to governmental activities and \$365,678 related to business activities. The City had \$220,040 or 18.3% of the outstanding bonds in variable rate mode at year-end. In addition to bonded debt, the City had \$89,922 of long-term revenue notes outstanding at December 31, 2007, of which \$22,734 related to governmental activities and \$67,189 related to business activities.

The table below shows various classifications of the City’s bonded debt at December 31, 2007 and the amount of principal due in 2008.

Summary of Outstanding Bonded Indebtedness	Balance 1/1/2007	Additions	Retirements	Balance 12/31/2007	Due in 2008
General Obligation (GO) Bonds:					
Property Tax Supported GO Bonds	\$ 260,815	\$ 14,444	\$ 26,954	\$ 248,305	\$ 20,355
Self Supporting GO Bonds	250,345	-	7,945	242,400	8,425
Special Assessment GO Bonds	44,571	5,900	6,036	44,435	5,611
Tax Increment GO Bonds	178,325	-	12,115	166,210	13,490
Internal Service Fund Related GO Bonds	83,715	1,450	9,130	76,035	5,145
Enterprise Fund Related GO Bonds	332,230	17,660	47,907	301,983	31,304
Total General Obligation Bonds	1,150,001	39,454	110,087	1,079,368	84,330
Revenue Bonds:					
Economic Development Revenue Bonds	65,756	1,750	11,200	56,306	10,659
Other Community Development Related Bonds	57,985	13,090	7,380	63,695	2,845
Total Outstanding Bonds	1,273,742	54,294	128,667	1,199,369	97,834

The City maintained a “AAA” rating from Standard & Poor’s and Fitch Ratings and an “Aa1” rating from Moody’s for its general obligation debt throughout 2007.

Additional information on the City’s Long term debt can be found in Note 5 on pages 57-62 of this report.

HISTORICAL AND LONG-TERM FINANCIAL PLANNING

The Mayor and City Council continue to take a long-term view of the City’s finances. The following areas are those with the most significant future costs:

- The City’s long-term financial plans have been adopted for the internal service funds to increase net assets and to attain a positive cash balance. These plans have consistently achieved the established goals ahead of schedule, and were updated recently to reflect this progress.
- Like other jurisdictions, employee wages and benefits make up over 60 percent of the City’s general fund expenses, increases to which are driven by rapid growth in healthcare costs. Since the wage policy was adopted in 2003, the City’s wage increases were limited to 2%. Recently, the City has developed a strategic approach to compensation, culminating in the recent adoption of a compensation philosophy.
- In 2000, Minneapolis voters approved a levy to build a new Central Library and fund improvements to community libraries. Effective January 1, 2008, the Minneapolis Public Library System merged into the Hennepin County Library System. The County will be responsible for operating costs for the libraries in future years. Under the financial agreement, the City will issue debt as defined in the City’s adopted capital plan and will be responsible for a declining share of operations through 2017.
- Minneapolis has faced significant pressures due to reductions in Local Government Aid (LGA) it receives from the state, which began in 2003. Future reductions to this revenue source may result in additional service reductions.

Increased pension costs associated with the City’s three closed pension plans – the Minneapolis Employee Retirement Fund (MERF), Minneapolis Fire Relief Association (MFRA), and Minneapolis Police Relief Association (MPRA) – continue to

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

have a significant impact on the City's budget. The City's contributions to these funds have continued to increase in recent years due to increasing obligations to plan recipients under state statute and fund directives, although the impact has been mitigated through legislative changes and through aggressive debt management.

The City issued \$61,000 in bonds in 2002-03 due to a provision in state law, called the "liquidity trigger" which, upon an employee's retirement, required the City to transfer enough money from the employee's contributions and City funds from the active fund of MERF into the retired fund to pay the employee's and his or her survivor's entire expected retirement benefits. This provision was removed in 2007, which allowed State aid to function as originally intended – to fully fund the retired fund by 2020 – and to allow more time for investment returns to assist in financing these large payments.

Before removal of the liquidity trigger, the expected City-only contribution from 2007 to 2022 was \$101,000 (as calculated by the City's consulting actuary). Eliminating the liquidity trigger decreased the City's overall projected contribution to \$56,600 over the same 16-year period – a \$44,400 decrease. No additional bonds are expected to be issued for this fund.

The MPRA's pension costs will continue to increase due to the growth in payments made to beneficiaries, negative performance of the stock market as reflected in the actuarial assumptions and changes to the mortality table. Although the City issued a total of \$53,300 in bonds in 2002-04 to finance these increases, no additional bonds are expected to be issued for this fund.

The MFRA, although previously 100 percent funded, has experienced a reduction in its funding levels primarily due negative performance of the stock market as reflected in the actuarial assumptions and changes to the mortality table. The City issued \$4,740 in bonds in 2004 to cover these shortages, though no bonds were issued for this purpose in 2007 because the City proactively budgeted for these shortfalls. The MFRA's pension costs are also increasing due to growth in payments made to beneficiaries. No additional bonds are expected to be issued for this fund.

Budget planning efforts conducted since 2003 collect all demands on the property tax into a ten-year projection. As part of this planning, the Council adopted a property tax revenue policy, effective in 2003, which limited the total annual increases for the City's property tax revenue to a maximum of eight percent. Half of this increase was dedicated to the City's debt payments for increased pension obligations, internal service fund deficits, and increased library capital projects as called for in a voter-approved referendum in 2000. The other half of the increase was for the increasing cost of providing existing services. This policy was also adopted by the City's Board of Estimate and Taxation. Within the overall policy is a provision that limits the annual operating increase for the Minneapolis Park Board to four percent over the prior year. These policies remained in place.

In January of 2003, the Mayor and City Council adopted a five-year financial direction and a commitment to long-term business planning. This direction established resource constraints within which departments were to prepare business plans for providing services with reductions in funding growth. The combination of reduced spending and limited growth in property tax revenue addressed the City's existing challenges. The City adopted a two percent cap on annual wage increases for City contracts, which was replaced with a compensation philosophy in 2007. The compensation philosophy links salary increases to strategic workforce needs and does not anticipate pattern settlements. (Prior to the 2% wage policy, pattern settlements at the City took the form of the first contract settlement setting the percent increase for all other contract settlements).

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Budget Outlook:

The City's future financial outlook is strong. The City has financial policies in place to help address funding pressures including personnel costs, pension obligations, and internal service fund debt. With the 2008 budget, the City adopted a revised five-year financial direction. Specifically, growth in salary and wages were budgeted at two percent. Health insurance costs increased ten percent from the 2006 amount to 2007, with costs increasing from \$40,000 to \$44,000. \$51,600 is budgeted in 2008 for health insurance costs. The five-year financial direction includes an average 18% annual health insurance cost increase through 2012.

The City continues to proactively manage its pension liabilities. With obligations of approximately \$328,400 in through 2027, the City issued bonds in 2002-04 and used one-time funds to meet its pension obligations. The 2008 budget includes

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

\$10,200 in property tax support for pension expenses. Due to sound financial management, the City does not anticipate a need to bond for pension costs in 2008.

Although the City continues to have a deficit in its internal service funds, future budgets will continue to address these deficits through Council-adopted workout plans. The 2008 budget includes an additional \$2,200 in funding for internal City services: self insurance (*e.g.*, workers compensation and general liability insurance), and information technology services.

Economic Outlook and Tax Trends

Minneapolis has historically had a strong commercial and industrial tax base. For taxes payable in 1997, Minneapolis commercial and industrial property provided 56% of the total tax revenue for the City with the downtown Central Business District (CBD) alone providing almost 40%. For taxes payable in 2008, commercial and industrial property declined to 34% of the City total with the CBD providing approximately 24%. Corresponding percentages for residential property (defined as 1-3 dwelling units) show that this class provided 32% of the City's taxes in 1997; it is estimated that this proportion will grow to 57% of taxes payable in 2008.

The Minneapolis real estate market ending in December of 2007 was mixed. As a result of sub-prime lending practices and high inventories of available homes for sale, residential values declined three to five percent overall in Minneapolis. The City was shielded from the impact of this due to the phase-out of the limited market value provisions. The commercial/industrial real estate market in the CBD continued to improve with five to seven percent growth in 2007. Commercial/industrial values outside the CBD were relatively flat after several years of sustained growth. For property taxes payable in 2009, the commercial/industrial share of taxes is projected to increase slightly, which is a reversal over prior years' tax burden trends. This shift reversal from residential to commercial/industrial, while insignificant compared to the shift in tax burden onto residential property since 2001, should provide some relief for residential property owners in 2009. These factors were considered in preparing the City's budget for the 2008 fiscal year.

Downtown Office Space—Vacancy Rate:

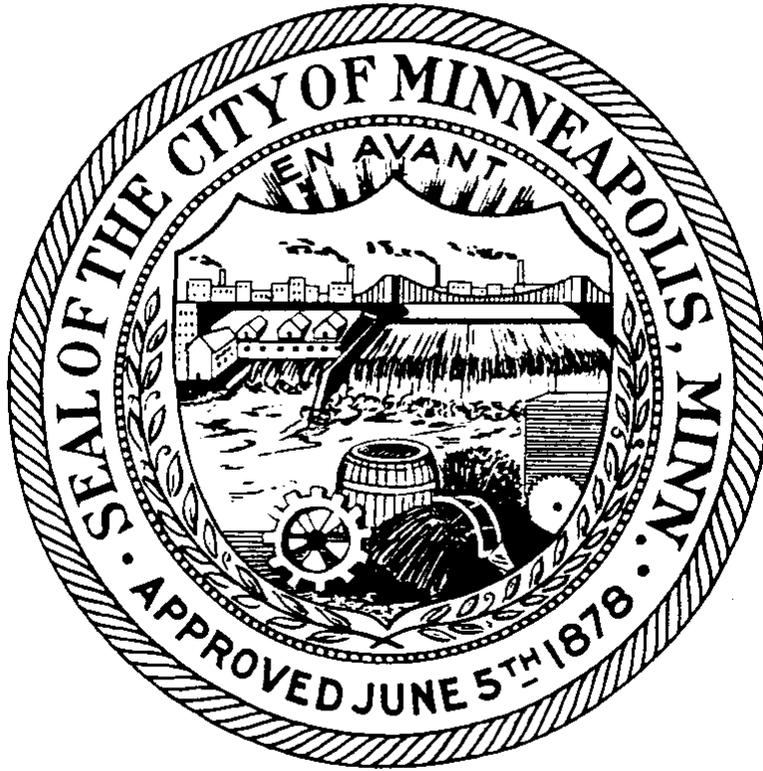
Because of the importance of real estate taxes as a source of local government revenue, real estate statistics are an important economic gauge for municipalities. Several commercial real estate companies compile and report real estate statistics. Colliers International reports on local real estate conditions quarterly. Collier's statistics indicate a slight increase in vacancy rates in the Minneapolis CBD. Compared to the first quarter of 2007, the vacancy rate in the CBD has increased from 16.3% to 16.5% in the first quarter of 2008.

Employment:

The seasonally-adjusted unemployment rate for the City of Minneapolis at the beginning of 2008 is 4.3% according to the Minnesota Department of Employment and Economic Development. This economic indicator is on par with comparisons including the State of Minnesota (4.5%) and the national unemployment rate (4.9%).

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.



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STATEMENT OF NET ASSETS
December 31, 2007

CITY OF MINNEAPOLIS, MINNESOTA
(In Thousands)

	Primary Government			Discrete Component Units	Total
	Governmental Activities	Business-type Activities	Total		
<u>ASSETS</u>					
Cash and cash equivalents	\$ 346,225	\$ 72,565	\$ 418,790	\$ 14,398	\$ 433,188
Deposits with fiscal agents	490	-	490	-	490
Fund investments	27,288	-	27,288	6,745	34,033
Investments with trustees	8,730	36,454	45,184	-	45,184
Receivables (net)	65,683	34,007	99,690	9,788	109,478
Loans receivable from component unit	500	-	500	-	500
Due from other government agencies	10,741	34	10,775	-	10,775
Capital leases	100	2,155	2,255	-	2,255
Prepays and other assets	22	-	22	537	559
Inventories	6,756	3,481	10,237	786	11,023
Internal Balances	1,641	(1,641)	-	-	-
Long-term portion of loans and notes receivable	3,628	6,536	10,164	-	10,164
Long-term portion of loans due from component unit	8,580	-	8,580	-	8,580
Long-term portion of capital lease receivable	10,000	58,604	68,604	-	68,604
Long-term deferred charges	1,646	906	2,552	-	2,552
Properties held for resale	41,882	12	41,894	-	41,894
Capital assets:					
Nondepreciable	383,615	222,357	605,972	100,603	706,575
Depreciable, net	563,184	674,312	1,237,496	399,976	1,637,472
Total assets	<u>\$ 1,480,711</u>	<u>\$ 1,109,782</u>	<u>\$ 2,590,493</u>	<u>\$ 532,833</u>	<u>\$ 3,123,326</u>
<u>LIABILITIES</u>					
Accounts payable	\$ 14,236	\$ 4,495	\$ 18,731	\$ 7,684	\$ 26,415
Interest payable	53,037	2,653	55,690	-	55,690
Accrued salaries and benefits	19,063	3,112	22,175	3,212	25,387
Unpaid claims payable	-	-	-	6,325	6,325
Loans payable to primary government	-	-	-	500	500
Capital lease payable to primary government	-	-	-	100	100
Due to other governmental agencies	1,064	3	1,067	-	1,067
Unearned revenue	23,068	1,256	24,324	239	24,563
Deposits held for others	6,171	6,204	12,375	-	12,375
Long-term interest payable	-	11,308	11,308	-	11,308
Compensated absences:					
Due within one year	12,600	958	13,558	4,002	17,560
Due beyond one year	13,425	2,237	15,662	439	16,101
Long-term portion of loan payable to primary government	-	-	-	8,580	8,580
Long-term portion of capital lease payable to primary government	-	-	-	10,000	10,000
Long-term liabilities:					
Due within one year	64,215	35,569	99,784	1,567	101,351
Due beyond one year	841,464	396,492	1,237,956	1,606	1,239,562
Total liabilities	<u>1,048,343</u>	<u>464,287</u>	<u>1,512,630</u>	<u>44,254</u>	<u>1,556,884</u>
<u>NET ASSETS</u>					
Invested in capital assets, net of related debt	492,007	529,140	1,021,147	488,211	1,509,358
Restricted:					
Debt service	54,226	33,015	87,241	-	87,241
Culture and recreation	-	-	-	789	789
Unrestricted	(113,865)	83,340	(30,525)	(421)	(30,946)
Total net assets	<u>432,368</u>	<u>645,495</u>	<u>1,077,863</u>	<u>488,579</u>	<u>1,566,442</u>
Total liabilities and net assets	<u>\$ 1,480,711</u>	<u>\$ 1,109,782</u>	<u>\$ 2,590,493</u>	<u>\$ 532,833</u>	<u>\$ 3,123,326</u>

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

STATEMENT OF ACTIVITIES
For the Fiscal Year Ended December 31, 2007

CITY OF MINNEAPOLIS, MINNESOTA
(In Thousands)

FUNCTIONS/PROGRAMS	Net (Expenses) Revenues and Changes in Net Assets									
	Primary Government					Discrete Component Units				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
General government	\$ 57,519	\$ 30,490	\$ 16,862	\$ 7,668	\$ (2,499)	\$ -	\$ (2,499)	\$ -	\$ -	\$ (2,499)
Public safety	226,050	34,486	20,319	-	(171,245)	-	(171,245)	-	-	(171,245)
Public works	80,315	10,239	43	11,506	(58,527)	-	(58,527)	-	-	(58,527)
Culture and recreation	5,279	2,252	2,225	-	(802)	-	(802)	-	-	(802)
Health and welfare	14,325	500	10,149	-	(3,676)	-	(3,676)	-	-	(3,676)
Community & economic development	118,066	30,169	35,328	-	(52,569)	-	(52,569)	-	-	(52,569)
Interest on long-term debt	40,691	-	-	-	(40,691)	-	(40,691)	-	-	(40,691)
Total governmental activities	542,245	108,136	84,926	19,174	(330,009)	-	(330,009)	-	-	(330,009)
Business-type activities:										
Sanitary Sewer	37,696	40,369	11	-	-	2,684	2,684	-	-	2,684
Stormwater	24,459	32,205	502	-	-	8,248	8,248	-	-	8,248
Solid waste and recycling	26,570	29,193	317	-	-	2,940	2,940	-	-	2,940
Water works	52,983	60,625	834	-	-	8,476	8,476	-	-	8,476
Community & economic development	6,446	7,917	-	-	-	1,471	1,471	-	-	1,471
Municipal Parking	58,714	60,152	73	-	-	1,511	1,511	-	-	1,511
Total business-type activities	206,868	230,461	1,737	-	-	25,330	25,330	-	-	25,330
Total primary government	\$ 749,113	\$ 338,597	\$ 86,663	\$ 19,174	\$ (330,009)	\$ 25,330	\$ (304,679)	\$ -	\$ -	\$ (304,679)
Component units:										
Discrete component units	\$ 143,815	\$ 25,936	\$ 18,002	\$ 14,238						
General Revenues:										
Taxes:										
General property tax and fiscal disparities					159,878		159,878		65,647	225,525
Property tax increment					77,979		77,979		6	77,985
Franchise fees					29,548		29,548		-	29,548
Convention center taxes					60,065		60,065		-	60,065
Other taxes					215		215		-	215
Local government aid - unrestricted					70,712		70,712		397	71,109
Grants and contributions not restricted to programs					8		8		17,835	17,843
Unrestricted interest and investment earnings					17,574		17,574		769	20,267
Miscellaneous					2,715		2,715		3,232	3,232
Other					3,187		3,187		5,902	5,902
Gain on sale of capital assets					30,725		30,725		-	30,725
Transfers					(5,023)		(5,023)		-	-
Total general revenues and transfers					423,717		423,717		87,886	542,416
Change in net assets					93,708		93,708		2,247	152,098
Net assets- January 1 - restated (note 1 N)					338,660		338,660		486,332	1,414,344
Net assets- December 31					432,368		432,368		488,579	1,566,442

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

**GOVERNMENTAL FUNDS
BALANCE SHEET
December 31, 2007**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	General	Community Planning and Economic Development	Convention Center	Special Assessment	Non-Major Governmental	Total
ASSETS						
Cash and cash equivalents	\$ 64,347	\$ 152,488	\$ 27,226	\$ 10,721	\$ 81,560	\$ 336,342
Deposits with fiscal agents	-	-	-	-	490	490
Fund investments	-	27,288	-	-	-	27,288
Investments with trustees	-	3,267	-	-	5,463	8,730
Receivables:						
Accounts - net	4,774	299	7,335	-	1,275	13,683
Taxes	4,496	1,268	-	-	1,411	7,175
Special assessments	900	-	-	30,108	3,443	34,451
Loans	-	5,674	-	-	5,740	11,414
Loans due from component unit	-	-	9,080	-	-	9,080
Accrued interest	180	1,001	149	63	512	1,905
Intergovernmental	34	937	-	-	9,566	10,537
Due from other funds	3,321	1,486	382	-	3,972	9,161
Advances to other funds	864	10	9,250	-	-	10,124
Land held for development	-	41,882	-	-	-	41,882
Inventories	141	-	-	-	-	141
Prepaid items	22	-	-	-	-	22
Total assets	79,079	235,600	53,422	40,892	113,432	522,425
LIABILITIES and FUND BALANCES						
Liabilities:						
Salaries payable	13,479	370	931	-	1,204	15,984
Accounts payable	2,547	2,092	973	1	3,747	9,360
Intergovernmental payable	-	-	1	-	1,062	1,063
Due to other funds	15	20	3,319	-	23,912	27,266
Deposits held for others	3,550	1,278	1,343	-	-	6,171
Deferred Revenue	4,243	7,176	937	30,014	20,262	62,632
Total liabilities	23,834	10,936	7,504	30,015	50,187	122,476
Fund balances:						
Reserved for:						
Land held for development	-	41,882	-	-	-	41,882
Specific development projects	-	119,211	-	-	-	119,211
Encumbrances	367	14,787	300	-	189	15,643
Prepaid items	22	-	-	-	-	22
Inventory	141	-	-	-	-	141
Loans	-	5,674	9,080	-	-	14,754
Advances	864	10	9,250	-	-	10,124
Pension liability	-	-	-	-	9,673	9,673
Unreserved, reported in						
General Fund	53,851	-	-	-	-	53,851
Special Revenue Fund	-	43,100	27,288	-	8,842	79,230
Debt Service Fund	-	-	-	10,877	43,349	54,226
Capital Project Fund	-	-	-	-	1,192	1,192
Total fund balances	55,245	224,664	45,918	10,877	63,245	399,949
Total liabilities and fund balances	\$ 79,079	\$ 235,600	\$ 53,422	\$ 40,892	\$ 113,432	\$ 522,425

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, 2007**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

Fund balances - total governmental funds	\$	399,949
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	333,853	
Depreciable	914,205	
Accumulated Depreciation	<u>(433,298)</u>	814,760
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.		
		54,104
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.		
		13,365
Receivable from business-type funds for internal service fund activity		
		18,701
Accruals to record an accounts receivable allowance, interest receivable on loans and notes, and an adjustment to loans receivable balances.		
		503
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	(790,720)	
Other post employment benefits payable	(2,213)	
Operating and Capital leases payable	(131)	
Contracts payable	(91)	
Bond Interest Payable	(52,746)	
Compensated Absences	<u>(23,113)</u>	<u>(869,014)</u>
Net assets of governmental activities	\$	<u>432,368</u>

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

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended December 31, 2007**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	<u>General</u>	<u>Community Planning and Economic Development</u>	<u>Convention Center</u>	<u>Special Assessment</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
REVENUES:						
Taxes	\$ 150,886	\$ 77,335	\$ 60,065	\$ -	\$ 37,901	\$ 326,187
Licenses and permits	25,202	-	-	-	1,205	26,407
Intergovernmental revenues	84,026	1,749	-	-	74,609	160,384
Charges for services and sales	35,902	8,840	5,251	-	3,785	53,778
Fines and forfeits	8,488	-	-	-	909	9,397
Special assessments	4,423	-	-	7,617	1,515	13,555
Interest	2,780	8,975	1,544	590	5,186	19,075
Miscellaneous revenues	1,066	10,730	9,483	-	8,347	29,626
Total revenues	<u>312,773</u>	<u>107,629</u>	<u>76,343</u>	<u>8,207</u>	<u>133,457</u>	<u>638,409</u>
EXPENDITURES:						
Current:						
General government	48,048	-	66	-	7,467	55,581
Public safety	198,652	-	-	-	24,171	222,823
Public works	40,569	-	-	-	1,323	41,892
Culture and recreation	1,205	-	-	-	4,074	5,279
Health and welfare	4,047	-	-	-	10,146	14,193
Community & economic development	3,642	50,945	33,620	-	28,141	116,348
Capital outlay	-	-	-	-	43,846	43,846
Debt Service:						
Principal retirement	-	-	-	6,186	60,558	66,744
Interest and fiscal charges	-	-	-	1,895	60,529	62,424
Total expenditures	<u>296,163</u>	<u>50,945</u>	<u>33,686</u>	<u>8,081</u>	<u>240,255</u>	<u>629,130</u>
Excess (deficiency) of revenues over (under) expenditures	<u>16,610</u>	<u>56,684</u>	<u>42,657</u>	<u>126</u>	<u>(106,798)</u>	<u>9,279</u>
OTHER FINANCING SOURCES (USES):						
Transfers from other funds	12,736	11,151	500	250	104,684	129,321
Transfers (to) other funds	(29,213)	(67,709)	(38,461)	-	(16,289)	(151,672)
Bonds issued	-	-	-	-	20,344	20,344
Premium (Discount)	-	-	-	-	478	478
Refunding bonds issued	-	-	-	-	1,750	1,750
Payments to escrow agents	-	-	-	-	(1,480)	(1,480)
Total other financing sources (uses)	<u>(16,477)</u>	<u>(56,558)</u>	<u>(37,961)</u>	<u>250</u>	<u>109,487</u>	<u>(1,259)</u>
Net change in fund balances	133	126	4,696	376	2,689	8,020
Fund balances - January 1	<u>55,112</u>	<u>224,538</u>	<u>41,222</u>	<u>10,501</u>	<u>60,556</u>	<u>391,929</u>
Fund balances - December 31	<u>\$ 55,245</u>	<u>\$ 224,664</u>	<u>\$ 45,918</u>	<u>\$ 10,877</u>	<u>\$ 63,245</u>	<u>\$ 399,949</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, 2007**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

Net increase (decrease) in fund balances - total governmental funds		8,020
Amounts reported for governmental activities in the statement of activities are different because:		
Interest receivable is not recorded within the fund level statements.		461
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.		16,636
Transfers from business-type funds for internal service fund activity		967
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:		17,874
Less current year depreciation		(19,696)
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.		2,290
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	69,764	
Bond Proceeds	<u>(22,572)</u>	47,192
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	21,733	
Change in other post employment benefits payable	(2,213)	
Change in compensated absences	<u>444</u>	<u>19,964</u>
Increase (decrease) in net assets of governmental activities		<u><u>93,708</u></u>

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

**PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
December 31, 2007**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Business-type Activities - Enterprise Funds						Total	Governmental
	Sanitary Sewer	Stormwater	Water Works	Municipal Parking	Solid Waste and Recycling	Community Planning and Economic Development		Internal Service Funds
ASSETS								
Current assets:								
Cash and cash equivalents	\$ 8,483	\$ 810	\$ 1,965	\$ 42,661	\$ 17,635	\$ 1,011	\$ 72,565	\$ 9,883
Investments with trustees	-	-	-	-	-	36,454	36,454	-
Receivables:								
Accounts - net	3,393	4,256	7,257	3,094	3,133	22	21,155	180
Special assessments:								
Current	12	-	20	1	1	-	34	-
Delinquent	-	96	177	-	56	-	329	-
Deferred	-	137	713	10,326	1	-	11,177	-
Loans	-	-	-	-	-	468	468	-
Notes	-	-	-	-	-	690	690	-
Accrued interest	-	7	-	-	-	147	154	-
Intergovernmental	-	-	34	-	-	-	34	204
Capital leases	-	-	-	-	-	2,155	2,155	-
Due from other funds	4,313	10,541	496	1,700	-	20	17,070	3,605
Inventories	-	-	2,326	-	1,155	-	3,481	6,615
Properties held for resale	-	-	-	-	-	12	12	-
Total current assets	16,201	15,847	12,988	57,782	21,981	40,979	165,778	20,487
Long-term assets:								
Receivables:								
Loans	-	-	-	-	-	2,016	2,016	-
Notes	-	-	-	2,600	-	1,920	4,520	-
Capital leases	-	-	-	-	-	58,604	58,604	-
Deferred charges	5	65	71	765	-	-	906	86
Capital assets:								
Nondepreciable								
Land, leaseholds and easements	1	7,211	2,993	113,259	16	3,848	127,328	23,303
Construction in progress	2,575	59,039	33,012	403	-	-	95,029	26,459
Depreciable								
Buildings and structures	-	-	169,228	283,855	2,047	12,743	467,873	55,649
Less accumulated depreciation	-	-	(43,052)	(87,486)	(1,975)	(9,091)	(141,604)	(24,292)
Public improvements	125,957	270,545	132,439	53	-	-	528,994	3,056
Less accumulated depreciation	(51,403)	(83,301)	(52,204)	(5)	-	-	(186,913)	(2,585)
Machinery and equipment	1,182	1,374	2,139	1,176	10,520	398	16,789	74,106
Less accumulated depreciation	(1,052)	(1,237)	(1,293)	(733)	(6,537)	(358)	(11,210)	(36,872)
Computer equipment	10	193	316	1,108	178	-	1,805	44,593
Less accumulated depreciation	(10)	(186)	(247)	(938)	(171)	-	(1,552)	(37,393)
Software	-	1,488	1,856	130	955	-	4,429	14,894
Less accumulated depreciation	-	(1,488)	(1,744)	(118)	(955)	-	(4,305)	(8,884)
Other capital outlay	-	-	19	15	-	-	34	51
Less accumulated depreciation	-	-	(19)	(9)	-	-	(28)	(46)
Total long-term assets	77,265	253,703	243,514	314,075	4,078	70,080	962,715	132,125
Total assets	\$ 93,466	\$ 269,550	\$ 256,502	\$ 371,857	\$ 26,059	\$ 111,059	\$ 1,128,493	\$ 152,612

**PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
December 31, 2006**

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

	Business-type Activities - Enterprise Funds						Total	Governmental
	Sanitary Sewer	Stormwater	Water Works	Municipal Parking	Solid Waste and Recycling	Community Planning and Economic Development		Internal Service Funds
LIABILITIES								
Current liabilities:								
Salaries payable	\$ 280	\$ 424	\$ 1,577	\$ 305	\$ 524	\$ 2	\$ 3,112	\$ 3,079
Accounts payable	446	184	1,183	1,836	777	69	4,495	4,876
Intergovernmental payable	2	-	-	1	-	-	3	1
Due to other funds	-	-	-	-	-	-	-	2,570
Deposits held for others	122	435	57	2,082	4	3,504	6,204	-
Advances from other funds	-	-	-	-	-	10	10	-
Interest payable	24	116	739	1,478	-	296	2,653	291
Unearned revenue	-	-	733	-	-	523	1,256	4,440
Bonds payable-current portion	1,200	8,485	5,380	16,239	-	2,845	34,149	5,145
Notes payable-current portion	-	-	1,300	-	-	120	1,420	-
Compensated assets payable-current portion	73	150	464	80	190	1	958	873
Total current liabilities	2,147	9,794	11,433	22,021	1,495	7,370	54,260	21,275
Long-term liabilities:								
Interest payable	-	3,162	5,200	2,946	-	-	11,308	-
Bonds payable	4,836	25,135	18,797	221,911	-	60,850	331,529	70,890
Unamortized premium (discounts)	170	(151)	71	(896)	-	-	(806)	1,462
Advances from other funds	-	-	-	-	-	-	-	10,114
Notes payable	-	-	65,051	-	-	718	65,769	-
Compensated absences payable	171	351	1,084	187	443	1	2,237	2,039
Unpaid claims payable	-	-	-	-	-	-	-	33,467
Total long-term liabilities	5,177	28,497	90,203	224,148	443	61,569	410,037	117,972
Total liabilities	7,324	38,291	101,636	246,169	1,938	68,939	464,297	139,247
NET ASSETS								
Invested in capital assets, net of related debt	71,054	220,168	152,844	73,456	4,078	7,540	529,140	55,602
Restricted - debt service	-	-	-	-	-	33,015	33,015	640
Unrestricted	15,088	11,091	2,022	52,232	20,043	1,565	102,041	(42,877)
Total net assets	86,142	231,259	154,866	125,688	24,121	42,120	664,196	13,365
Total liabilities and net assets	\$ 93,466	\$ 269,550	\$ 256,502	\$ 371,857	\$ 26,059	\$ 111,059	\$ 1,128,493	\$ 152,612

Net assets - total enterprise funds \$ 664,196

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. (18,701)

Net assets of business-type activities \$ 645,495

**PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS
For the Fiscal Year Ended December 31, 2007**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Business-type Activities - Enterprise Funds						Total	Governmental
	Sanitary Sewer	Stormwater	Water Works	Municipal Parking	Solid Waste and Recycling	Community Planning and Economic Development		Internal Service Funds
Operating revenues:								
Charges for services and sales	\$ 41,828	\$ 31,339	\$ 62,626	\$ 60,286	\$ 27,527	\$ 3,981	\$ 227,587	\$ 138,408
Interest	-	-	-	-	-	3,922	3,922	-
Rents and commissions	-	-	-	20	-	-	20	27,412
Other	82	866	2	-	1,863	14	2,827	-
Total operating revenues	41,910	32,205	62,628	60,306	29,390	7,917	234,356	165,820
Operating expenses:								
Personal services	3,294	6,679	20,113	3,882	9,039	31	43,038	42,342
Contractual services	8,702	11,374	17,164	34,746	15,821	2,390	90,197	95,280
Materials, supplies, services and other	27,958	1,295	7,561	920	915	-	38,649	21,741
Rent	-	-	-	-	-	-	-	1,651
Cost of stores issuance	-	-	-	-	-	-	-	7,515
Depreciation	1,203	3,328	7,196	6,821	932	322	19,802	8,834
Other	-	-	-	-	-	1	1	-
Total operating expenses	41,157	22,676	52,034	46,369	26,707	2,744	191,687	177,363
Operating income (loss)	753	9,529	10,594	13,937	2,683	5,173	42,669	(11,543)
Non-operating revenues (expenses):								
Interest revenue	-	57	-	166	-	1,701	1,924	1
Interest expense	(155)	(1,783)	(3,439)	(12,513)	-	(3,702)	(21,592)	(3,635)
Gain (loss) on disposal of capital assets	-	-	-	30,711	14	-	30,725	736
Special assessments	11	502	834	73	317	-	1,737	-
Damages/losses recovered	-	-	-	-	-	-	-	4
Other revenues	-	240	2,939	8	-	-	3,187	7,182
Total non-operating revenues (expenses)	(144)	(984)	334	18,445	331	(2,001)	15,981	4,288
Income (loss) before transfers	609	8,545	10,928	32,382	3,014	3,172	58,650	(7,255)
Transfers in (out):								
Transfers from other funds	-	-	-	18,361	196	-	18,557	24,619
Transfers to other funds	(348)	(512)	(760)	(11,963)	(778)	(5,736)	(20,097)	(728)
Total transfers	(348)	(512)	(760)	6,398	(582)	(5,736)	(1,540)	23,891
Change in net assets	261	8,033	10,168	38,780	2,432	(2,564)	57,110	16,636
Net assets - January 1	85,881	223,226	144,698	86,908	21,689	44,684		(3,271)
Net assets - December 31	\$ 86,142	\$ 231,259	\$ 154,866	\$ 125,688	\$ 24,121	\$ 42,120		\$ 13,365

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.

(967)

Change in net assets of business-type activities

\$ 56,143

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, 2007**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

								Governmental Activities
	Sanitary Sewer	Stormwater	Water Works	Municipal Parking	Solid Waste and Recycling	Community Planning and Economic Development	Total	Internal Service Funds
Cash flows from operating activities:								
Cash received from customers and users	\$ 37,600	\$ 30,264	\$ 65,591	\$ 58,832	\$ 42,679	\$ 1,817	\$ 236,783	\$ 172,101
Payments to suppliers and users	(36,496)	(14,016)	(27,682)	(47,930)	(17,712)	(1,813)	(145,649)	(129,106)
Payments to employees	(3,151)	(6,545)	(19,445)	(3,701)	(8,786)	(30)	(41,658)	(39,231)
Net Cash Provided (used) by operating Activities	(2,047)	9,703	18,464	7,201	16,181	(26)	49,476	3,764
Cash flows from non-capital financing activities:								
Bonds issued	-	-	-	-	-	13,090	13,090	-
Transfers from other funds	-	-	-	18,361	196	-	18,557	24,619
Advances from other funds	-	-	-	-	-	-	-	(4,357)
Principal paid on bonds and notes	-	-	-	-	-	(7,493)	(7,493)	(320)
Interest paid on bonds and notes	-	-	-	-	-	(3,690)	(3,690)	(48)
Transfers to other funds	(348)	(512)	(760)	(11,963)	(778)	(5,736)	(20,097)	(728)
Other non-operating revenues	-	240	-	8	-	-	248	-
Net cash provided (used) by non-capital financing activities	(348)	(272)	(760)	6,406	(582)	(3,829)	615	19,166
Cash Flows from capital and related financing activities								
Bonds issued	6,250	6,304	3,407	1,700	-	-	17,661	1,450
Notes issued	-	-	3,562	-	-	-	3,562	-
Principal paid on bonds	(767)	(7,797)	(7,419)	(31,924)	-	-	(47,907)	(8,810)
Interest paid on bonds	(162)	(2,563)	(4,303)	(12,882)	-	-	(19,910)	(3,720)
Principal paid on notes	-	-	(1,000)	-	-	-	(1,000)	-
Acquisition and construction of capital assets	(2,211)	(6,012)	(12,446)	(1,303)	(175)	-	(22,147)	(11,896)
Premium (discount)	183	184	(79)	50	-	-	338	-
Bond issuance costs	(6)	(6)	(3)	(2)	-	-	(17)	(1)
Proceeds from sale of capital assets	-	-	-	73,200	-	2,798	75,998	2,018
Net cash provided (used) by capital and related financing activities	3,287	(9,890)	(18,281)	28,839	(175)	2,798	6,578	(20,959)
Cash flows from investing activities:								
Purchase of investments	-	-	-	-	-	(3,522)	(3,522)	-
Sale of investments	-	-	-	-	-	3,004	3,004	-
Gain on sale	-	-	-	-	14	-	14	-
Interest	(6)	57	-	166	-	800	1,017	1
Net cash provided (used) by investing activities	(6)	57	-	166	14	282	513	1
Net increase (decrease) in cash and cash equivalents	886	(402)	(577)	42,612	15,438	(775)	57,182	1,972
Cash and cash equivalents, beginning of year	7,597	1,212	2,542	49	2,197	1,786	15,383	7,911
Cash and cash equivalents, end of year	\$ 8,483	\$ 810	\$ 1,965	\$ 42,661	\$ 17,635	\$ 1,011	\$ 72,565	\$ 9,883
Reconciliation of operating income to net cash provided (used) by operating activities								
Operating income (loss)	\$ 753	\$ 9,529	\$ 10,594	\$ 13,937	\$ 2,683	\$ 5,173	\$ 42,669	\$ (11,543)
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:								
Depreciation	1,203	3,328	7,196	6,821	932	322	19,802	8,834
Accounts receivable (net)	(657)	(232)	(2,378)	(1,697)	(293)	(5)	(5,262)	191
Intergovernmental receivable	1	13	(21)	-	-	-	(7)	(3)
Loans receivable	-	-	-	-	-	467	467	-
Notes Receivable	-	-	-	(2,600)	-	650	(1,950)	-
Interest receivable	-	(4)	-	-	-	-	(4)	-
Special assessments receivable	(8)	(63)	(29)	548	(36)	-	412	-
Capital lease receivable	-	-	-	-	-	(6,828)	(6,828)	-
Inventories	-	-	(107)	-	(156)	-	(263)	83
Due from other funds	(3,765)	(2,120)	883	2,567	13,300	655	11,520	546
Salaries payable	66	4	202	87	36	1	396	810
Accounts payable	136	40	(2,809)	(364)	(819)	(77)	(3,893)	(3,032)
Due to other funds	-	(1,400)	-	(11,900)	-	-	(13,300)	30
Intergovernmental payable	2	-	(42)	-	-	-	(40)	(2)
Deposit held for others	109	8	3	(365)	-	(326)	(571)	-
Unearned revenue	-	(32)	733	-	-	(58)	643	(1,631)
Interest payable	24	-	-	-	-	-	24	(1)
Compensated absences payable	78	130	466	94	217	-	985	1,075
Unpaid claims	-	-	-	-	-	-	-	1,221
Special assessments	11	502	834	73	317	-	1,737	-
Damages/losses recovered	-	-	-	-	-	-	-	4
Other non-operating revenues	-	-	2,939	-	-	-	2,939	7,182
Net cash provided (used) by operating activities	\$ (2,047)	\$ 9,703	\$ 18,464	\$ 7,201	\$ 16,181	\$ (26)	\$ 49,476	\$ 3,764
Non-cash investing, capital and financing activities:								
Gain (Loss) on disposal of capital assets	\$ -	\$ -	\$ -	\$ 2,876	\$ -	\$ -	\$ 2,876	\$ 454

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

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
December 31, 2007**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 897
Receivables:	
Accounts-net	<u>96</u>
Total assets	<u><u>993</u></u>
LIABILITIES	
Accounts payable	871
Deposits held for others	<u>122</u>
Total liabilities	<u><u>\$ 993</u></u>

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

COMBINING STATEMENT OF NET ASSETS
DISCRETE COMPONENT UNITS
December 31, 2007

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	<u>Library Board</u>	<u>Park Board</u>	<u>Municipal Building Commission</u>	<u>Meet Minneapolis</u>	<u>Total Discrete Component Units</u>
ASSETS					
Cash and investments	\$ 4,129	\$ 9,429	\$ 446	\$ 394	\$ 14,398
Fund investments	6,745	-	-	-	6,745
Receivables (net)	2,145	6,178	1,281	184	9,788
Prepays and other assets	360	-	-	177	537
Inventories	71	715	-	-	786
Capital assets:					
Nondepreciable	7,888	82,077	10,638	-	100,603
Depreciable, net	190,399	194,531	13,458	1,588	399,976
Total assets	<u>211,737</u>	<u>292,930</u>	<u>25,823</u>	<u>2,343</u>	<u>532,833</u>
LIABILITIES					
Accounts payable	3,739	2,927	340	678	7,684
Accrued salaries and benefits	1,094	1,389	332	397	3,212
Unpaid claims payable	-	6,325	-	-	6,325
Loans payable to primary government	-	-	-	500	500
Capital lease payable to primary government	100	-	-	-	100
Unearned revenue	-	-	-	239	239
Compensated absences:					
Due within one year	1,010	2,846	146	-	4,002
Due beyond one year	298	62	79	-	439
Long -term portion of loan payable -					
Due to primary government	-	-	-	8,580	8,580
Long -term portion of capital lease payable -					
Due to primary government	10,000	-	-	-	10,000
Long-term liabilities:					
Due within one year	-	1,447	-	120	1,567
Due beyond one year	146	1,032	-	428	1,606
Total liabilities	<u>16,387</u>	<u>16,028</u>	<u>897</u>	<u>10,942</u>	<u>44,254</u>
NET ASSETS					
Invested in capital assets, net of related debt	188,180	275,906	24,096	29	488,211
Restricted	703	-	-	86	789
Unrestricted	6,467	996	830	(8,714)	(421)
Total net assets	<u>195,350</u>	<u>276,902</u>	<u>24,926</u>	<u>(8,599)</u>	<u>488,579</u>
Total liabilities and net assets	<u>\$ 211,737</u>	<u>\$ 292,930</u>	<u>\$ 25,823</u>	<u>\$ 2,343</u>	<u>\$ 532,833</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, 2007

CITY OF MINNEAPOLIS, MINNESOTA
(In Thousands)

FUNCTIONS/PROGRAMS	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets					Total Discrete Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Library Board	Park Board	Municipal Building Commission	Meet Minneapolis	
Library Board	\$ 33,696	\$ 1,240	\$ 6,510	\$ 4,016	\$ (21,930)	\$ -	\$ -	\$ -	\$ (21,930)
Park Board	90,231	17,373	3,535	10,222	-	(59,101)	-	-	(59,101)
Municipal Building Commission	7,743	4,732	76	-	-	-	(2,935)	-	(2,935)
Meet Minneapolis	12,145	2,591	7,881	-	-	-	-	(1,673)	(1,673)
Total discrete component unit activities	\$ 143,815	\$ 25,936	\$ 18,002	\$ 14,238	\$ (21,930)	\$ (59,101)	\$ (2,935)	\$ (1,673)	\$ (85,639)
General Revenues:									
Taxes:									
General property tax and fiscal disparities					12,975	48,808	3,864	-	\$ 65,647
Property tax increment					-	-	6	-	6
Other taxes					-	-	-	-	-
Local government aid					-	-	397	-	397
Grants and contributions not restricted to specific programs					6,800	11,035	-	-	17,835
Unrestricted interest and investment earnings					769	-	-	-	769
Other					-	-	-	-	-
Miscellaneous					1,748	7	1,477	-	3,232
Total general revenues, special items, and transfers					22,292	59,850	5,744	-	87,886
Change in net assets					362	749	2,809	(1,673)	2,247
Net assets- January 1, 2007					194,988	276,153	22,117	(6,926)	486,332
Net assets- December 31, 2007					\$ 195,350	\$ 276,902	\$ 24,926	\$ (8,599)	\$ 488,579

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

For the fiscal year ended December 31, 2007

(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, 2007

(Dollar Amounts Expressed in Thousands)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**A - REPORTING ENTITY****DISCRETELY PRESENTED COMPONENT UNITS****▪ Minneapolis Library Board (continued)**

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

▪ Minneapolis Park and Recreation Board

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

▪ Municipal Building Commission

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

▪ Meet Minneapolis

Greater Minneapolis Convention and Visitors Association was incorporated on July 29, 1987. Greater Minneapolis Convention and Visitors Association (d.b.a. Meet Minneapolis) and its subsidiary, Internet Destination Sales System, Inc. (hereinafter collectively the "Association") comprise the reporting entity for Meet Minneapolis. The Association was organized to promote the City of Minneapolis (the City) as a major destination for conventions and visitor travel, and to achieve maximum utilization of the Minneapolis Convention Center. Toward this purpose, the Association receives funding through annual contracts with the City and the state of Minnesota. The Association is a nonprofit corporation under Section 501 (c) (6) of the Internal Revenue Code. Complete financial statements for Meet Minneapolis and Subsidiary can be obtained from Meet Minneapolis at 250 Marquette Avenue South, Suite 1300, Minneapolis, Minnesota 55401.

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:

For the fiscal year ended December 31, 2007

(Dollar Amounts Expressed in Thousands)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**A - REPORTING ENTITY****RELATED ORGANIZATIONS (Continued)****▪ 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-member Board of Commissioners governs MPHA. The Mayor of Minneapolis appoints the Board Chairperson and four Commissioners; four Commissioners (one of whom must be a public housing family development resident) are appointed by the City Council. The mission of the MPHA is to provide well-managed high-quality housing for eligible families and individuals; to increase the supply of affordable rental housing; and to assist public housing residents in realizing goals of economic independence and self-sufficiency. Complete financial statements for the MPHA can be obtained from the Minneapolis Public Housing Authority at 1001 Washington Avenue North, Minneapolis, Minnesota, 55401-1043.

JOINT VENTURES

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

• Minneapolis/Saint Paul Housing Finance Board

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

• Minneapolis Neighborhood Revitalization Program Policy Board

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**A - REPORTING ENTITY****RELATED ORGANIZATIONS****• Minneapolis Neighborhood Revitalization Program Policy Board (Continued)**

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

▪ Minneapolis Youth Coordinating Board

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

B – BASIS OF PRESENTATION**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

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

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

For the fiscal year ended December 31, 2007

(Dollar Amounts Expressed in Thousands)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**B – BASIS OF PRESENTATION (Continued)****FUND FINANCIAL STATEMENTS**

The accounts of the City are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

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

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

GOVERNMENTAL FUNDS

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

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.

For the fiscal year ended December 31, 2007

(Dollar Amounts Expressed in Thousands)

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

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

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

The City reports the following major governmental funds:

▪ General Fund

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

▪ Special Revenue Fund - Community Planning and Economic Development

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

▪ Special Revenue Fund - Convention Center

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

▪ Debt Service Fund - Special Assessment

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

PROPRIETARY FUNDS

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

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

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

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

For the fiscal year ended December 31, 2007

(Dollar Amounts Expressed in Thousands)

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

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. *Operating* revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing business operations. The principal operating revenues of the City's enterprise and internal service funds are charges to customers for sales and services. *Operating* expenses for the City's enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Enterprise Funds

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

The City reports the following major enterprise funds:

- **Sanitary Sewer Fund**
This fund is used to account for sewage fees collected from customers connected to the City's sanitary sewer system and for all expenses of operating this system. This activity was previously reported in the Sewer Rental Fund, which was split into this fund and the Stormwater Fund as of January 1, 2005.
- **Stormwater Fund**
This fund is used to account for stormwater fees collected from customers, and for City street cleaning and other storm water management activities. This activity was previously reported in the Sewer Rental Fund, which was split into this fund and the Sanitary Sewer Fund as of January 1, 2005.
- **Water Works Fund**
This fund is used to account for the operation, maintenance, and construction projects related to the water delivery system. This fund also accounts for the operations related to the billings for water, sewage, and solid waste fees.
- **Municipal Parking Fund**
This fund is used to account for the operation, maintenance, and construction of the City's parking facilities as well as on-street parking and the Municipal Impound Lot.
- **Solid Waste and Recycling Fund**
This fund is used to account for the revenues and expenses for solid waste collection, disposal and recycling activities.
- **Community Planning and Economic Development Fund**
This fund is used to account for the enterprise fund activities of the Department of Community Planning and Economic Development.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B – BASIS OF PRESENTATION

NON-MAJOR FUNDS

The City reports the following non-major governmental funds:

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

- **Internal Service Funds**

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments, on a cost- reimbursement basis. The internal service funds used by the City include:

Public Works Stores – This fund is used to account for centralized procurement, warehousing, and distribution of stocked inventory items, as well as the purchase of special goods and services.

Engineering Materials and Testing – This fund is used to account for operations of the City’s paving products laboratory.

Intergovernmental Services – This fund is used to account for information technology service, central mailing and printing services, and the City’s telecommunication operations.

Equipment Services – This fund is used to account for the ownership and operation of various equipment and vehicles. The fund operates as a rental agent to various departments to support the construction and maintenance of city infrastructure, fire protection services, and police services.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B – BASIS OF PRESENTATION

NON-MAJOR FUNDS

▪ **Agency Funds (Continued)**

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

C – BUDGETS

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

The 2006 process for the 2007 budget involved the following:

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C – BUDGETS (Continued)

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

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

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

	Expenditure Budget at beginning of year	Changes during year	Expenditure Budget at end of year
General Fund	\$ 292,922	\$ 9,620	\$ 302,542
Grants – Federal	23,038	16,119	39,157
CDBG	13,167	10,933	24,100
Grants - Other	8,881	26,040	34,921
Convention Center	35,609	3,493	39,102
Employee Retirement	10,704	2,120	12,824
Board of Estimate and Taxation	343	-	343
Police Special Revenue	2,136	1,734	3,870
CPED Special Revenue	41,949	98,082	140,031
TOTAL	\$ 428,749	\$ 168,141	\$ 596,890

D – NON-CURRENT GOVERNMENTAL ASSETS/LIABILITIES

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

E - DEPOSITS AND INVESTMENTS

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

E - DEPOSITS AND INVESTMENTS (Continued)

General Fund to various projects below the fund level, as may be required, on the basis of the calculated average daily cash balance of the project and the average yield of the City’s general portfolio.

F - INVENTORIES OF MATERIALS AND SUPPLIES

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

G - LOANS RECEIVABLE

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

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

H – CAPITAL ASSETS

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

The estimated useful lives are as follows:

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

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

For the fiscal year ended December 31, 2007

(Dollar Amounts Expressed in Thousands)

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

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

J – INTERFUND TRANSACTIONS

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

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

K - PROPERTIES HELD FOR RESALE - ENTERPRISE FUNDS

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

L - DEBT SERVICE AND REQUIREMENTS

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

M - ESTIMATES

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N – PRIOR PERIOD ADJUSTMENT

Net assets at January 1, 2007 have been adjusted to recognize a miscalculation of interest payable that was made in 2006.

Adjustment to interest payable	\$ 44,678
Net Assets, December 31, 2006	<u>293,982</u>
Adjusted Net Assets, January 1, 2007	<u>\$ 338,660</u>

NOTE 2 - DEPOSITS AND INVESTMENTS

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

Deposits	\$ 10,964
Investments	503,225
Imprest cash held by City	55
Total	<u>\$ 514,244</u>
Primary Government:	
Cash and cash equivalents	\$ 418,790
Cash in Agency Funds	1,349
Deposits with fiscal agents	490
Fund investments	27,288
Investment with trustees	45,184
Total primary government	<u>493,101</u>
Discretely Presented Component Units:	
Park and Recreation Board:	
Cash and cash equivalents	<u>9,429</u>
Library Board:	
Cash and cash equivalents	4,129
Fund investments	6,745
Total Library Board	<u>10,874</u>
Municipal Building Commission:	
Cash and cash equivalents	<u>446</u>
Meet Minneapolis	
Cash and cash equivalents	394
Total	<u>\$ 514,244</u>

A. Deposits

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the City's deposits may not be returned to it. The City does not have a specific deposit policy for custodial credit risk. However, the City complies with Minnesota Statutes in establishing authorized collateral for its deposits. At December 31, 2007, the City was not exposed to custodial credit risk.

For the fiscal year ended December 31, 2007

(Dollar Amounts Expressed in Thousands)

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)**B. Investments**

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

The City and its investment management firms will exercise extreme caution in the use of derivative instruments, keeping abreast of future information on risk management issues and will consider derivatives only when a sufficient understanding of the products and expertise to manage them has been developed and analyzed. Any derivatives will also be required to pass the stress testing requirements of Minnesota Statutes Chapter 118A.

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. The City has no formal policy specifically related to interest rate risk. The City minimizes its exposure to interest rate risk by investing in both shorter and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time, taking into account the City's investment risk constraints, cash flow characteristics of the portfolio, and prudent investment principles.

The following table presents the City of Minneapolis' investment balances at December 31, 2007, and information relating to interest rate risks:

Investment Type	Weighted Average Maturity (Years)	Carrying (Fair) Value
U.S. Federal Agency obligations	8.6	\$ 111,658
U.S. Treasury obligations	4.1	277,576
Municipal bonds	3.6	38,586
Commercial paper	0.1	48,464
Guaranteed investment contracts	1.0	1,504
Mutual funds	N/A	25,041
Negotiable certificates of deposit	0.9	396
Total investments		\$ 503,225
Deposits		10,964
Imprest cash		55
Total cash and investments		\$ 514,244

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. It is the City's policy to invest only in securities that meet the ratings requirements set by state statute Chapter 118A.04 as follows:

NOTE 2 - DEPOSITS AND INVESTMENTS

B. Investments

Credit Risk (Continued)

“INVESTMENTS.

Subdivision 1. What may be invested. Any public funds, not presently needed for other purposes or restricted for other purposes, may be invested in the manner and subject to the conditions provided for in this section.

Subd. 2. United States securities. Public funds may be invested in governmental bonds, notes, bills, mortgages (excluding high-risk mortgage-backed securities), and other securities, which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress.

Subd. 3. State and local securities. Funds may be invested in the following:

- (1) any security which is a general obligation of any state or local government with taxing powers which is rated "A" or better by a national bond rating service;
- (2) any security which is a revenue obligation of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service; and
- (3) a general obligation of the Minnesota housing finance agency which is a moral obligation of the state of Minnesota and is rated "A" or better by a national bond rating agency.

Subd. 4. Commercial papers. Funds may be invested in commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by at least two nationally recognized rating agencies and matures in 270 days or less.

Subd. 5. Time deposits. Funds may be invested in time deposits that are fully insured by the Federal Deposit Insurance Corporation or bankers acceptances of United States banks.”

In the case of the Minneapolis Library Board (discrete component unit), the requirements are established through Minnesota Laws 1967, Chapt. 480.

At December 31, 2007, the City’s investments were rated by Moody’s and Standard & Poor’s as follows:

Investment Type	Standard & Poor’s		Moody’s	
U.S. Federal agency obligations	AAA	\$ 69,386	Aaa	\$ 69,322
	Not available	22,999	Not available	23,637
	Not rated	19,273	Not rated	18,699
Total U.S. Federal agency obligations		\$ 111,658		\$ 111,658
U.S. Treasury obligations	Not rated	\$ 253,672	Not rated	\$ 254,122
	Not rated	23,904	Not rated	23,454
		\$ 277,576		\$ 277,576
Municipal bonds	AAA	\$ 8,448	Aaa	\$ 12,482
	AA+	158	Aa1	704
	AA	1,966	Aa2	1,084
	AA-	1,063	Aa3	2,048
		-	A1	704
	Not rated	26,951	Not rated	21,564
Total municipal bonds		\$ 38,586		\$ 38,586

For the fiscal year ended December 31, 2007

(Dollar Amounts Expressed in Thousands)

NOTE 2 - DEPOSITS AND INVESTMENTS**B. Investments**Credit Risk (Continued)

Investment Type	Standard & Poor's		Moody's	
Commercial paper	A-1+	\$ 27,797	P-1	\$ 48,464
	A-1	20,667		-
Total Commercial paper		\$ 48,464		\$ 48,464
Guaranteed investment contracts	Not rated	\$ 1,504	Not rated	\$ 1,504
Mutual funds	AAA m	\$ 4,610	Aaa	\$ 4,610
	Not rated	20,431	Not rated	20,431
Total mutual funds		\$ 25,041		\$ 25,041
Negotiable certificates of deposit	Not rated	\$ 396	Not rated	\$ 396
Total		\$ 503,225		\$ 503,225

Custodial Credit Risk

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

Concentration of Credit Risk

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

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

Issuer	Reported Amount
U.S. Federal Agency obligations	
Federal National Mortgage Association	\$ 52,764
Federal Home Loan Bank	30,051
Federal Home Loan Mortgage Corporation	26,517
U.S. Department of the Treasury	227,576

For the fiscal year ended December 31, 2007

(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	Special Assessment Debt Service	Non-major Governmental Funds	Internal Service Funds	Total Governmental Activities
Governmental Activities							
Accounts	\$ 5,886	\$ 299	\$ 7,799	\$ -	\$ 2,020	\$ 233	\$ 16,237
Taxes	4,496	1,268	-	-	1,411	-	7,175
Special assessments	900	-	-	30,108	3,433	-	34,441
Loans	-	5,674	-	-	5,740	-	11,414
Loans due from component unit	-	-	9,080	-	-	-	9,080
Interest	180	1,001	149	63	512	-	1,905
Intergovernmental	34	937	-	-	9,566	204	10,741
Gross receivables	11,496	9,179	17,028	30,171	22,682	437	90,993
Less: Allowance for uncollectibles	(1,112)	-	(464)	-	(735)	(53)	(2,364)
Total receivables (due within one year)	\$ 10,384	\$ 9,179	\$ 16,564	\$ 30,171	\$ 21,947	\$ 384	\$ 88,629
Long-term portion of loans and notes receivable	\$ -	\$ -	\$ 8,580	\$ -	\$ 3,628	\$ -	\$ 12,208
							Total Business-type Activities
Business-type Activities	Sanitary Sewer	Stormwater	Water Works	Municipal Parking	Solid Waste and Recycling	CPED	
Accounts	\$ 3,393	\$ 4,256	\$ 7,567	\$ 3,094	\$ 3,133	\$ 22	21,465
Special assessments	12	233	910	10,327	58	-	11,540
Loans	-	-	-	-	-	468	468
Notes	-	-	-	-	-	690	690
Interest	-	7	-	-	-	147	154
Intergovernmental	-	-	34	-	-	-	34
Gross receivables	3,405	4,496	8,511	13,421	3,191	1,327	34,351
Less: Allowance for uncollectibles	-	-	(310)	-	-	-	(310)
Total receivables (due within one year)	\$ 3,405	\$ 4,496	\$ 8,201	\$ 13,421	\$ 3,191	\$ 1,327	\$ 34,041
Long-term portion of loans and notes receivable	\$ -	\$ -	\$ -	\$ 2,600	\$ -	\$ 3,936	\$ 6,536

Governmental activities:

In 2002 the City issued \$10,100 in Self-Supporting General Obligation bonds to provide funding for the Library Board to build a parking ramp. The City has entered into an agreement with the Library Board. The agreement is in the form of a capitalized lease.

The annual lease 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. The lease agreement includes a bargain purchase option exercisable at the end of the lease term.

The future payment requirements for these agreements are as follows:

NOTE 3 – RECEIVABLES

Governmental activities (Continued):

	Capitalized Lease
	<u> </u>
Scheduled Lease Payments:	
2008	557
2009	594
2010	599
2011	624
2012	642
2013 and thereafter	13,901
Subtotal	<u>16,917</u>
Less: Interest over lease term	<u>(6,817)</u>
 Total Principal	 10,100
 Less: Current Portion	 <u>100</u>
 Noncurrent Portion	 <u>\$ 10,000</u>

Business-type activities:

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:

For the fiscal year ended December 31, 2007

(Dollar Amounts Expressed in Thousands)

NOTE 3 – RECEIVABLES**Business-type activities (Continued):**

	Capitalized Leases	Notes Receivable
Scheduled Lease Payments:		
2008	\$ 5,553	\$ 836
2009	5,789	839
2010	5,796	840
2011	5,792	417
2012	5,641	-
2013 and thereafter	77,412	-
Subtotal	<u>105,983</u>	<u>2,932</u>
Less: Interest over lease term	<u>(44,898)</u>	<u>(322)</u>
Total Principal	61,085	2,610
Less: Unexpended construction funds	<u>(326)</u>	<u>-</u>
Net Capitalized Leases and Notes receivable	60,759	2,610
Less: Current Portion	<u>(2,155)</u>	<u>(690)</u>
Noncurrent Portion	<u>\$ 58,604</u>	<u>\$ 1,920</u>

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2007 was as follows:

	Balance January 1, 2007	Additions	Retirements	Balance December 31, 2007
Governmental activities				
<i>Capital assets, not being depreciated</i>				
Land and easements	\$ 111,632	\$ -	\$ (548)	\$ 111,084
Construction in progress	250,992	42,512	(20,973)	272,531
Total capital assets, not being depreciated	<u>362,624</u>	<u>42,512</u>	<u>(21,521)</u>	<u>383,615</u>
<i>Capital assets, being depreciated</i>				
Infrastructure	405,533	12	-	405,545
Structures and improvements	540,170	-	(92)	540,078
Equipment	156,834	9,053	(4,073)	161,814
Total capital assets, being depreciated	<u>1,102,537</u>	<u>9,065</u>	<u>(4,165)</u>	<u>1,107,437</u>
Less accumulated depreciation for:				
Infrastructure	(289,919)	(12,033)	-	(301,952)
Structures and improvements	(132,852)	(7,709)	88	(140,473)
Equipment	(94,467)	(10,363)	3,002	(101,828)
Total accumulated depreciation	<u>(517,238)</u>	<u>(30,105)</u>	<u>3,090</u>	<u>(544,253)</u>
Total capital assets, being depreciated, net	<u>585,299</u>	<u>(21,040)</u>	<u>(1,075)</u>	<u>563,184</u>
Governmental activities capital assets, net	<u>\$ 947,923</u>	<u>\$ 21,472</u>	<u>\$ (22,596)</u>	<u>\$ 946,799</u>

NOTE 4 – CAPITAL ASSETS (Continued)

	Balance January 1, 2007	Additions	Retirements	Balance December 31, 2007
Business-type Activities				
<i>Capital assets, not being depreciated</i>				
Land and easements	\$ 135,076	\$ 20	\$ (7,768)	\$ 127,328
Construction in progress	88,423	21,882	(15,276)	95,029
Total capital assets, not being depreciated	<u>223,499</u>	<u>21,902</u>	<u>(23,044)</u>	<u>222,357</u>
<i>Capital assets, being depreciated</i>				
Infrastructure	382,547	-	-	382,547
Structures and improvements	668,895	1,303	(55,878)	614,320
Equipment	25,060	192	(2,195)	23,057
Total capital assets, being depreciated	<u>1,076,502</u>	<u>1,495</u>	<u>(58,073)</u>	<u>1,019,924</u>
Less accumulated depreciation for:				
Infrastructure	(130,312)	(4,391)	-	(134,703)
Structures and improvements	(212,403)	(13,981)	32,716	(193,668)
Equipment	(17,682)	(1,430)	1,871	(17,241)
Total accumulated depreciation	<u>(360,397)</u>	<u>(19,802)</u>	<u>34,587</u>	<u>(345,612)</u>
Total capital assets, being depreciated, net	<u>716,105</u>	<u>(18,307)</u>	<u>(23,486)</u>	<u>674,312</u>
Business-type activities capital assets, net	<u>\$ 939,604</u>	<u>\$ 3,595</u>	<u>\$ (46,530)</u>	<u>\$ 896,669</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 74
Public Safety	1,223
Public Works	13,407
Health and Welfare	15
Community Development	6,552
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>8,834</u>
Total depreciation expense – governmental functions	<u>\$ 30,105</u>

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

Sanitary Sewer	\$ 1,203
Stormwater	3,328
Water Works	7,196
Municipal Parking	6,821
Solid Waste and Recycling	932
Economic Development	<u>322</u>
Total depreciation expense – business-type functions	<u>\$19,802</u>

NOTE 4 – CAPITAL ASSETS (Continued)

Construction in Progress

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

Property Services	\$20,249
Convention Center	2,963
Street Lighting	8,963
Street Signage	1,274
Traffic Signals	13,982
Bicycle Trail	6,783
Street Construction	107,704
Bridge Construction	25,164
Heritage Park	58,990
Equipment	633
Business Information Services	<u>25,826</u>
Total CIP for Governmental Activities	<u>\$272,531</u>

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

Sewers - Sanitary	\$ 2,575
Sewers – Stormwater	59,039
Water	33,012
Parking	<u>403</u>
Total CIP for Business-type Activities	<u>\$95,029</u>

Capital Project Commitments

For the year 2008, the City of Minneapolis made Capital Project Commitments for the following:

Property Services	\$2,165
Sewer Construction	14,685
Street Construction	45,488
Bridge Construction	500
Sidewalk Construction	2,480
Street Lighting	300
Traffic Signals	8,124
Bicycle Trails	35
Non-Departmental	4,304
Information Technology	6,148
Water	25,250
Parking	<u>1,700</u>
Total Capital Project Commitments	<u>\$111,179</u>

NOTE 5 - LONG-TERM DEBT

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

Property Tax Supported General Obligation Bonds

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

For the fiscal year ended December 31, 2007

(Dollar Amounts Expressed in Thousands)

NOTE 5 - LONG-TERM DEBT (Continued)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 1st of each year to pay all principal and interest amounts coming due on such bonds for the remainder of the current year, and during all of the following year. If this provision is not met, a general tax levy will be made for the balance required. Minnesota State Laws generally require initial tax levies for general obligation bonds to be at least five percent in excess of the bond and interest maturities less estimated pledged assessments and revenues. The initial tax levies cannot be repealed and can only be modified as they relate to current levies and then only upon certification to the Director of Property Taxation that funds are available to pay current maturities in whole or in part.

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

2007 Bond Sales and Refunding Transactions

In 2007, the City of Minneapolis issued bonds & notes totaling \$57,857. Of this amount, \$1,750 was issued to refund existing debt. Below are details of the 2007 debt issuances.

In March 2007, the Community Planning & Economic Development Department (CPED), through the General Agency Reserve Fund System (GARFS) enterprise fund, issued \$3,100 of taxable revenue bonds for Quality Resource Group to purchase and renovate a building in Plymouth, Minnesota to be used for offices and production facilities. This was the first economic development program completed with the cooperation of Hennepin County. The bonds had interest rates ranging from 5.28% to 5.84% and a final maturity date of December 1, 2027.

In July 2007, the City issued \$34,055 of General Obligation Various Purpose Bonds, Series 2007 to support the five-year capital plan. These bonds were issued for a variety of public works infrastructure improvements, park, library, municipal building commission, technology and sewer, water and parking ramp improvements. The 2007 Series, Various Purpose Bonds were issued in fixed rate mode and had interest rates ranging from 4.00% to 5.00% and a final maturity date of December 1, 2014.

NOTE 5 - LONG-TERM DEBT

2007 Bond Sales and Refunding Transactions (Continued)

In July 2007, CPED issued \$1,750 of Tax Increment Revenue Refunding Bonds (East River/Unocal Site Project) Series 2007 for the purpose of refunding all outstanding principal amounts of the taxable revenue notes originally issued in the amount of \$1,500 for the same project in September of 2002. The original notes financed certain public redevelopment costs associated with a housing project containing 38 townhouse units and 15 condominiums located in the Prospect Park neighborhood of Minneapolis. The refunding bonds, which are tax exempt, have interest rates ranging from 4.50% to 5.40% and have a final maturity date of February 1, 2031.

In July 2007, CPED, through the GARFS enterprise fund, issued \$9,990 of revenue bonds for the New French Bakery to provide permanent financing for acquiring land, a building and equipment for the bakery. There were two series of bonds involved. The first series was \$1,000 of taxable revenue bonds, Series 2007-2A with maturities due from June 1, 2009 to June 1, 2012 with an interest rate of 5.7% on all maturities. The second series was \$8,990 of tax exempt revenue bonds, Series 2007-2B with maturities due from June 1, 2009 to June 1, 2028 and interest rates ranging from 4.625% to 5.25%.

In November 2007, the City issued \$5,400 of General Obligation Improvement Bonds, Series 2007 for construction of various special assessment projects such as streetscape, street lighting and sewer and street renovation and reconstruction projects. The Improvement Bonds have interest rates ranging from 4.00% to 4.60% and a final maturity date of December 1, 2027.

2007 Notes Issued

In December 2006, the City issued a \$13,500 General Obligation Water Revenue Note to the Minnesota Public Facilities Authority as part of a federally sponsored below market financing program related to the Safe Drinking Water Act. The note subsidy program is being utilized to finance construction of two ultra-filtration water plants. The subsidized interest rate is 2.60% with a final maturity date of August 20, 2026. During 2007, the City received additional note proceeds of \$2,620 to reimburse project expenses. With principal payments and new draws, this note had an ending balance at December 31, 2007 of \$4,851. The City also received \$942 of reimbursements on the third note in this program which fully utilized this \$12,500 note which had an interest rate of 2.53% and a final maturity date of August 20, 2019. At December 31, 2007, the outstanding debt on the four notes in this program was \$66,351.

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, 2007, \$138,795 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.

Long-term liabilities at December 31, 2007 (in thousands) are detailed below.

Governmental activities:	Balance			Balance		Due Within
	1/1/2007	Additions	Retirements	12/31/2007	One Year	
<u>Bonds and Notes</u>						
Property Tax Supported GO Bonds	\$ 260,815	\$ 14,444	\$ 26,954	\$ 248,305	\$ 20,355	
Self Supporting GO Bonds	250,345	-	7,945	242,400	8,425	
GO Improvement Bonds	44,571	5,900	6,036	44,435	5,611	
Tax Increment GO Bonds	178,325	-	12,115	166,210	13,490	
Revenue Bonds	65,756	1,750	11,200	56,306	10,659	
Revenue Notes	26,709	-	3,975	22,734	443	
Internal Service Fund Related GO Bonds	83,715	1,450	9,130	76,035	5,145	
Total Governmental Bonds and Notes	910,236	23,544	77,355	856,425	64,128	

For the fiscal year ended December 31, 2007

(Dollar Amounts Expressed in Thousands)

NOTE 5 - LONG-TERM DEBT (Continued)

	Balance 1/1/2007	Additions	Retirements	Balance 12/31/2007	Due Within One Year
Governmental activities:					
<u>Other Long-term Liabilities</u>					
Operating Lease Payable	158	11	38	131	47
Contracts Payable	128	-	37	91	40
Unpaid Claims Payable	32,246	1,221	-	33,467	-
Unamortized Premium (Discount)	14,432	521	1,601	13,352	-
Other postemployment benefits	-	2,213	-	2,213	-
Compensated Absences	25,393	15,950	15,318	26,025	12,600
Total Other Long-term Liabilities	72,357	19,916	16,994	75,729	12,687
Total Long-term Liabilities Governmental	982,593	43,460	94,349	931,704	76,815
Business-type activities:					
<u>Bonds and Notes</u>					
Stormwater Fund GO Bonds	35,113	6,304	7,797	33,620	8,485
Sanitary Sewer GO Bonds	553	6,250	767	6,036	1,200
Water Fund GO Bonds	28,189	3,407	7,419	24,177	5,380
Water Fund GO Note	63,789	3,562	1,000	66,351	1,300
Municipal Parking Fund GO Bonds	268,375	1,700	31,925	238,150	16,239
CPED Related Non GO Fund					
General Agency Reserve Fund System	57,985	13,090	7,380	63,695	2,845
Revenue Notes	950	-	112	838	120
Total Bonds and Notes	454,954	34,313	56,400	432,867	35,569
<u>Other Long-term Liabilities</u>					
Unamortized Premium (Discount)	(883)	517	440	(806)	-
Compensated Absences	2,212	3,420	2,437	3,195	958
Total Other Long-term Liabilities	1,329	3,937	2,877	2,389	958
Total Long-term Liabilities Business-type	456,283	38,250	59,277	435,256	36,527
Total Long-term Liabilities	\$1,438,876	\$81,710	\$153,626	\$1,366,960	\$113,342

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

Amortization of Outstanding Governmental City Debt

As of December 31, 2007, annual debt service requirements for Governmental activities to maturity (in thousands) are as follows:

NOTE 5 - LONG-TERM DEBT

Amortization of Outstanding Governmental City Debt (Continued)

Governmental Activities – Non-Proprietary					
Year Ending	Bonds		Notes		
	Principal	Interest	Principal	Interest	
Dec 31:					
2008	\$ 58,540	\$ 62,151	\$ 443	\$ 982	
2009	49,998	59,671	465	576	
2010	35,331	31,743	537	551	
2011	33,711	30,138	3,072	472	
2012	36,821	28,516	708	374	
2013 - 2017	184,190	117,031	2,539	1,457	
2018 - 2022	207,355	66,595	3,060	819	
2023 - 2027	116,950	24,318	1,970	172	
2028 - 2032	34,760	4,078	9,940	32	
	<u>757,656</u>	<u>424,241</u>	<u>22,734</u>	<u>5,435</u>	

Year Ending	Internal Service Fund Bonds		Total Governmental Activity Bonds & Notes		
	Principal	Interest	Principal	Interest	
Dec 31:					
2008	5,145	3,523	64,128	66,656	
2009	11,075	3,301	61,538	63,548	
2010	11,075	2,794	46,943	35,088	
2011	11,270	3,029	48,053	33,639	
2012	11,345	1,755	48,874	30,645	
2013 - 2017	15,140	4,768	201,869	123,256	
2018 - 2022	10,985	1,305	221,400	68,719	
2023 - 2027	-	-	118,920	24,490	
2028 - 2032	-	-	44,700	4,108	
	<u>\$ 76,035</u>	<u>\$ 20,475</u>	<u>\$ 856,425</u>	<u>\$ 450,149</u>	

Amortization of Outstanding Business-type City Debt

As of December 31, 2007, annual debt service requirements for Business-type activities to maturity (in thousands) are as follows:

Year Ending	Bonds		Notes		Total		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Dec 31:								
2008	\$ 34,149	\$ 20,731	\$ 1,420	\$ 1,868	\$ 35,569	\$ 22,599		
2009	32,400	17,727	2,052	1,825	34,452	19,552		
2010	30,164	16,155	2,161	1,765	32,325	17,920		
2011	28,400	14,992	3,418	1,701	31,818	16,693		

NOTE 5 - LONG-TERM DEBT

Amortization of Outstanding Business-type City Debt (Continued)

Year Ending	Bonds		Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
Dec 31:						
2012	26,564	13,902	3,272	1,604	29,836	15,506
2013 - 2017	90,793	52,174	19,388	6,599	110,181	58,773
2018 - 2022	43,059	28,006	29,377	3,288	72,436	31,294
2023 - 2027	50,995	15,455	6,100	171	57,095	15,626
2028 - 2032	21,900	5,470	-	-	21,900	5,470
2033 - 2035	7,255	689	-	-	7,255	689
Total	\$ 365,679	\$ 185,301	\$ 67,188	\$ 18,821	\$ 432,867	\$ 204,122

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

As of December 31, 2007, outstanding industrial, commercial, and housing revenue bonds and notes approximated \$1,992 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 with a trustee who maintains special escrow accounts invested in securities of the U.S. Government and its Agencies. The maturities of these investments coincide with the principal and interest payment dates of the refunded bonds and have been certified to be sufficient to pay all principal and interest on the bonds when due as required by applicable laws. Accordingly, the original refunded bonds have been eliminated and the new advance refunding bonds added to the appropriate financial statements. The City remains contingently liable to pay the refunded bonds. The outstanding balance of the extinguished debt as of December 31, 2007 is \$57,887 including \$14,990 for an advance refunding completed in 2007.

NOTE 8 – DEMAND BONDS

General Obligation Demand Bonds

The City has issued General Obligation demand bonds maturing serially through December 1, 2033, in the original issue amounts of \$88,400, \$80,000, \$8,800, \$10,610, \$57,000, \$15,985, \$16,100, \$19,170, \$16,400, \$4,250, \$31,715 and \$3,980. 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
2008	8,815
2009	9,575
2010	7,075
2011	6,455
2012	5,185
2013	5,700
2014	4,220
2015	21,520
2016	21,825

For the fiscal year ended December 31, 2007

(Dollar Amounts Expressed in Thousands)

NOTE 8 – DEMAND BONDSGeneral Obligation Demand Bonds (Continued)

Year	Amount
2017	22,140
2018	22,190
2019	1,590
2020	1,360
2021	1,750
2022	2,095
2023	1,920
2024	1,700
2025	4,675
2026	11,135
2027	11,020
2028	11,790
2029	10,445
2030	9,490
2031	8,335
2032	4,935
2033	3,100
Total	<u>\$ 220,040</u>

The bonds are subject to purchase on demand of the holder at a price equal to principal plus accrued interest on delivery to the City's Remarketing agent. The Remarketing agent is authorized to use their best effort to sell the repurchased bonds at a price equal to 100 percent of the principal amount by adjusting the interest rate. These demand bonds are backed by the full faith, credit and taxing power of the City and are included in long-term debt. Under irrevocable Standby Bond Purchase Agreements issued by Dexia Credit Local, acting through its New York branch, the trustee is entitled to draw an amount sufficient to pay the purchase price of bonds delivered to it. The letters of credit are for the original sale amount and are subject to extension with the agreement of the Bank. They carry a rate equal to the Federal Funds rate plus one-half of one percent per annum with respect to amounts advanced. The expiration dates for the Standby Bond Purchase Agreements are October 31, 2012. The City is required to pay Dexia Credit Local an annual commitment fee of 10.50 basis points on the outstanding principal amount of the bonds and on the maximum interest payments of these issues. The Remarketing Agent receives an annual fee of 10 basis points on the outstanding principal amount of bonds held by the public. The City has the option to convert all of the bonds from a variable interest rate to a fixed interest rate by giving written notice to Dexia, the Tender Agent, the Remarketing Agent and the Trustee. The conversion date must be on a business day not less than 15 days from the date of the written notice.

NOTE 9 – LEASES**Operating Leases**

The City of Minneapolis leases office space, equipment and right of ways for its operations. The lease for office space expires in the year 2016 and the office space lease payments were \$1,174 in 2007.

NOTE 9 – LEASES

Operating Leases (Continued)

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>
2008	\$ 597	\$ -
2009	574	-
2010	557	-
2011	643	-
2012	789	-
2013 – 2016	2,847	-
2017 – 2019	5	-
Total minimum lease payments \$	<u>6,012</u>	<u>\$ -</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 two to seventeen 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 \$3,103 over the lease terms results in a total annual lease amount of \$122.

For 2007 the amount of lease expenditures is as follows:

	<u>Amount</u>
Operating leases	\$ 122
Additional Straight Line Basis	<u>5</u>
Total expenditures	<u>\$ 127</u>

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

Year	Government	Business Type
	Activity	Activity
	<u>Amount</u>	<u>Amount</u>
2008	\$ 339	\$ 70
2009	312	71
2010	36	71
2011	27	72
2012	-	73
2013 -2016	-	299
2017 - 2019	-	233
Total minimum lease payments	<u>\$ 714</u>	<u>\$ 889</u>

NOTE 10 – INTERFUND TRANSACTIONS

Interfund Receivables/Payables

The composition of interfund balances as of December 31, 2007 are as follows:

Due to/from other funds:

General Fund	Convention Center Special Revenue Fund	\$ 3,319
	Non major Governmental Funds	2
CPED Special Revenue Fund	Non major Governmental Funds	1,486
Convention Center Special Revenue Fund	Non major Governmental Funds	382
Non major Governmental Funds	Non major Governmental Funds	3,957
	General Fund	15
Internal Service Funds	Non major Governmental Funds	1,035
	Internal Service Funds	2,570
Sanitary Sewer Enterprise Fund	Non major Governmental Funds	4,313
Stormwater Enterprise Fund	Non major Governmental Funds	10,541
Water Works Enterprise Fund	Non major Governmental Funds	496
Municipal Parking Enterprise Fund	Non major Governmental Funds	1,700
CPED Enterprise Fund	CPED Special Revenue	20
	Total	<u>\$ 29,836</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>
Community Development Agency Special Revenue Fund	Community Development Agency Enterprise Fund	\$ 10
Convention Center General Fund	Internal Service Internal Service	9,250 864
	Total	<u>\$ 10,124</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:

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Total Transfers In</u>
Governmental Funds:		
General Fund	Convention Center	\$ 8,762
	CPED Special Revenue Fund	7
	Non-Major Governmental Funds	1,649
	Municipal Parking	1,618
	Solid Waste & Recycling	700
		<u>12,736</u>
CPED Special Revenue Fund	Non-Major Governmental Funds	5,415
	CPED Enterprise Fund	5,736
		<u>11,151</u>
Convention Center	Non-Major Governmental Funds	500
		<u>500</u>
Special Assesment Debt Service Fund	CPED Special Revenue Fund	178
	Non-Major Governmental Funds	72
		<u>250</u>
Non-Major Governmental Funds	General Fund	14,640
	CPED Special Revenue Fund	59,019
	Convention Center	19,843
	Non-Major Governmental Funds	6,557
	Internal Service Funds	728
	Sanitary Sewer	348
	Stormwater	512
	Water Works	760
	Municipal Parking	2,199
	Solid Waste & Recycling	78
		<u>104,684</u>
	Total Governmental Funds	\$ <u>129,321</u>
Proprietary Funds:		
Business Type Activities		
Municipal Parking	CPED Special Revenue Fund	\$ 8,505
	Convention Center	9,856
		<u>18,361</u>
Solid Waste & Recycling	General Fund	50
	Municipal Parking	146
		<u>196</u>
	Total Business Type Activities	\$ <u>18,557</u>
Governmental Type Activities		
Internal Service Funds	General Fund	14,523
	Municipal Parking	8,000
	Non-Major Governmental Funds	2,096
		<u>24,619</u>
	Total Governmental Type Activities	\$ <u>24,619</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.
- Restricted net assets – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net assets – This category represents net assets of the City, not restricted for any project or other purpose.

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

As of December 31, 2007, reservations of fund balance are described below:

Reservations

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

NOTE 12 – RESTRICTED NET ASSETS – GOVERNMENTAL ACTIVITIES

Certain net assets are classified on the statement of net assets as restricted because their use is limited. The Governmental activities report restricted net assets for amounts that are not available for operations or are legally restricted by outside parties for use for a specific purpose. As of December 31, 2007, the Governmental activities restricted net assets are as follows:

Debt service	<u>\$ 54,226</u>
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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, 2007, the Business-type restricted net assets are as follows:

Debt service	<u>\$ 33,015</u>
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NOTE 14 - DEFICIT NET ASSETS

The following funds had deficit net assets as of December 31, 2007:

Internal Service Funds:	
Intergovernmental Services	\$(13,612)
Self Insurance	\$(26,371)

For the fiscal year ended December 31, 2007

(Dollar Amounts Expressed in Thousands)

NOTE 14 - DEFICIT NET ASSETS (Continued)

The City has developed strategies to control costs and increase annual financial resources and eliminate the net asset deficits, over several years, in the Intergovernmental Services Internal Service Fund. In September of 2000, the City adopted a long range financial plan for this fund. As a result of the plan, the 2007 net assets increased \$10,152 from the 2006 balance of (\$23,764).

The City intends to fund the actuarially determined liability in the Self Insurance Internal Service Fund by maintaining a cash reserve equal to the claims liability. In 2003, the City adopted a long-range financial plan to increase the cash reserve and achieve a positive net asset balance. For fiscal year 2007, the cash reserve is increased by \$2,638 from the 2006 balance of \$8,364. The net assets in the Self-Insurance Fund increased \$3,731 from the 2006 balance of (\$30,102).

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.

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

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

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

Plan Description (Continued)

Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. Public Employees Retirement Fund Coordinated Plan members were required to contribute 5.75 percent of their annual covered salary in 2007. Contribution rates in the Coordinated Plan increased in 2008 to 6.00 percent. Public Employees Police and Fire Fund members were required to contribute 7.80 percent of their annual covered salary in 2007. That rate increased to 8.60 percent in 2008.

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

Public Employees Retirement Fund	<u>2007</u>	<u>2008</u>
Coordinated Plan members	6.25 %	6.50 %
Public Employees Police and Fire Fund	11.70 %	12.90 %

The City contributions for the years ending December 31, 2005, 2006, and 2007 for the Public Employees Retirement Fund and the Public Employees Police and Fire Fund were:

	<u>PERF</u>	<u>PEPFF</u>
2005	\$6,508	\$7,293
2006	\$7,328	\$8,740
2007	\$8,041	\$10,030

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

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

Plan Description

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

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

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

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

Plan Description (Continued)

years of employment and years of creditable service at the date of retirement. The member will receive a benefit amount equal to 2 percent of that average salary for each of the first ten years of service, and 2.5 percent of that salary for each year over ten years of service.

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

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

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

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, 2005, 2006, and 2007 for the MERF were:

2005	\$5,227
2006	\$13,375
2007	\$3,259

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

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

Plan Description

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

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

Plan Description (Continued)

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, 2006 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, 2006, may be obtained by writing to the Minneapolis Police Relief Association, 10 - Second Street Northeast, Suite 103, Minneapolis, Minnesota, 55413.

Funding Policy

Authority for contributions to the MFRA and the MPRA pension plans is established by Minnesota Statutes, section 69.77 and may be amended only by the Minnesota State Legislature. The MFRA and the MPRA funding policies provide for contributions from the City, the State of Minnesota, and active plan members. City contributions are actuarially determined and requires full funding of the MFRA's accrued liability with a 15-year amortization of any unfunded liabilities and full funding of the MPRA's accrued liability by the year 2020. The City contributed \$2,570 to MFRA and \$10,592 to MPRA for the fiscal year ended December 31, 2006. Employees under these plans contribute annually an amount equal to eight percent of the maximum first grade firefighter's salary or eight percent of the maximum top grade patrol officer's salary from which pension benefits are determined. The State of Minnesota annually contributes two percent fire premium insurance aid and the amortization state aid to the MFRA and two percent peace officers' state aid to the MPRA.

The City's annual pension cost for the fiscal year ended December 31, 2006, and related information for each plan is as follows:

Contributions made	\$2,570	\$10,592
Actuarial valuation date	12/31/2006	12/31/2006
Actuarial cost method	Entry Age Normal Cost	Entry Age Normal Cost
Amortization method	Level Percentage of Payroll	Level Percentage of Payroll
Remaining amortization period	14 years, closed	14 years, closed
Asset valuation method	Book value plus the average unrealized gain for the last three years minus excess investment income as defined by state law.	Book value plus the average unrealized gain for the last three years minus excess investment income as defined by state law.
Actuarial assumptions:		
Investment rate of return	6% per annum	6% per annum
Projected salary increases:	4% per annum	4% per annum

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

Funding Policy (Continued)

Inflation	NA	NA
Cost-of-living adjustments	NA	NA

Three-Year Trend Information:

	<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed (%)</u>	<u>Net Pension Obligation</u>
MFRA	2004	\$2,150	100	-
	2005	\$6,651	100	-
	2006	\$2,570	100	-
MPRA	2004	\$27,890	100	-
	2005	\$31,550	100	-
	2006	\$10,592	100	-

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

Schedules of Funding Progress:

MFRA:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Plan Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) --Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b - a)</u>	<u>Funded Ratio (%) (a/b)</u>	<u>Annual Covered Payroll (Previous Fiscal Year) (c)</u>	<u>UAAL as a Percentage of Covered Payroll (%) ((b - a)/c)</u>
2004	\$ 248,546	\$ 275,513	\$ 26,967	90.2	\$ 3,142	858.3
2005	\$ 269,426	\$ 312,563	\$ 43,137	86.2	\$ 2,933	1470.7
2006	\$ 263,276	\$ 300,926	\$ 37,650	87.5	\$ 2,489	1512.7

MPRA:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Plan Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) --Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b - a)</u>	<u>Funded Ratio (%) (a/b)</u>	<u>Annual Covered Payroll (Previous Fiscal Year) (c)</u>	<u>UAAL as a Percentage of Covered Payroll (%) ((b - a)/c)</u>
2004	\$ 322,278	\$ 455,753	\$ 133,474	70.7	\$ 1,429	9340.4
2005	\$ 359,032	\$ 464,222	\$ 105,190	77.3	\$ 1,403	7497.5
2006	\$ 377,013	\$ 439,992	\$ 62,979	85.7	\$ 1,236	5095.4

For the fiscal year ended December 31, 2007

(Dollar Amounts Expressed in Thousands)

NOTE 18 - DEFINED CONTRIBUTION PLAN – CPED**Plan Description**

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

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

The payroll for employees covered by the CPED's defined contribution plan for the year ended December 31, 2007, was \$1,290 and the CPED's total payroll was \$8,653.

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 \$71 and \$66 respectively to the plan during the year, which amounts represented 5.53% and 5.1% respectively of the covered payroll.

NOTE 19 – POSTEMPLOYMENT HEALTHCARE PLAN**Plan Description**

The City provides a single-employer defined benefit healthcare plan to eligible retirees and their spouses. The plan offers medical and dental coverage. Medical coverage is administered by Medica. Dental coverage is administered through the Delta Dental Plan of Minnesota. The City is self-insured for dental coverage. Retirees pay 100 percent of the blended active/retiree premium rate, in accordance with Minnesota Statutes Chapt. 471.61, subd. 2b. It is the City's policy to periodically review its medical and dental coverage, and to obtain requests for proposals in order to provide the most favorable benefits and premiums for City employees and retirees.

Funding Policy

Retirees and their spouses contribute to the healthcare plan at the same rate as City employees. This results in the retirees receiving an implicit rate subsidy. Contribution requirements are established by the City, based on the contract terms with Medica and Delta Dental. The required contributions are based on projected pay-as-you-go financing requirements. For fiscal year 2007, the City contributed \$3,284 to the plan. As of January 1, 2007, there were approximately 940 retirees receiving health benefits from the City's health plan.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the City (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost of the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation to the plan.

NOTE 19 – POSTEMPLOYMENT HEALTHCARE PLAN

Annual OPEB Cost and Net OPEB Obligation (Continued)

Annual required contribution	\$ 5,497
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	<u>5,497</u>
Contributions made	<u>3,284</u>
Increase in net OPEB obligation	2,213
Net OPEB obligation – beginning of year	<u>-</u>
Net OPEB obligation – end of year	<u>\$ 2,213</u>

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2007 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage Of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2007	\$ 5,497	59.7%	\$ 2,213

Funded Status and Funding Progress

As of January 1, 2007, the most recent actuarial valuation date, the City had no assets deposited to fund the plan. The actuarial accrued liability for benefits was \$61,251 and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$61,251. The covered payroll (annual payroll of active employees covered by the plan) was \$288,996, and the ratio of the UAAL to the covered payroll was 21.2 percent.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

In the January 1, 2007, the actuarial valuation date, the entry age normal cost method was used. The actuarial assumptions included a 4.0% discount rate, which is based on the investment yield expected to finance benefits depending on whether the plan is funded in a separate trust (about 7% to 8.5%, long-term, similar to a pension plan) or unfunded (3.5% to 5%, shorter term, based on City’s general assets). The City currently does not plan to prefund for this benefit. At the actuarial valuation date, the annual healthcare cost trend rate was calculated to be 11 percent initially, reduced incrementally to an ultimate rate

For the fiscal year ended December 31, 2007

(Dollar Amounts Expressed in Thousands)

NOTE 19 – POSTEMPLOYMENT HEALTHCARE PLAN**Actuarial Methods and Assumptions (Continued)**

of 5 percent after ten years. Both rates included a 3 percent inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at January 1, 2007 was 30 years.

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

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

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

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

NOTE 21 - RISK MANAGEMENT & CLAIMS

The City is self insured and exposed to a variety of risks related to liability claims; theft of, damage to, and destruction of assets, bodily injuries, and accidents. The City is self-insured for workers' compensation, general liability, and re-employment. Claims under \$25,000 and unrepresented are handled by Risk Management & Claims. Claims represented and over \$25,000 are handled by the City Attorneys' Office. The workers' compensation program includes the BET and all City departments. The Library Board, Park Board, and MBC maintained their own workers' compensation programs. The City, CPED, and the BET are self-insured for general liability. The MBC, Library Board and the Park Board maintain their separate liability programs. The City, including all discrete and blended component units of government, also maintains a self-funded dental plan for covered employees. The claims liability of \$33.5 million is reported in the Self-Insurance Internal Service Fund at December 31, 2007, is based on the requirements of GASB Statement No. 10-Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, and covers the exposures of workers' compensation, liability, dental and re-employment.

Per State Statute, the City purchases excess insurance for its workers' compensation program from the Workers' Compensation Reinsurance Association (WCRA) and supports the State's regulation authority through payments in the Special Compensation Fund (SCF). The WCRA reimburses members for individual claim losses exceeding the City's retention limit. Reimbursements by the Second Injury Fund come through the SCF. Workers' compensation coverage is governed by State of Minnesota statutes.

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

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

NOTE 21 - RISK MANAGEMENT & CLAIMS (Continued)

Changes in the claims liabilities during fiscal 2006 and 2007 are:

	2006	2007
Liability balance – January 1	\$ 31,101	\$ 32,246
Current year claims and changes in estimates	11,618	12,243
Claim payments	<u>(10,473)</u>	<u>(11,022)</u>
Liability balance – December 31	\$ <u>32,246</u>	\$ <u>33,467</u>

NOTE 22 – OTHER COMMITMENTS AND CONTINGENCIES

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

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

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

A class action suit was filed against the city for return on fine money and other relief arising from city’s red light camera program that has been struck down by the courts. A final settlement is expected soon.

The City is a defendant in cases that allege property damages from sewer repair work and bridge replacement.

A notice of claim has been filed against the city by one of the major corporations arising from damage to property caused by water infiltration due to water main break.

The City is a defendant in a case alleging discrimination based upon religious beliefs and for breach of contract.

NOTE 23 – SUBSEQUENT EVENTS

The City has issued the following Bonds since December 31, 2007

On March 4, 2008, the City issued \$2,770 of General Obligation Tax Increment Bonds (Midtown Exchange), Series 2008. The Midtown Exchange project is a mixed-use redevelopment project constructed in the formerly vacant and City-owned Sears warehouse and retail building in south Minneapolis and consisted of rehabilitating the building into office space, rental apartments, for-sale condo housing and for-sale liner housing as well as a Sheraton hotel, retail space and other public service amenities. These bonds provided financial assistance to the rental housing developer and will be paid back with tax increment revenues. The bonds have interest rates ranging from 4.00% to 5.00% and a final maturity date of March 1, 2032.

On March 4, 2008, the City also issued \$12,360 of Taxable General Obligation Tax Increment Refunding Bonds (Laurel Village), Series 2008. The bonds were issued to fund an advance refunding escrow to be able to call in \$11,880 of the General Obligation Tax Increment Refunding Bonds, Series 2003 (Laurel Village) on the first call date of March 1, 2010. This refunding was a partial advance refunding and was not performed for cost savings but rather to place a portion of the Series 2003 outstanding bonds in taxable mode to comply with IRS regulations regarding the level of private payments being received for making debt service payments. As a result of the nature of this transaction, net present value statistics are not relevant since the taxable bonds are at a higher cost than the bonds refunded. Upon funding the advance refunding escrow on March 11, 2008, there will be a remaining outstanding balance of the original 2003 tax exempt refunding bonds of \$7,100. The taxable issue has interest rates ranging from 4.00% to 4.85% and a final maturity date of March 1, 2018.

For the fiscal year ended December 31, 2007

(Dollar Amounts Expressed in Thousands)

NOTE 23 – SUBSEQUENT EVENTS (Continued)

In May 2008, the City issued \$38,810 of General Obligation Various Purpose Bonds, Series 2008 to support the five-year capital plan. These bonds were issued for a variety of public works infrastructure improvements, park, library, municipal building commission, diseased tree, technology, sanitary and storm sewer and water improvements. The 2008 Series, Various Purpose Bonds were issued in fixed rate mode and had interest rates ranging from 4.00% to 5.00% and a final maturity date of December 1, 2015.

In May 2008, the City also issued \$11,605 of General Obligation Library Bonds, Series 2008 for construction of improvements to several community libraries as part of the five-year capital plan. These bonds were issued as part of a voter approved referendum in November of 2000 which authorized \$110,000 for the new Central Library and \$30,000 for community library capital improvements. On January 1, 2008, the City of Minneapolis Library System was merged into the Hennepin County Library System. With this sale, all of the authorized bonds have now been issued. As part of the financial arrangements, the City of Minneapolis will provide the remaining bond proceeds to the Hennepin County System to continue making the agreed upon improvements to the Minneapolis community libraries and the City will be responsible for debt service on these bonds. The 2008 Series, Library Bonds were issued in fixed rate mode and had interest rates ranging from 3.00% to 3.50% and a final maturity date of December 1, 2016.

NOTE 24 - OTHER ITEM – MINNEAPOLIS LIBRARY MERGER WITH HENNEPIN COUNTY

In January 2008, the Minneapolis Public Library merged with the Hennepin County Library systems, resulting in the elimination of the Minneapolis Public Library Board.



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**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended December 31, 2007**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	2007				
	Budgeted Amounts		Actual	Variance	2006
	Original	Final			Actual
REVENUES:					
Taxes	\$ 151,019	\$ 147,027	\$ 150,886	\$ 3,859	\$ 137,889
Licenses and permits	25,999	25,999	25,202	(797)	24,938
Intergovernmental revenues	78,869	85,204	84,026	(1,178)	91,614
Charges for services and sales	35,631	36,200	35,902	(298)	38,169
Fines and forfeits	10,173	10,173	8,488	(1,685)	8,598
Special assessments	2,783	2,981	4,423	1,442	3,008
Interest	1,860	1,860	2,780	920	907
Miscellaneous revenues	1,358	1,520	1,066	(454)	1,446
Total revenues	<u>307,692</u>	<u>310,964</u>	<u>312,773</u>	<u>1,809</u>	<u>306,569</u>
CURRENT EXPENDITURES:					
Current:					
General government:					
Mayor	1,329	1,329	1,280	49	1,081
Council & Clerk	5,355	5,504	5,121	383	5,163
Assessor	3,574	3,577	3,519	58	3,316
Attorney	6,170	6,170	6,056	114	5,900
Civil rights	2,461	2,861	2,287	574	2,025
Clerk-Elections and registration	815	815	788	27	997
Coordinator	1,243	1,594	1,446	148	936
Coordinator-Communications	2,502	2,382	2,261	121	2,347
Coordinator-Finance	18,126	18,126	17,541	585	17,757
Coordinator-Grants and special projects	268	268	201	67	153
Coordinator-Human resources	6,093	6,095	5,947	148	5,912
Coordinator-Intergovernmental relations	997	997	868	129	793
Contingency	2,058	1,308	570	738	105
Miscellaneous	-	-	163	(163)	376
Total general government	<u>50,991</u>	<u>51,026</u>	<u>48,048</u>	<u>2,978</u>	<u>46,861</u>
Public safety:					
Coordinator-Regulatory services	23,937	25,084	23,912	1,172	23,169
Corrections	866	866	775	91	715
Emergency communications	9,328	9,578	9,226	352	9,655
Fire	48,380	48,471	48,471	-	47,663
Police	112,096	116,900	116,268	632	112,611
Total public safety	<u>194,607</u>	<u>200,899</u>	<u>198,652</u>	<u>2,247</u>	<u>193,813</u>
Public works:					
Administration	2,899	2,907	2,869	38	3,011
Engineering design	1,182	1,182	1,058	124	984
Field services	24,272	25,885	25,218	667	23,146
Transportation and special projects	11,187	11,654	11,424	230	11,593
Total public works	<u>39,540</u>	<u>41,628</u>	<u>40,569</u>	<u>1,059</u>	<u>38,734</u>
Culture and recreation - Library	<u>-</u>	<u>1,205</u>	<u>1,205</u>	<u>-</u>	<u>200</u>
Health and welfare - Health and family support	<u>4,076</u>	<u>4,076</u>	<u>4,047</u>	<u>29</u>	<u>3,693</u>
Community & economic development	<u>3,708</u>	<u>3,708</u>	<u>3,642</u>	<u>66</u>	<u>3,530</u>
Total expenditures	<u>292,922</u>	<u>302,542</u>	<u>296,163</u>	<u>6,379</u>	<u>286,831</u>
Excess (deficiency) of revenues over (under) expenditures	<u>14,770</u>	<u>8,422</u>	<u>16,610</u>	<u>8,188</u>	<u>19,738</u>
OTHER FINANCING SOURCES (USES):					
Transfers from other funds	19,391	11,391	12,736	1,345	20,994
Transfers (to) other funds	(33,806)	(29,213)	(29,213)	-	(39,182)
Total other financing sources (uses)	<u>(14,415)</u>	<u>(17,822)</u>	<u>(16,477)</u>	<u>1,345</u>	<u>(18,188)</u>
Net change in fund balance	355	(9,400)	133	9,533	1,550
Fund balance - January 1	<u>55,112</u>	<u>55,112</u>	<u>55,112</u>	<u>-</u>	<u>53,562</u>
Fund balance - December 31	<u>\$ 55,467</u>	<u>\$ 45,712</u>	<u>\$ 55,245</u>	<u>\$ 9,533</u>	<u>\$ 55,112</u>

The notes to the required supplementary information are an integral part of this statement.

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, 2007 **(In Thousands)**

	2007				2006 Actual
	Budgeted Amounts		Actual	Variance	
	Original	Final			
REVENUES:					
Taxes:					
General property tax	\$ -	\$ -	\$ 226	\$ 226	\$ 312
Property tax increment	72,104	72,104	77,109	5,005	70,849
Total taxes	72,104	72,104	77,335	5,231	71,161
Intergovernmental revenues:					
Federal grantor agencies	4,157	4,357	8	(4,349)	233
State grants and shared revenues	301	301	768	467	5,555
County grants	-	-	385	385	364
Other local grants	-	-	588	588	1,856
Total intergovernmental revenues	4,458	4,658	1,749	(2,909)	8,008
Charges for services and sales	14,376	14,392	8,840	(5,552)	6,950
Interest	-	-	8,975	8,975	7,657
Miscellaneous revenues:					
Rents and commissions	5,873	5,873	4,564	(1,309)	4,150
Sale of land	-	-	1,055	1,055	2,610
Loan recapture	-	-	4,289	4,289	4,254
Other	9,024	9,024	822	(8,202)	1,355
Total miscellaneous revenues	14,897	14,897	10,730	(4,167)	12,369
Total revenues	105,835	106,051	107,629	1,578	106,145
CURRENT EXPENDITURES:					
Community & economic development	41,949	140,031	50,945	89,086	54,852
Excess (deficiency) of revenues over (under) expenditures	63,886	(33,980)	56,684	90,664	51,293
OTHER FINANCING SOURCES (USES):					
Transfers from other funds	3,909	3,909	11,151	7,242	14,390
Transfers (to) other funds	(69,547)	(75,776)	(67,709)	8,067	(77,738)
Total other financing sources (uses)	(65,638)	(71,867)	(56,558)	15,309	(63,348)
Net change in fund balance	(1,752)	(105,847)	126	105,973	(12,055)
Fund balance - January 1	224,538	224,538	224,538	-	236,593
Fund balance - December 31	\$ 222,786	\$ 118,691	\$ 224,664	\$ 105,973	\$ 224,538

The notes to the required supplementary information are an integral part of this statement.

**CONVENTION CENTER SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended December 31, 2007**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	2007					2006 Actual
	Budgeted Amount		Actual	Variance		
	Original	Final				
REVENUES:						
Taxes:						
Sales and use tax	\$ 28,394	\$ 28,394	\$ 29,535	\$ 1,141	\$ 27,867	
Entertainment tax	9,382	9,382	9,880	498	9,248	
Food tax	9,525	9,525	10,319	794	9,993	
Liquor tax	3,714	3,714	3,757	43	3,627	
Lodging tax	5,301	5,301	6,574	1,273	5,990	
Total taxes	<u>56,316</u>	<u>56,316</u>	<u>60,065</u>	<u>3,749</u>	<u>56,725</u>	
Charges for services and sales	5,925	5,925	5,251	(674)	5,155	
Interest	422	422	1,544	1,122	752	
Miscellaneous revenues:						
Rents and commissions	6,290	6,290	6,509	219	6,768	
Private contributions	-	392	392	-	538	
Privileges	2,447	2,447	2,555	108	2,603	
Other	14	14	27	13	22	
Total miscellaneous revenues	<u>8,751</u>	<u>9,143</u>	<u>9,483</u>	<u>340</u>	<u>9,931</u>	
Total revenues	<u>71,414</u>	<u>71,806</u>	<u>76,343</u>	<u>4,537</u>	<u>72,563</u>	
CURRENT EXPENDITURES:						
General government	66	66	66	-	67	
Community & economic development	35,543	39,036	33,620	5,416	32,011	
Total expenditures	<u>35,609</u>	<u>39,102</u>	<u>33,686</u>	<u>5,416</u>	<u>32,078</u>	
Excess (deficiency) of revenues over (under) expenditures	<u>35,805</u>	<u>32,704</u>	<u>42,657</u>	<u>9,953</u>	<u>40,485</u>	
OTHER FINANCING SOURCES (USES):						
Transfers from other funds	500	500	500	-	3,129	
Transfers (to) other funds	(39,371)	(39,371)	(38,461)	910	(38,242)	
Total other financing sources (uses)	<u>(38,871)</u>	<u>(38,871)</u>	<u>(37,961)</u>	<u>910</u>	<u>(35,113)</u>	
Net change in fund balance	(3,066)	(6,167)	4,696	10,863	5,372	
Fund balance - January 1	41,222	41,222	41,222	-	35,850	
Fund balance - December 31	<u>\$ 38,156</u>	<u>\$ 35,055</u>	<u>\$ 45,918</u>	<u>\$ 10,863</u>	<u>\$ 41,222</u>	

The notes to the required supplementary information are an integral part of this statement.

NOTE 1 – BUDGETS

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

NOTE 2 – POSTEMPLOYMENT BENEFITS PLAN

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2007	\$ -	\$ 61,251	\$ 61,251	0.0%	\$ 288,996	21.2%

This schedule was implemented in 2007, and therefore only contains one year of data.

Non-Major Special Revenue Funds

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

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

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

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

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

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

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

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

Non-Major 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.

Non-Major Debt Service Funds

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

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

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

**GOVERNMENTAL FUNDS
BALANCE SHEET - NONMAJOR FUNDS
December 31, 2007**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Special Revenue	Debt Service	Capital Project	Total Nonmajor Governmental
<u>ASSETS</u>				
Cash and cash equivalents	\$ 22,336	\$ 37,093	\$ 22,131	\$ 81,560
Deposits with fiscal agents	490	-	-	490
Investments with trustees	-	5,463	-	5,463
Receivables:				
Accounts - net	138	379	758	1,275
Taxes	223	1,099	89	1,411
Special assessments	-	-	3,443	3,443
Loans	5,740	-	-	5,740
Accrued interest	72	173	267	512
Intergovernmental	9,566	-	-	9,566
Due from other funds	3,972	-	-	3,972
Total assets	\$ 42,537	\$ 44,207	\$ 26,688	\$ 113,432
<u>LIABILITIES and FUND BALANCES</u>				
Liabilities:				
Salaries payable	\$ 762	\$ -	\$ 442	\$ 1,204
Accounts payable	2,006	7	1,734	3,747
Intergovernmental payable	11	-	1,051	1,062
Due to other funds	5,827	-	18,085	23,912
Deferred revenue	15,408	851	4,003	20,262
Total liabilities	24,014	858	25,315	50,187
Fund balances:				
Reserved for:				
Encumbrances	8	-	181	189
Pension liability	9,673	-	-	9,673
Unreserved				
Designated for debt service	-	43,349	-	43,349
Unreserved, reported in:				
Special Revenue Fund	8,842	-	-	8,842
Capital Projects Fund	-	-	1,192	1,192
Total fund balances	18,523	43,349	1,373	63,245
Total liabilities and fund balances	\$ 42,537	\$ 44,207	\$ 26,688	\$ 113,432

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - NONMAJOR FUNDS
For the Fiscal Year Ended December 31, 2007**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Project</u>	<u>Total Nonmajor Governmental</u>
REVENUES:				
Taxes	\$9,155	\$27,180	\$1,566	\$37,901
Licenses and permits	918	-	287	1,205
Intergovernmental revenues	60,253	592	13,764	74,609
Charges for services and sales	992	-	2,793	3,785
Fines and forfeits	909	-	-	909
Special assessments	-	1	1,514	1,515
Interest	764	2,242	2,180	5,186
Miscellaneous revenues	4,544	2,491	1,312	8,347
	<u>77,535</u>	<u>32,506</u>	<u>23,416</u>	<u>133,457</u>
EXPENDITURES:				
Current:				
General government	6,150	-	1,317	7,467
Public safety	24,171	-	-	24,171
Public works	1,323	-	-	1,323
Culture and recreation	43	-	4,031	4,074
Health and welfare	10,146	-	-	10,146
Community & economic development	28,141	-	-	28,141
Capital outlay	-	-	43,846	43,846
Debt Service:				
Principal retirement	-	60,558	-	60,558
Interest and fiscal charges	-	60,529	-	60,529
	<u>69,974</u>	<u>121,087</u>	<u>49,194</u>	<u>240,255</u>
Excess (deficiency) of revenues over (under) expenditures	<u>7,561</u>	<u>(88,581)</u>	<u>(25,778)</u>	<u>(106,798)</u>
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	4,668	97,091	2,925	104,684
Transfers (to) other funds	(11,203)	(2,456)	(2,630)	(16,289)
Bonds issued	-	-	20,344	20,344
Premium (discount)	-	-	478	478
Refunding bonds issued	-	1,750	-	1,750
Payments to escrow agents	-	(1,480)	-	(1,480)
	<u>(6,535)</u>	<u>94,905</u>	<u>21,117</u>	<u>109,487</u>
Net change in fund balance	1,026	6,324	(4,661)	2,689
Fund balances - January 1	<u>17,497</u>	<u>37,025</u>	<u>6,034</u>	<u>60,556</u>
Fund balances - December 31	<u>\$ 18,523</u>	<u>\$ 43,349</u>	<u>\$ 1,373</u>	<u>\$ 63,245</u>

SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET - NONMAJOR FUNDS
December 31, 2007

CITY OF MINNEAPOLIS, MINNESOTA

(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	2007 Total	2006 Total
ASSETS										
Cash and cash equivalents	\$ 2,057	\$ 192	\$ 100	\$ 5,650	\$ 9,797	\$ 2,192	\$ 1,622	\$ 726	\$ 22,336	\$ 22,116
Deposits with fiscal agents	-	-	-	-	-	-	490	-	490	-
Receivables:										
Accounts - net	-	-	13	-	-	-	-	125	138	608
Taxes	-	7	-	-	216	-	-	-	223	162
Loans	-	-	-	-	-	5,180	560	-	5,740	3,826
Accrued Interest	-	-	-	-	72	-	-	-	72	58
Intergovernmental	-	-	5,638	-	-	3,142	786	-	9,566	10,608
Due from other funds	-	-	72	-	-	-	3,900	-	3,972	2,406
Total assets	\$ 2,057	\$ 199	\$ 5,823	\$ 5,650	\$ 10,085	\$ 10,514	\$ 7,358	\$ 851	\$ 42,537	\$ 39,784

LIABILITIES AND FUND BALANCES

Liabilities:										
Salaries payable	\$ -	\$ 23	\$ 158	\$ -	\$ -	\$ 254	\$ 211	\$ 116	\$ 762	\$ 660
Accounts payable	-	-	279	-	268	928	425	106	2,006	2,652
Intergovernmental payable	-	-	-	-	-	-	11	-	11	1
Due to other funds	383	-	5,386	-	-	2	56	-	5,827	4,427
Deferred revenue	-	5	-	-	144	9,330	5,921	8	15,408	14,547
Total liabilities	383	28	5,823	-	412	10,514	6,624	230	24,014	22,287

Fund balances:										
Reserved for:										
Encumbrances	-	-	-	-	-	-	-	8	8	8
Pension liability	-	-	-	-	9,673	-	-	-	9,673	8,994
Unreserved:										
Undesignated	1,674	171	-	5,650	-	-	734	613	8,842	8,495
Total fund balances	1,674	171	-	5,650	9,673	-	734	621	18,523	17,497
Total liabilities and fund balances	\$ 2,057	\$ 199	\$ 5,823	\$ 5,650	\$ 10,085	\$ 10,514	\$ 7,358	\$ 851	\$ 42,537	\$ 39,784

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, 2007

(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	2007 Total	2006 Total	
REVENUES:											
Taxes	\$ -	\$ 231	\$ -	\$ -	\$ 8,728	\$ -	\$ 48	\$ 148	\$ 9,155	\$ 6,525	
Licenses and permits	-	-	-	-	-	-	-	918	918	634	
Intergovernmental revenues	-	8	19,300	-	3,702	20,397	16,370	476	60,253	60,422	
Charges for services and sales	-	-	100	-	-	1	305	586	992	1,042	
Fines and forfeits	-	-	-	-	405	-	-	504	909	651	
Interest	56	-	36	-	595	44	33	-	764	1,173	
Miscellaneous revenues	-	-	2,095	-	864	182	1,402	1	4,544	6,743	
Total revenues	56	239	21,531	-	14,294	20,624	18,158	2,633	77,535	77,190	
CURRENT EXPENDITURES:											
General government	-	329	2,371	-	2,662	571	217	-	6,150	19,004	
Public safety	-	-	193	-	10,050	9,036	2,551	2,341	24,171	26,533	
Public works	-	-	131	-	-	1,144	48	-	1,323	437	
Culture and Recreation	-	-	-	-	-	32	11	-	43	-	
Health and welfare	-	-	1,455	-	-	4,251	4,440	-	10,146	10,920	
Community & economic development	-	-	12,335	-	-	5,544	10,262	-	28,141	21,710	
Total expenditures	-	329	16,485	-	12,712	20,578	17,529	2,341	69,974	78,604	
Excess (deficiency) of revenues over (under) expenditures	56	(90)	5,046	-	1,582	46	629	292	7,561	(1,414)	
OTHER FINANCING SOURCES (USES):											
Transfers from other funds	3,288	101	-	1,150	-	-	129	-	4,668	14,509	
Transfers (to) other funds	(4,008)	-	(5,046)	(500)	(903)	(46)	(700)	-	(11,203)	(20,968)	
Total other financing sources (uses)	(720)	101	(5,046)	650	(903)	(46)	(571)	-	(6,535)	(6,459)	
Net change in fund balances	(664)	11	-	650	679	-	58	292	1,026	(7,873)	
Fund balances - January 1	2,338	160	-	5,000	8,994	-	676	329	17,497	25,370	
Fund balances - December 31	\$ 1,674	\$ 171	\$ -	\$ 5,650	\$ 9,673	\$ -	\$ 734	\$ 621	\$ 18,523	\$ 17,497	

**DEBT SERVICE FUNDS
COMBINING BALANCE SHEET - NONMAJOR FUNDS
DECEMBER 31, 2007**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Community Planning and Economic Development	Development	General Debt Service	2007 Total	2006 Total
ASSETS					
Cash and cash equivalents	\$ 13,531	\$ 219	\$ 23,343	37,093	\$ 31,549
Investments with trustees	4,057	1,406	-	5,463	5,061
Receivables:					
Accounts - net	-	-	379	379	401
Taxes:					
Current	-	-	248	248	144
Delinquent	-	-	851	851	741
Special assessments:					
Deferred	-	-	-	-	30
Accrued Interest	79	1	93	173	131
Total assets	17,667	1,626	24,914	44,207	38,057
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	-	5	2	7	7
Due to other funds	-	-	-	-	253
Deferred revenue	-	-	851	851	772
Total liabilities	-	5	853	858	1,032
Fund balances:					
Unreserved:					
Designated for debt service	17,667	1,621	24,061	43,349	37,025
Total liabilities and fund balances	\$ 17,667	\$ 1,626	\$ 24,914	\$ 44,207	\$ 38,057

DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - NONMAJOR FUNDS
For the Fiscal Year Ended December 31, 2007

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Community Planning and Economic Development	Development	General Debt Service	2007 Total	2006 Total
REVENUES:					
Taxes:					
General property tax	\$ -	\$ -	\$ 24,996	\$ 24,996	\$ 24,367
Fiscal disparities	-	-	2,184	2,184	\$ 2,420
Total taxes	-	-	27,180	27,180	26,787
Intergovernmental revenues	-	-	592	592	753
Special assessments	-	-	1	1	-
Interest	916	65	1,261	2,242	1,192
Miscellaneous revenues:					
Rents and commissions	-	303	325	628	700
Other	-	-	1,863	1,863	1,817
Total miscellaneous revenues	-	303	2,188	2,491	2,517
Total revenues	916	368	31,222	32,506	31,249
EXPENDITURES:					
Principal retirement on bonds	11,199	19,410	27,454	58,063	63,489
Principal retirement on notes	2,045	-	450	2,495	4,028
Interest and fiscal charges	28,026	18,966	13,537	60,529	61,506
Total expenditures	41,270	38,376	41,441	121,087	129,023
Excess (deficiency) of revenues over (under) expenditures	(40,354)	(38,008)	(10,219)	(88,581)	(97,774)
OTHER FINANCING SOURCES (USES):					
Transfers from other funds	41,563	38,034	17,494	97,091	103,371
Transfers (to) other funds	(360)	-	(2,096)	(2,456)	(2,384)
Refunding bonds issued	1,750	-	-	1,750	10,545
Premium (Discount)	-	-	-	-	-
Payments to escrow agents	(1,480)	-	-	(1,480)	(9,989)
Total other financing sources (uses)	41,473	38,034	15,398	94,905	101,543
Net change in fund balances	1,119	26	5,179	6,324	3,769
Fund balances - January 1	16,548	1,595	18,882	37,025	33,256
Fund balances - December 31	\$ 17,667	\$ 1,621	\$ 24,061	\$ 43,349	\$ 37,025

**CAPITAL PROJECTS FUNDS
BALANCE SHEET - NONMAJOR FUNDS
DECEMBER 31, 2007**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	<u>2007 Total</u>	<u>2006 Total</u>
ASSETS		
Cash and cash equivalents	\$ 22,131	\$ 23,593
Receivables:		
Accounts - net	758	852
Taxes:		
Current	15	14
Delinquent	74	59
Special assessments:		
Current	18	17
Delinquent	101	73
Deferred	3,324	3,000
Accrued Interest	267	176
Due from other funds	-	254
Total assets	<u><u>26,688</u></u>	<u><u>28,038</u></u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Salaries payable	442	469
Accounts payable	1,734	1,251
Intergovernmental payable	1,051	-
Due to other funds	18,085	15,924
Due to component unit	-	270
Deferred revenue	4,003	4,090
Total liabilities	<u>25,315</u>	<u>22,004</u>
Fund balances:		
Reserved for:		
Encumbrances	181	589
Unreserved:		
Designated for capital projects	1,192	5,445
Total fund balances	<u>1,373</u>	<u>6,034</u>
Total liabilities and fund balances	<u><u>\$ 26,688</u></u>	<u><u>\$ 28,038</u></u>

CAPITAL PROJECTS FUNDS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - NONMAJOR FUNDS
For the Fiscal Year Ended December 31, 2007

ITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	<u>2007 Total</u>	<u>2006 Total</u>
REVENUES:		
Taxes:		
General property tax	\$ 1,375	\$ 1,570
Property tax increment	2	4
Fiscal disparities	189	232
Total taxes	<u>1,566</u>	<u>1,806</u>
Licenses and permits	287	266
Intergovernmental revenues:		
State grants and shared revenues	6,096	11,805
Other local grants	7,668	3,379
Total intergovernmental revenues	<u>13,764</u>	<u>15,184</u>
Charges for services and sales	2,793	3,796
Special assessments	1,514	1,618
Interest	2,180	2,522
Miscellaneous revenues:		
Other	1,312	995
Total revenues	<u>23,416</u>	<u>26,187</u>
EXPENDITURES:		
General government	1,317	871
Culture & recreation	4,031	15,651
Capital outlay	43,846	45,447
Total expenditures	<u>49,194</u>	<u>61,969</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(25,778)</u>	<u>(35,782)</u>
OTHER FINANCING SOURCES (USES):		
Transfers from other funds	2,925	469
Transfers (to) other funds	(2,630)	(7,037)
Bonds issued	20,344	26,835
Premium (Discount)	478	49
Total other financing sources (uses)	<u>21,117</u>	<u>20,316</u>
Net change in fund balances	(4,661)	(15,466)
Fund balances - January 1	<u>6,034</u>	<u>21,500</u>
Fund balances - December 31	<u><u>\$ 1,373</u></u>	<u><u>\$ 6,034</u></u>

**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, 2007**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	2007				2006 Actual
	Budgeted Amount		Actual	Variance	
	Original	Final			
REVENUES:					
Taxes:					
General property tax	\$ 236	\$ 236	\$ 203	\$ (33)	\$ 190
Fiscal disparities	-	-	28	28	28
Total taxes	236	236	231	(5)	218
Intergovernmental revenues:					
State grants and shared revenues	-	-	8	8	9
Total revenues	236	236	239	3	227
CURRENT EXPENDITURES:					
General government	343	343	329	14	330
Excess (deficiency) of revenues over (under) expenditures	(107)	(107)	(90)	17	(103)
OTHER FINANCING SOURCES (USES):					
Proceeds from bonds	105	105	-	(105)	-
Transfers from other funds	-	-	101	101	102
Total other financing sources (uses)	105	105	101	(4)	102
Net change in fund balance	(2)	(2)	11	13	(1)
Fund balance - January 1	160	160	160	-	161
Fund balance - December 31	\$ 158	\$ 158	\$ 171	\$ 13	\$ 160

**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, 2007**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	2007					2006 Actual
	Budgeted Amounts		Actual	Variance		
	Original	Final				
REVENUES:						
Intergovernmental revenues:						
Federal grantor agencies	\$ 17,076	\$ 18,276	\$ 19,300	\$ 1,024		\$ 21,638
Charges for services and sales	-	-	100	100		-
Interest	-	-	36	36		-
Miscellaneous revenues:						
Sale of land	-	-	263	263		-
Loan recapture	600	787	1,831	1,044		-
Other	-	-	1	1		-
Total miscellaneous revenues	600	787	2,095	1,308		-
Total revenues	17,676	19,063	21,531	2,468		21,638
CURRENT EXPENDITURES:						
General government	2,045	2,956	2,371	585		2,246
Public safety	548	1,133	193	940		413
Public works	78	143	131	12		78
Health and welfare	1,554	1,741	1,455	286		2,063
Community & economic development	8,942	18,127	12,335	5,792		10,443
Total expenditures	13,167	24,100	16,485	7,615		15,243
Excess (deficiency) of revenues over (under) expenditures	4,509	(5,037)	5,046	10,083		6,395
OTHER FINANCING SOURCES (USES):						
Transfers from other funds	-	19	-	(19)		-
Transfers (to) other funds	(3,909)	(5,109)	(5,046)	63		(6,395)
Total other financing sources (uses)	(3,909)	(5,090)	(5,046)	44		(6,395)
Net change in fund balance	600	(10,127)	-	10,127		-
Fund balance - January 1	-	-	-	-		-
Fund balance - December 31	\$ 600	\$ (10,127)	\$ -	\$ 10,127		\$ -

**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, 2007**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	<u>2007</u>				<u>2006 Actual</u>
	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>	
	<u>Original</u>	<u>Final</u>			
OTHER FINANCING SOURCES (USES):					
Transfers from other funds	\$ 1,150	\$ 1,150	\$ 1,150	\$ -	\$ 1,150
Transfers (to) other funds	(500)	(500)	(500)	-	(3,031)
Total other financing sources (uses)	<u>650</u>	<u>650</u>	<u>650</u>	<u>-</u>	<u>(1,881)</u>
Net change in fund balance	650	650	650	-	(1,881)
Fund balance - January 1	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>-</u>	<u>6,881</u>
Fund balance - December 31	<u><u>\$ 5,650</u></u>	<u><u>\$ 5,650</u></u>	<u><u>\$ 5,650</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 5,000</u></u>

**EMPLOYEE RETIREMENT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended December 31, 2007**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	2007				2006 Actual
	Budgeted Amounts		Actual	Variance	
	Original	Final			
REVENUES:					
Taxes:					
General property tax	\$ 8,929	\$ 8,929	\$ 7,649	\$ (1,280)	\$ 5,326
Property tax increment	-	-	12	12	12
Fiscal disparities	-	-	1,066	1,066	792
Other taxes	-	-	1	1	-
Total taxes	8,929	8,929	8,728	(201)	6,130
Intergovernmental revenues:					
State grants and shared revenues	7,871	7,871	3,702	(4,169)	5,820
Fines and forfeits	-	406	405	(1)	122
Interest	-	-	595	595	376
Miscellaneous revenues:					
Other	-	-	864	864	743
Total revenues	16,800	17,206	14,294	(2,912)	13,191
CURRENT EXPENDITURES:					
General government	3,114	2,674	2,662	12	15,644
Public safety	7,590	10,150	10,050	100	12,284
Total expenditures	10,704	12,824	12,712	112	27,928
Excess (deficiency) of revenues over (under) expenditures	6,096	4,382	1,582	(2,800)	(14,737)
OTHER FINANCING SOURCES (USES):					
Transfers from other funds	-	-	-	-	10,000
Transfers (to) other funds	-	(903)	(903)	-	(1,008)
Total other financing sources (uses)	-	(903)	(903)	-	8,992
Net change in fund balance	6,096	3,479	679	(2,800)	(5,745)
Fund balance - January 1	8,994	8,994	8,994	-	14,739
Fund balance - December 31	\$ 15,090	\$ 12,473	\$ 9,673	\$ (2,800)	\$ 8,994

**GRANTS - FEDERAL SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended December 31, 2007**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	2007					2006 Actual
	Budgeted Amounts		Actual	Variance		
	Original	Final				
REVENUES:						
Intergovernmental revenues:						
Federal grantor agencies	\$ 23,070	\$ 39,319	\$ 20,397	\$ (18,922)	\$ 20,275	
Charges for services and sales	-	-	1	1	-	
Interest	-	-	44	44	14	
Miscellaneous revenues:						
Loan recapture	-	-	180	180	-	
Other	45	45	2	(43)	-	
Total miscellaneous revenues	45	45	182	137	-	
Total revenues	23,115	39,364	20,624	(18,740)	20,289	
CURRENT EXPENDITURES:						
General government	434	981	571	410	691	
Public safety	10,194	19,941	9,036	10,905	8,380	
Public works	-	4,348	1,144	3,204	359	
Culture and recreation	-	32	32	-	-	
Health and welfare	4,418	5,688	4,251	1,437	4,638	
Community & economic development	7,992	8,167	5,544	2,623	5,495	
Total expenditures	23,038	39,157	20,578	18,579	19,563	
Excess (deficiency) of revenues over (under) expenditures	77	207	46	(161)	726	
OTHER FINANCING SOURCES (USES):						
Transfers (to) other funds	(54)	(54)	(46)	8	(726)	
Net change in fund balance	23	153	-	(153)	-	
Fund balance - January 1	-	-	-	-	-	
Fund balance - December 31	\$ 23	\$ 153	\$ -	\$ (153)	\$ -	

**GRANTS - OTHER SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended December 31, 2007**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	2007				2006 Actual
	Budgeted Amounts		Actual	Variance	
	Original	Final			
REVENUES:					
Taxes:					
Other taxes	\$ 55	\$ 55	\$ 48	\$ (7)	\$ 11
Intergovernmental revenues:					
State grants and shared revenues	6,317	21,346	15,785	(5,561)	11,709
Other local grants	196	985	585	(400)	971
Total intergovernmental revenues	6,513	22,331	16,370	(5,961)	12,680
Charges for services	1,450	90	305	215	189
Interest	10	10	33	23	783
Miscellaneous revenues:					
Loan recapture	46	46	41	(5)	5,590
Private contributions	667	995	1,332	337	398
Other	166	158	29	(129)	9
Total miscellaneous revenues	879	1,199	1,402	203	5,997
Total revenues	8,907	23,685	18,158	(5,527)	19,660
CURRENT EXPENDITURES:					
General government	110	353	217	136	93
Public safety	1,768	4,855	2,551	2,304	3,220
Culture and recreation	-	11	11	-	-
Public works	-	1,982	48	1,934	-
Health and welfare	3,504	4,538	4,440	98	4,219
Community & economic development	3,499	23,182	10,262	12,920	5,740
Total expenditures	8,881	34,921	17,529	17,392	13,272
Excess (deficiency) of revenues over (under) expenditures	26	(11,236)	629	11,865	6,388
OTHER FINANCING SOURCES (USES):					
Transfers from other funds	-	-	129	129	45
Transfers (to) other funds	(700)	(838)	(700)	138	(6,328)
Total other financing sources (uses)	(700)	(838)	(571)	267	(6,283)
Net change in fund balance	(674)	(12,074)	58	12,132	105
Fund balance - January 1	676	676	676	-	571
Fund balance - December 31	<u>\$ 2</u>	<u>\$ (11,398)</u>	<u>\$ 734</u>	<u>\$ 12,132</u>	<u>\$ 676</u>

**POLICE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended December 31, 2007**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	2007				2006 Actual
	Budgeted Amounts		Actual	Variance	
	Original	Final			
REVENUES:					
Taxes:					
Lawful gambling	\$ 279	\$ 279	\$ 148	\$ (131)	\$ 166
Licenses and permits	486	486	918	432	634
Intergovernmental revenues:					
State grants and shared revenues	-	1,384	476	(908)	-
Charges for services and sales	927	1,277	586	(691)	853
Fines and forfeits	452	452	504	52	529
Miscellaneous revenues:					
Other	-	-	1	1	3
Total revenues	<u>2,144</u>	<u>3,878</u>	<u>2,633</u>	<u>(1,245)</u>	<u>2,185</u>
CURRENT EXPENDITURES:					
Public safety	<u>2,136</u>	<u>3,870</u>	<u>2,341</u>	<u>1,529</u>	<u>2,236</u>
Net change in fund balance	8	8	292	284	(51)
Fund balance - January 1	<u>329</u>	<u>329</u>	<u>329</u>	<u>-</u>	<u>380</u>
Fund balance - December 31	<u>\$ 337</u>	<u>\$ 337</u>	<u>\$ 621</u>	<u>\$ 284</u>	<u>\$ 329</u>

**INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
December 31, 2007**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Engineering Materials & Testing	Inter- governmental Services	Property Services	Equipment Services	Public Works Stores	Self- Insurance	2007 Total	2006 Total
ASSETS								
Current assets:								
Cash and cash equivalents	\$ 243	\$ 114	\$ 315	\$ 200	\$ 9	\$ 9,002	\$ 9,883	\$ 7,911
Receivables:								
Accounts - net	-	-	20	138	17	5	180	371
Intergovernmental	-	7	-	11	4	182	204	196
Due from other funds	-	1,035	570	-	-	2,000	3,605	4,155
Inventories	8	-	421	1,822	4,364	-	6,615	6,698
Total current assets	251	1,156	1,326	2,171	4,394	11,189	20,487	19,331
Long-term assets:								
Deferred charges	-	38	9	39	-	-	86	98
Capital assets:								
Land, leaseholds and easements	-	-	21,117	2,186	-	-	23,303	23,850
Construction in progress	-	25,826	-	633	-	-	26,459	22,155
Buildings and structures	-	-	25,588	30,061	-	-	55,649	55,732
Less accumulated depreciation	-	-	(19,452)	(4,840)	-	-	(24,292)	(23,367)
Public improvements	-	-	2,726	330	-	-	3,056	3,066
Less accumulated depreciation	-	-	(2,437)	(148)	-	-	(2,585)	(2,501)
Machinery and equipment	287	1,871	12,185	59,631	132	-	74,106	72,442
Less accumulated depreciation	(221)	(1,510)	(3,112)	(31,910)	(119)	-	(36,872)	(34,356)
Computer equipment	61	44,326	162	37	7	-	44,593	42,681
Less accumulated depreciation	(55)	(37,151)	(147)	(33)	(7)	-	(37,393)	(36,533)
Software	-	14,877	8	-	9	-	14,894	14,460
Less accumulated depreciation	-	(8,868)	(8)	-	(8)	-	(8,884)	(7,375)
Other capital outlay	15	-	21	-	15	-	51	51
Less accumulated depreciation	(15)	-	(18)	-	(13)	-	(46)	(45)
Total long-term assets	72	39,409	36,642	55,986	16	-	132,125	130,358
Total assets	\$ 323	\$ 40,565	\$ 37,968	\$ 58,157	\$ 4,410	\$ 11,189	\$ 152,612	\$ 149,689
LIABILITIES AND NET ASSETS								
Current liabilities:								
Salaries payable	\$ 66	\$ 596	\$ 598	\$ 1,244	\$ 53	\$ 522	\$ 3,079	\$ 2,268
Accounts payable	7	1,844	601	575	205	1,644	4,876	7,908
Intergovernmental payable	-	-	-	-	1	-	1	3
Due to other funds	-	2,000	-	-	570	-	2,570	2,540
Interest payable	-	134	28	126	-	3	291	315
Unearned revenue	-	4,223	-	-	-	217	4,440	6,072
Bonds payable-current portion	-	1,745	655	2,410	-	335	5,145	9,130
Compensated absences payable current portion	16	152	171	325	15	194	873	552
Total current liabilities	89	10,694	2,053	4,680	844	2,915	21,275	28,788
Long-term liabilities:								
Bonds payable	-	32,915	7,415	29,835	-	725	70,890	74,585
Unamortized premium (discounts)	-	99	193	1,170	-	-	1,462	1,586
Advances from other funds	-	10,114	-	-	-	-	10,114	14,471
Compensated absences payable	38	355	400	758	35	453	2,039	1,284
Unpaid claims payable	-	-	-	-	-	33,467	33,467	32,246
Total long-term liabilities	38	43,483	8,008	31,763	35	34,645	117,972	124,172
Total liabilities	127	54,177	10,061	36,443	879	37,560	139,247	152,960
Net Assets:								
Invested in Capital Assets, net of related debt	72	4,612	28,370	22,532	16	-	55,602	46,339
Restricted	640	-	-	-	-	-	640	-
Unrestricted	(516)	(18,224)	(463)	(818)	3,515	(26,371)	(42,877)	(49,610)
Total net assets	196	(13,612)	27,907	21,714	3,531	(26,371)	13,365	(3,271)
Total liabilities and net assets	\$ 323	\$ 40,565	\$ 37,968	\$ 58,157	\$ 4,410	\$ 11,189	\$ 152,612	\$ 149,689

INTERNAL SERVICE FUNDS
CITY OF MINNEAPOLIS, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
For the Fiscal Year Ended December 31, 2007
(In Thousands)

	Engineering Materials and Testing	Inter- governmental Services	Property Services	Equipment Services	Public Works Stores	Self- Insurance	2007 Total	2006 Total
Operating revenues:								
Charges for services and sales	\$ 4,097	\$ 32,349	\$ 8,991	\$ 12,760	\$ 4,335	\$ 75,876	\$ 138,408	\$ 128,261
Rents and commissions	-	-	7,149	20,263	-	-	27,412	27,860
Total operating revenues	4,097	32,349	16,140	33,023	4,335	75,876	165,820	156,121
Operating expenses:								
Personal services	790	7,336	8,265	15,681	732	9,538	42,342	39,303
Contractual Services	321	19,562	6,352	4,098	249	64,698	95,280	84,867
Materials, supplies, services and other	2,902	5,688	1,921	1,894	61	9,275	21,741	19,324
Rent	96	156	-	980	25	394	1,651	1,624
Cost of stores issuance	-	-	-	4,419	3,096	-	7,515	7,232
Depreciation	17	2,442	1,226	5,149	-	-	8,834	10,742
Total operating expenses	4,126	35,184	17,764	32,221	4,163	83,905	177,363	163,092
Operating income (loss)	(29)	(2,835)	(1,624)	802	172	(8,029)	(11,543)	(6,971)
Non-operating revenue (expenses)								
Interest revenue	-	-	-	1	-	-	1	2
Interest expense	-	(1,622)	(338)	(1,627)	-	(48)	(3,635)	(4,273)
Gain (loss) on disposal of capital assets	-	(250)	704	282	-	-	736	130
Damages/losses recovered	-	-	-	4	-	-	4	61
Other revenues	-	-	-	27	-	7,155	7,182	5,274
Total non-operating revenues (expenses)	-	(1,872)	366	(1,313)	-	7,107	4,288	1,194
Income (loss) before operating transfers	(29)	(4,707)	(1,258)	(511)	172	(922)	(7,255)	(5,777)
Transfers in (out):								
Transfers from other funds	-	15,036	653	4,180	-	4,750	24,619	24,665
Transfers to other funds	(42)	(177)	(69)	(332)	(11)	(97)	(728)	(286)
Total transfers	(42)	14,859	584	3,848	(11)	4,653	23,891	24,379
Change in net assets	(71)	10,152	(674)	3,337	161	3,731	16,636	18,602
Net assets - January 1	267	(23,764)	28,581	18,377	3,370	(30,102)	(3,271)	(21,873)
Net assets - December 31	\$ 196	\$ (13,612)	\$ 27,907	\$ 21,714	\$ 3,531	\$ (26,371)	\$ 13,365	\$ (3,271)

**INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Fiscal Year Ended December 31, 2007**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Engineering Materials and Testing	Inter- governmental Services	Property Services	Equipment Services	Public Works Stores	Self- Insurance	2007 Total	2006 Total
Cash flows from operating activities:								
Cash received from customers and users	\$ 4,097	\$ 31,052	\$ 15,795	\$ 32,966	\$ 4,336	\$ 83,855	\$ 172,101	\$ 165,260
Payments to suppliers	(3,350)	(24,626)	(8,535)	(12,129)	(3,611)	(76,855)	(129,106)	(111,483)
Payments to employees	(756)	(7,025)	(7,907)	(15,013)	(706)	(7,824)	(39,231)	(38,237)
Net Cash Provided (used) by operating Activities	(9)	(599)	(647)	5,824	19	(824)	3,764	15,540
Cash flows from non-capital financing activities:								
Transfers from other funds	-	15,036	653	4,180	-	4,750	24,619	24,665
Advances from other funds	-	(4,357)	-	-	-	-	(4,357)	(78)
Principal paid on bonds and notes	-	-	-	-	-	(320)	(320)	(4,015)
Interest paid on bonds and notes	-	-	-	-	-	(48)	(48)	(105)
Transfers to other funds	(42)	(177)	(69)	(332)	(11)	(97)	(728)	(856)
Net cash provided (used) by non-capital financing activities	(42)	10,502	584	3,848	(11)	4,285	19,166	20,181
Cash flows from capital and related financing activities								
Bonds issued	-	1,450	-	-	-	-	1,450	1,525
Principal paid on bonds	-	(2,565)	(615)	(5,630)	-	-	(8,810)	(14,720)
Interest paid on bonds	-	(1,630)	(357)	(1,733)	-	-	(3,720)	(4,371)
Acquisition and construction of capital assets	-	(7,044)	-	(4,852)	-	-	(11,896)	(16,840)
Bond issuance costs	-	(1)	-	-	-	-	(1)	(4)
Proceeds from sale of capital assets	-	-	1,312	706	-	-	2,018	778
Net cash provided (used) by capital and related financing activities	-	(9,790)	340	(11,509)	-	-	(20,959)	(33,632)
Cash flows from investing activities:								
Interest	-	-	-	1	-	-	1	2
Net increase (decrease) in cash and cash equivalents	(51)	113	277	(1,836)	8	3,461	1,972	2,091
Cash and cash equivalents, beginning of year	294	1	38	2,036	1	5,541	7,911	5,820
Cash and cash equivalents, end of year	\$ 243	\$ 114	\$ 315	\$ 200	\$ 9	\$ 9,002	\$ 9,883	\$ 7,911
Reconciliation of operating income to net cash provided (used) by operating activities								
Operating income (loss)	\$ (29)	\$ (2,835)	\$ (1,624)	\$ 802	\$ 172	\$ (8,029)	\$ (11,543)	\$ (6,971)
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:								
Depreciation	17	2,442	1,226	5,149	-	-	8,834	10,742
Accounts receivable	-	2	227	(46)	8	-	191	(33)
Intergovernmental receivable	-	-	1	-	(4)	-	(3)	5
Inventories	-	-	67	(630)	646	-	83	(2,074)
Prepays	-	-	-	-	-	-	-	195
Due from other funds	-	298	(570)	(5)	-	823	546	4,107
Due from component unit	-	-	-	-	-	-	-	133
Salaries payable	18	156	179	322	7	128	810	(83)
Accounts payable	(30)	441	(331)	(109)	(517)	(2,486)	(3,032)	1,951
Due to other funds	-	338	-	-	(308)	-	30	1,495
Interest payable	-	-	-	-	-	(1)	(1)	(9)
Intergovernmental payable	-	-	-	-	(2)	-	(2)	5
Unearned revenue	-	(1,595)	-	(37)	-	1	(1,631)	(402)
Compensated absences payable	15	154	178	347	17	364	1,075	1
Unpaid claims	-	-	-	-	-	1,221	1,221	1,145
Damages/Losses recovered	-	-	-	4	-	-	4	61
Other non-operating revenue	-	-	-	27	-	7,155	7,182	5,272
Net cash provided (used) by operating activities	\$ (9)	\$ (599)	\$ (647)	\$ 5,824	\$ 19	\$ (824)	\$ 3,764	\$ 15,540
Non-cash investing, capital and financing activities:								
Gain (Loss) on disposal of capital assets	\$ -	\$ (250)	\$ 704	\$ -	\$ -	\$ -	\$ 454	\$ -

ENGINEERING MATERIALS AND TESTING
INTERNAL SERVICE FUND
STATEMENT OF NET ASSETS
December 31, 2007

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	<u>2007</u>	<u>2006</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 243	\$ 294
Inventories	8	8
Total current assets	<u>251</u>	<u>302</u>
Capital assets:		
Machinery and equipment	287	287
Less accumulated depreciation	(221)	(204)
Computer equipment	61	61
Less accumulated depreciation	(55)	(55)
Other capital outlay	15	15
Less accumulated depreciation	(15)	(15)
Total capital assets	<u>72</u>	<u>89</u>
Total assets	<u>\$ 323</u>	<u>\$ 391</u>
LIABILITIES AND FUND EQUITY		
Current liabilities:		
Salaries payable	\$ 66	\$ 48
Accounts payable	7	37
Compensated absences payable-current portion	16	12
Total current liabilities	<u>89</u>	<u>97</u>
Long-term liabilities:		
Compensated absences payable	38	27
Total liabilities	<u>127</u>	<u>124</u>
Net Assets		
Invested in net assets, net of related debt	72	89
Restricted	640	-
Unrestricted	(516)	178
Total net assets	<u>196</u>	<u>267</u>
Total liabilities and net assets	<u>\$ 323</u>	<u>\$ 391</u>

**ENGINEERING MATERIALS AND TESTING
INTERNAL SERVICE FUND
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS
For the fiscal year ended December 31, 2007**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	<u>2007</u>	<u>2006</u>
Operating revenues:		
Charges for services and sales	\$ 4,097	\$ 4,007
Operating expenses:		
Personal services	790	781
Contractual services	321	330
Materials, supplies, services and other	2,902	2,904
Rent	96	55
Depreciation	17	19
Total operating expenses	<u>4,126</u>	<u>4,089</u>
Operating income (loss)	<u>(29)</u>	<u>(82)</u>
Transfers in (out):		
Transfers to other funds	<u>(42)</u>	<u>(22)</u>
Change in net assets	(71)	(104)
Net assets - January 1	<u>267</u>	<u>371</u>
Net assets - December 31	<u><u>\$ 196</u></u>	<u><u>\$ 267</u></u>

ENGINEERING MATERIALS AND TESTING
INTERNAL SERVICE FUND
STATEMENT OF CASH FLOWS
For the fiscal year ended December 31, 2007

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Cash received from customers and users	\$ 4,097	\$ 4,009
Payments to suppliers	(3,350)	(3,559)
Payments to employees	(756)	(786)
Net Cash Provided (used) by operating activities	<u>(9)</u>	<u>(336)</u>
Cash flows from non-capital financing activities:		
Transfers to other funds	(42)	(22)
Net increase (decrease) in cash and cash equivalents	(51)	(358)
Cash and cash equivalents, beginning of year	294	652
Cash and cash equivalents, end of year	<u>243</u>	<u>294</u>
Reconciliation of operating income to net cash provided (used) by operating activities		
Operating income (loss)	(29)	(82)
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	17	19
Accounts receivable	-	1
Inventories	-	1
Salaries payable	18	(5)
Accounts payable	(30)	(270)
Compensated absences payable	15	-
Net cash provided (used) by operating activities	<u>\$ (9)</u>	<u>\$ (336)</u>

**INTERGOVERNMENTAL SERVICES
INTERNAL SERVICE FUND
STATEMENT OF NET ASSETS
December 31, 2007**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	<u>2007</u>	<u>2006</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 114	\$ 1
Receivables:		
Accounts - net	-	2
Intergovernmental	7	7
Due from other funds	1,035	1,332
Total current assets	<u>1,156</u>	<u>1,342</u>
Deferred charges	38	46
Capital assets:		
Construction in progress	25,826	21,554
Machinery and equipment	1,871	1,698
Less accumulated depreciation	(1,510)	(1,439)
Computer equipment	44,326	42,414
Less accumulated depreciation	(37,151)	(36,291)
Software	14,877	14,443
Less accumulated depreciation	(8,868)	(7,359)
Total capital assets	<u>39,371</u>	<u>35,020</u>
Total assets	<u><u>\$ 40,565</u></u>	<u><u>\$ 36,408</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Salaries payable	\$ 596	\$ 439
Accounts payable	1,844	1,403
Due to other funds	2,000	1,662
Interest payable	134	137
Unearned revenue	4,223	5,819
Bonds payable-current portion	1,745	2,565
Compensated absences payable-current portion	152	106
Total current liabilities	<u>10,694</u>	<u>12,131</u>
Long-term liabilities:		
Bonds payable	32,915	33,210
Unamortized premium (discounts)	99	114
Advances from other funds	10,114	14,471
Compensated absences payable	355	246
Total long-term liabilities	<u>43,483</u>	<u>48,041</u>
Total liabilities	<u>54,177</u>	<u>60,172</u>
Net Assets:		
Invested in capital assets, net of related debt	4,612	(869)
Unrestricted	(18,224)	(22,895)
Total net assets	<u>(13,612)</u>	<u>(23,764)</u>
Total liabilities and net assets	<u><u>\$ 40,565</u></u>	<u><u>\$ 36,408</u></u>

**INTERGOVERNMENTAL SERVICES
INTERNAL SERVICE FUND
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS
For the fiscal year ended December 31, 2007**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	<u>2007</u>	<u>2006</u>
Operating revenues:		
Charges for services and sales	\$ 32,349	\$ 32,018
Operating expenses:		
Personal services	7,336	6,688
Contractual services	19,562	12,913
Materials, supplies, services and other	5,688	6,379
Rent	156	139
Depreciation	2,442	3,963
Total operating expenses	35,184	30,082
Operating income (loss)	(2,835)	1,936
Non-operating revenues (expenses):		
Interest expense	(1,622)	(1,960)
Gain (loss) on disposal of capital assets	(250)	-
Other revenues	-	3
Total non-operating revenues (expenses)	(1,872)	(1,957)
Income (loss) before transfers	(4,707)	(21)
Transfers in (out):		
Transfers from other funds	15,036	10,570
Transfers to other funds	(177)	(57)
Total transfers	14,859	10,513
Change in net assets	10,152	10,492
Net assets - January 1	(23,764)	(34,256)
Net assets - December 31	\$ (13,612)	\$ (23,764)

INTERGOVERNMENTAL SERVICES
INTERNAL SERVICE FUND
STATEMENT OF CASH FLOWS
For the fiscal year ended December 31, 2007

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	2007	2006
Cash flows from operating activities:		
Cash received from customers and users	\$ 31,052	\$ 33,149
Payments to suppliers	(24,626)	(18,505)
Payments to employees	(7,025)	(6,632)
Net Cash Provided (used) by operating activities	<u>(599)</u>	<u>8,012</u>
Cash flows from non-capital financing activities:		
Transfers from other funds	15,036	10,570
Advances from other funds	(4,357)	(78)
Transfers to other funds	(177)	(57)
Net cash provided (used) by non-capital financing activities	<u>10,502</u>	<u>10,435</u>
Cash Flows from capital and related financing activities		
Bonds issued	1,450	1,525
Principal paid on bonds	(2,565)	(8,325)
Interest paid on bonds	(1,630)	(2,038)
Acquisition and construction of capital assets	(7,044)	(9,943)
Bond issuance costs	(1)	(4)
Net cash provided (used) by capital and related financing activities	<u>(9,790)</u>	<u>(18,785)</u>
Net increase (decrease) in cash and cash equivalents	113	(338)
Cash and cash equivalents, beginning of year	1	339
Cash and cash equivalents, end of year	<u>114</u>	<u>1</u>
Reconciliation of operating income to net cash provided (used) by operating activities		
Operating income (loss)	(2,835)	1,936
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	2,442	3,963
Accounts receivable	2	62
Prepays	-	179
Due from other funds	298	1,198
Salaries payable	156	31
Accounts payable	441	(914)
Due to other funds	338	1,662
Unearned revenue	(1,595)	(131)
Compensated absences payable	154	25
Other non-operating revenues	-	1
Net cash provided (used) by operating activities	<u>\$ (599)</u>	<u>\$ 8,012</u>
Non-cash investing, capital and financing activities:		
(Loss) on disposal of capital assets	\$ (250)	\$ -

**PROPERTY SERVICES
INTERNAL SERVICE FUND
STATEMENT OF NET ASSETS
December 31, 2007**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	<u>2007</u>	<u>2006</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 315	\$ 38
Receivables:		
Accounts - net	20	247
Intergovernmental	-	1
Due from other funds	570	-
Inventories	421	488
Total current assets	<u>1,326</u>	<u>774</u>
Deferred charges	9	10
Capital assets:		
Land, leaseholds and easements	21,117	21,664
Buildings and structures	25,588	25,671
Less accumulated depreciation	(19,452)	(19,127)
Public improvements	2,726	2,736
Less accumulated depreciation	(2,437)	(2,367)
Machinery and equipment	12,185	12,185
Less accumulated depreciation	(3,112)	(2,314)
Computer equipment	162	162
Less accumulated depreciation	(147)	(147)
Software	8	8
Less accumulated depreciation	(8)	(8)
Other capital outlay	21	21
Less accumulated depreciation	(18)	(17)
Total capital assets	<u>36,633</u>	<u>38,467</u>
Total assets	<u>\$ 37,968</u>	<u>\$ 39,251</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Salaries payable	\$ 598	\$ 419
Accounts payable	601	932
Interest payable	28	30
Bonds payable-current portion	655	615
Compensated absences payable	171	118
Total current liabilities	<u>2,053</u>	<u>2,114</u>
Long-term liabilities:		
Bonds payable	7,415	8,070
Unamortized premium (discounts)	193	211
Compensated absences payable	400	275
Total long-term liabilities	<u>8,008</u>	<u>8,556</u>
Total liabilities	<u>10,061</u>	<u>10,670</u>
Net Assets:		
Invested in capital assets, net of related debt	28,370	29,571
Unrestricted	(463)	(990)
Total net assets	<u>27,907</u>	<u>28,581</u>
Total liabilities and net assets	<u>\$ 37,968</u>	<u>\$ 39,251</u>

**PROPERTY SERVICES
INTERNAL SERVICE FUND
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS
For the fiscal year ended December 31, 2007**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	<u>2007</u>	<u>2006</u>
Operating revenues:		
Charges for services and sales	\$ 8,991	\$ 8,364
Rents and commissions	7,149	7,030
Total operating revenues	<u>16,140</u>	<u>15,394</u>
Operating expenses:		
Personal services	8,265	7,576
Contractual services	6,352	6,485
Materials, supplies, services and other	1,921	1,593
Depreciation	1,226	1,243
Total operating expenses	<u>17,764</u>	<u>16,897</u>
Operating income (loss)	<u>(1,624)</u>	<u>(1,503)</u>
Non-operating revenues (expenses):		
Interest expense	(338)	(364)
Gain (loss) on disposal of capital assets	704	30
Total non-operating revenues (expenses)	<u>366</u>	<u>(334)</u>
Income (loss) before transfers	<u>(1,258)</u>	<u>(1,837)</u>
Transfers in (out):		
Transfers from other funds	653	844
Transfers to other funds	(69)	(31)
Total transfers	<u>584</u>	<u>813</u>
Change in net assets	<u>(674)</u>	<u>(1,024)</u>
Net assets - January 1	<u>28,581</u>	<u>29,605</u>
Net assets - December 31	<u><u>\$ 27,907</u></u>	<u><u>\$ 28,581</u></u>

PROPERTY SERVICES
INTERNAL SERVICE FUND
STATEMENT OF CASH FLOWS
For the fiscal year ended December 31, 2007

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Cash received from customers and users	\$ 15,795	\$ 15,227
Payments to suppliers	(8,535)	(9,106)
Payments to employees	(7,907)	(7,577)
Net Cash Provided (used) by operating activities	<u>(647)</u>	<u>(1,456)</u>
Cash flows from non-capital financing activities:		
Transfers from other funds	653	844
Transfers to other funds	(69)	(31)
Net cash provided (used) by non-capital financing activities	<u>584</u>	<u>813</u>
Cash Flows from capital and related financing activities		
Principal paid on bonds	(615)	(655)
Interest paid on bonds	(357)	(383)
Proceeds from sale of capital assets	1,312	30
Net cash provided (used) by capital and related financing activities	<u>340</u>	<u>(1,008)</u>
Net increase (decrease) in cash and cash equivalents	277	(1,651)
Cash and cash equivalents, beginning of year	<u>38</u>	<u>1,689</u>
Cash and cash equivalents, end of year	<u><u>315</u></u>	<u><u>38</u></u>
Reconciliation of operating income to net cash provided (used) by operating activities		
Operating income (loss)	<u>(1,624)</u>	<u>(1,503)</u>
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	1,226	1,243
Accounts receivable	227	(165)
Intergovernmental receivable	1	(1)
Inventories	67	(10)
Due from other funds	(570)	-
Due to other funds	-	(1,045)
Salaries payable	179	(16)
Accounts payable	(331)	28
Intergovernmental payable	-	(1)
Compensated absences payable	178	14
Net cash provided (used) by operating activities	<u><u>\$ (647)</u></u>	<u><u>\$ (1,456)</u></u>
Non-cash investing, capital and financing activities:		
Gain on disposal of capital assets	\$ 704	\$ -

**EQUIPMENT SERVICES
INTERNAL SERVICE FUND
STATEMENT OF NET ASSETS
December 31, 2007**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	<u>2007</u>	<u>2006</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 200	\$ 2,036
Receivables:		
Accounts - net	138	92
Intergovernmental	11	6
Inventories	1,822	1,192
Total current assets	<u>2,171</u>	<u>3,326</u>
Deferred charges	39	42
Capital assets:		
Land, leaseholds and easements	2,186	2,186
Construction in progress	633	601
Buildings and structures	30,061	30,061
Less accumulated depreciation	(4,840)	(4,240)
Public improvements	330	330
Less accumulated depreciation	(148)	(134)
Machinery and equipment	59,631	58,140
Less accumulated depreciation	(31,910)	(30,280)
Computer equipment	37	37
Less accumulated depreciation	(33)	(33)
Total capital assets	<u>55,947</u>	<u>56,668</u>
Total assets	<u>\$ 58,157</u>	<u>\$ 60,036</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Salaries payable	\$ 1,244	\$ 922
Accounts payable	575	684
Interest payable	126	144
Unearned revenue	-	37
Bonds payable-current portion	2,410	5,630
Compensated absences payable-current portion	325	221
Total current liabilities	<u>4,680</u>	<u>7,638</u>
Long-term liabilities:		
Bonds payable	29,835	32,245
Unamortized premium (discounts)	1,170	1,261
Compensated absences payable	758	515
Total long-term liabilities	<u>31,763</u>	<u>34,021</u>
Total liabilities	<u>36,443</u>	<u>41,659</u>
Net Assets:		
Invested in capital assets, net of related debt	22,532	17,532
Unrestricted	(818)	845
Total net assets	<u>21,714</u>	<u>18,377</u>
Total liabilities and net assets	<u>\$ 58,157</u>	<u>\$ 60,036</u>

**EQUIPMENT SERVICES
INTERNAL SERVICE FUND
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS
For the fiscal year ended December 31, 2007**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	<u>2007</u>	<u>2006</u>
Operating revenues:		
Charges for services and sales	\$ 12,760	\$ 11,172
Rents and commissions	20,263	20,830
Total operating revenues	<u>33,023</u>	<u>32,002</u>
Operating expenses:		
Personal services	15,681	14,678
Contractual services	4,098	4,786
Materials, supplies, services and other	1,894	1,611
Rent	980	964
Cost of stores issuance	4,419	4,166
Depreciation	5,149	5,517
Total operating expenses	<u>32,221</u>	<u>31,722</u>
Operating income (loss)	<u>802</u>	<u>280</u>
Non-operating revenues (expenses):		
Interest revenue	1	1
Interest expense	(1,627)	(1,844)
Gain (loss) on disposal of capital assets	282	100
Damages/losses recovered	4	46
Other revenues	27	16
Total non-operating revenues (expenses)	<u>(1,313)</u>	<u>(1,681)</u>
Income (loss) before transfers	<u>(511)</u>	<u>(1,401)</u>
Transfers in (out):		
Transfers from other funds	4,180	4,506
Transfers to other funds	(332)	(131)
Total transfers	<u>3,848</u>	<u>4,375</u>
Change in net assets	<u>3,337</u>	<u>2,974</u>
Net assets - January 1	<u>18,377</u>	<u>15,403</u>
Net assets - December 31	<u>\$ 21,714</u>	<u>\$ 18,377</u>

EQUIPMENT SERVICES
INTERNAL SERVICE FUND
STATEMENT OF CASH FLOWS
For the fiscal year ended December 31, 2007

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Cash received from customers and users	\$ 32,966	\$ 36,970
Payments to suppliers	(12,129)	(11,911)
Payments to employees	(15,013)	(14,811)
Net Cash Provided (used) by operating activities	<u>5,824</u>	<u>10,248</u>
Cash flows from non-capital financing activities:		
Transfers from other funds	4,180	4,506
Transfers to other funds	(332)	(131)
Net cash provided (used) by non-capital financing activities	<u>3,848</u>	<u>4,375</u>
Cash Flows from capital and related financing activities		
Principal paid on bonds	(5,630)	(5,740)
Interest paid on bonds	(1,733)	(1,950)
Acquisition and construction of capital assets	(4,852)	(6,897)
Proceeds from sale of capital assets	706	748
Net cash provided (used) by capital and related financing activities	<u>(11,509)</u>	<u>(13,839)</u>
Cash flows from investing activities:		
Interest	1	1
Net cash provided (used) by investing activities	<u>1</u>	<u>1</u>
Net increase (decrease) in cash and cash equivalents	(1,836)	785
Cash and cash equivalents, beginning of year	2,036	1,251
Cash and cash equivalents, end of year	<u>200</u>	<u>2,036</u>
Reconciliation of operating income to net cash provided (used) by operating activities		
Operating income (loss)	802	280
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	5,149	5,517
Accounts receivable	(46)	40
Intergovernmental receivable	-	6
Inventories	(630)	(151)
Due from other funds	(5)	5,186
Salaries payable	322	(84)
Accounts payable	(109)	(233)
Unearned revenue	(37)	(326)
Compensated absences payable	347	(49)
Damages/Losses recovered	4	46
Other non-operating revenues	27	16
Net cash provided (used) by operating activities	<u>\$ 5,824</u>	<u>\$ 10,248</u>

**PUBLIC WORKS STORES
INTERNAL SERVICE FUND
STATEMENT OF NET ASSETS
December 31, 2007**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	<u>2007</u>	<u>2006</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 9	\$ 1
Receivables:		
Accounts - net	17	25
Intergovernmental receivable	4	-
Inventories	4,364	5,010
Total current assets	<u>4,394</u>	<u>5,036</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	15
Less accumulated depreciation	(13)	(13)
Total capital assets	<u>16</u>	<u>16</u>
Total assets	<u><u>\$ 4,410</u></u>	<u><u>\$ 5,052</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Salaries payable	\$ 53	\$ 46
Accounts payable	205	722
Intergovernmental payable	1	3
Due to other funds	570	878
Compensated absences payable-current portion	15	10
Total current liabilities	<u>844</u>	<u>1,659</u>
Long-term liabilities:		
Compensated absences payable	<u>35</u>	<u>23</u>
Total liabilities	<u>879</u>	<u>1,682</u>
Net Assets:		
Invested in capital assets, net of related debt	16	16
Unrestricted	<u>3,515</u>	<u>3,354</u>
Total net assets	<u>3,531</u>	<u>3,370</u>
Total liabilities and net assets	<u><u>\$ 4,410</u></u>	<u><u>\$ 5,052</u></u>

**PUBLIC WORKS STORES
INTERNAL SERVICE FUND
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS
For the fiscal year ended December 31, 2007**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	<u>2007</u>	<u>2006</u>
Operating revenues:		
Charges for services and sales	\$ 4,335	\$ 4,397
Operating expenses:		
Personal services	732	621
Contractual services	249	229
Materials, supplies, services and other	61	88
Rent	25	68
Cost of stores issuance	3,096	3,066
Total operating expenses	4,163	4,072
Operating income (loss)	<u>172</u>	<u>325</u>
Non-operating revenues (expenses):		
Interest revenue	-	1
Total non-operating revenues (expenses)	-	1
Income (loss) before transfers	172	326
Transfers in (out):		
Transfers to other funds	(11)	-
Change in net assets	<u>161</u>	<u>326</u>
Net assets - January 1	3,370	3,044
Net assets - December 31	<u>\$ 3,531</u>	<u>\$ 3,370</u>

**PUBLIC WORKS STORES
INTERNAL SERVICE FUND
STATEMENT OF CASH FLOWS
For the fiscal year ended December 31, 2007**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Cash received from customers and users	\$ 4,336	\$ 4,396
Payments to suppliers	(3,611)	(3,878)
Payments to employees	(706)	(610)
Net Cash Provided (used) by operating activities	<u>19</u>	<u>(92)</u>
Cash flows from non-capital financing activities:		
Transfers to other funds	(11)	-
Cash flows from investing activities:		
Interest	-	1
Net increase (decrease) in cash and cash equivalents	8	(91)
Cash and cash equivalents, beginning of year	1	92
Cash and cash equivalents, end of year	<u>9</u>	<u>1</u>
Reconciliation of operating income to net cash provided (used) by operating activities		
Operating income (loss)	172	325
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:		
Accounts receivable	8	(7)
Intergovernmental Receivable	(4)	-
Inventories	646	(1,914)
Salaries payable	7	8
Accounts payable	(517)	610
Intergovernmental payable	(2)	6
Due to other funds	(308)	878
Compensated absences payable	17	2
Net cash provided (used) by operating activities	<u>\$ 19</u>	<u>\$ (92)</u>

**SELF-INSURANCE
INTERNAL SERVICE FUND
STATEMENT OF NET ASSETS
December 31, 2007**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	<u>2007</u>	<u>2006</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 9,002	\$ 5,541
Receivables:		
Accounts - net	5	5
Intergovernmental	182	182
Due from other funds	2,000	2,823
Total assets	<u>\$ 11,189</u>	<u>\$ 8,551</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Salaries payable	\$ 522	\$ 394
Accounts payable	1,644	4,130
Interest payable	3	4
Unearned revenue	217	216
Bonds payable-current portion	335	320
Compensated absences payable-current portion	194	85
Total current liabilities	<u>2,915</u>	<u>5,149</u>
Long-term liabilities:		
Bonds payable	725	1,060
Compensated absences payable	453	198
Unpaid claims payable	33,467	32,246
Total long-term liabilities	<u>34,645</u>	<u>33,504</u>
Total liabilities	<u>37,560</u>	<u>38,653</u>
Net Assets:		
Unrestricted	<u>(26,371)</u>	<u>(30,102)</u>
Total net assets	<u>(26,371)</u>	<u>(30,102)</u>
Total liabilities and net assets	<u>\$ 11,189</u>	<u>\$ 8,551</u>

**SELF-INSURANCE
INTERNAL SERVICE FUND
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS
For the fiscal year ended December 31, 2007**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	<u>2007</u>	<u>2006</u>
Operating revenues:		
Charges for services and sales	\$ 75,876	\$ 68,303
Operating expenses:		
Personal services	9,538	8,959
Contractual services	64,698	60,124
Materials, supplies, services and other	9,275	6,749
Rent	394	398
Total operating expenses	<u>83,905</u>	<u>76,230</u>
Operating income (loss)	<u>(8,029)</u>	<u>(7,927)</u>
Non-operating revenues (expenses):		
Interest expense	(48)	(105)
Damages/losses recovered	-	15
Other revenues	<u>7,155</u>	<u>5,255</u>
Total non-operating revenues (expenses)	<u>7,107</u>	<u>5,165</u>
Income (loss) before transfers	<u>(922)</u>	<u>(2,762)</u>
Transfers in (out):		
Transfers from other funds	4,750	8,745
Transfers to other funds	<u>(97)</u>	<u>(45)</u>
Total transfers	<u>4,653</u>	<u>8,700</u>
Change in net assets	<u>3,731</u>	<u>5,938</u>
Net assets - January 1	<u>(30,102)</u>	<u>(36,040)</u>
Net assets - December 31	<u>\$ (26,371)</u>	<u>\$ (30,102)</u>

SELF-INSURANCE
INTERNAL SERVICE FUND
STATEMENT OF CASH FLOWS
For the fiscal year ended December 31, 2007

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Cash received from customers and users	\$ 83,855	\$ 71,509
Payments to suppliers	(76,855)	(64,524)
Payments to employees	(7,824)	(7,821)
Net Cash Provided (used) by operating Activities	<u>(824)</u>	<u>(836)</u>
Cash flows from non-capital financing activities:		
Transfers from other funds	4,750	8,745
Principal paid on bonds and notes	(320)	(4,015)
Interest paid on bonds and notes	(48)	(105)
Transfers to other funds	(97)	(45)
Net cash provided (used) by non-capital financing activities	<u>4,285</u>	<u>4,580</u>
Net increase (decrease) in cash and cash equivalents	3,461	3,744
Cash and cash equivalents, beginning of year	<u>5,541</u>	<u>1,797</u>
Cash and cash equivalents, end of year	<u><u>9,002</u></u>	<u><u>5,541</u></u>
Reconciliation of operating income to net cash provided (used) by operating activities		
Operating income (loss)	<u>(8,029)</u>	<u>(7,927)</u>
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:		
Accounts receivable	-	36
Prepays	-	16
Due from other funds	823	(2,277)
Due from component unit	-	133
Salaries payable	128	(17)
Accounts payable	(2,486)	2,730
Interest payable	(1)	(9)
Unearned revenue	1	55
Compensated absences payable	364	9
Unpaid claims	1,221	1,145
Damages/Losses Recovered	-	15
Other non-operating revenues	7,155	5,255
Net cash provided (used) by operating activities	<u><u>\$ (824)</u></u>	<u><u>\$ (836)</u></u>

COMBINING STATEMENT OF FIDUCIARY NET ASSETS CITY OF MINNEAPOLIS, MINNESOTA
AGENCY FUNDS
December 31, 2007 **(In Thousands)**

	<u>Minneapolis Agency</u>	<u>Skyway Debt Service</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 775	\$ 122	\$ 897
Receivables:			
Accounts-net	96	-	96
Total assets	<u>871</u>	<u>122</u>	<u>993</u>
LIABILITIES			
Accounts payable	871	-	871
Deposits held for others	-	122	122
Total liabilities	<u>\$ 871</u>	<u>\$ 122</u>	<u>\$ 993</u>

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

CITY OF MINNEAPOLIS, MINNESOTA

For the fiscal year ended December 31, 2007

(In Thousands)

	<u>Balance January 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31, 2007</u>
MINNEAPOLIS AGENCY				
Assets:				
Cash and cash equivalents	\$ 775	\$ 407,298	\$ 406,846	\$ 1,227
Receivables:				
Accounts-net	96	28	33	91
Total assets	<u>871</u>	<u>407,326</u>	<u>406,879</u>	<u>1,318</u>
Liabilities:				
Accounts payable	<u>871</u>	<u>473,488</u>	<u>473,935</u>	<u>1,318</u>
SKYWAY DEBT SERVICE				
Assets:				
Cash and cash equivalents	<u>122</u>	<u>-</u>	<u>-</u>	<u>122</u>
Liabilities:				
Deposits held for others	<u>122</u>	<u>-</u>	<u>-</u>	<u>122</u>
TOTAL ALL AGENCY FUNDS				
Assets:				
Cash and cash equivalents	897	407,298	406,846	1,349
Receivables:				
Accounts-net	96	28	33	91
Total assets	<u>993</u>	<u>407,326</u>	<u>406,879</u>	<u>1,440</u>
Liabilities:				
Accounts payable	871	473,488	473,935	1,318
Deposits held for others	122	-	-	122
Total liabilities	<u>\$ 993</u>	<u>\$ 473,488</u>	<u>\$ 473,935</u>	<u>\$ 1,440</u>

SCHEDULE OF GOVERNMENTAL ACTIVITY BONDS AND NOTES

CITY OF MINNEAPOLIS, MINNESOTA

December 31, 2007	(In Thousands)									
	Interest Rates	Issue Date	Final Maturity Date	Issued	Retired	Outstanding	Principal Due in 2008	Interest Due in 2008		
<u>Property Tax Supported General Obligation Bonds</u>										
General Infrastructure Bonds										
Bridges	4.00% to 5.00%	06/24/04	12/01/07	1,178	1,178	-	-	-	-	-
	Variable	06/01/06	12/01/10	1,645	415	1,230	410	61		
Libraries	4.00% to 5.00%	06/24/04	12/01/07	930	930	-	-	-	-	-
	Variable	06/01/06	12/01/07	1,640	1,640	-	-	-	-	-
	4.00%	07/12/07	12/01/07	10	10	-	-	-	-	-
Park Improvements	Variable	06/01/06	12/01/07	1,205	1,205	-	-	-	-	-
	4.00% to 5.00%	07/12/07	12/01/08	505	5	500	500	25		
Parkway Improvements	Variable	06/01/06	12/01/07	375	375	-	-	-	-	-
	4.00% to 5.00%	07/12/07	12/01/08	1,145	20	1,125	1,125	56		
Public Buildings	2.00% to 4.00%	06/25/03	12/01/07	9,649	9,649	-	-	-	-	-
	4.00% to 5.00%	06/24/04	12/01/07	2,690	2,690	-	-	-	-	-
	Variable	06/01/06	12/01/08	2,615	1,415	1,200	1,200	60		
	4.00% to 5.00%	07/12/07	12/01/09	3,202	2	3,200	1,600	160		
Municipal Buildings	2.00% to 4.00%	06/25/03	12/01/07	662	662	-	-	-	-	-
	Variable	06/01/06	12/01/07	1,260	1,260	-	-	-	-	-
Street Improvements	3.00% to 4.00%	07/11/02	12/01/11	9,596	7,896	1,700	500	68		
	Variable	10/30/03	12/01/07	3,600	3,600	-	-	-	-	-
	4.00% to 5.00%	06/24/04	12/01/07	6,897	6,897	-	-	-	-	-
	3.00% to 3.00%	06/30/05	12/01/09	16,349	13,049	3,300	2,000	132		
	Variable	06/01/06	12/01/11	9,423	4,053	5,370	3,090	269		
	4.00% to 5.00%	07/12/07	12/01/09	9,582	132	9,450	4,625	473		
Public Safety Capital Initiative	3.00% to 4.60%	07/11/02	12/01/19	4,735	995	3,740	170	158		
	2.00% to 4.25%	06/25/03	12/01/25	9,655	-	9,655	-	398		
Sub-total General Infrastructure Bonds				98,548	58,078	40,470	15,220	1,860		

SCHEDULE OF GOVERNMENTAL ACTIVITY BONDS AND NOTES

CITY OF MINNEAPOLIS, MINNESOTA

December 31, 2007	(In Thousands)									
	Interest Rates	Issue Date	Final Maturity Date	Issued	Retired	Outstanding	Principal Due in 2008	Interest Due in 2008		
Issues Outstanding										
Library Referendum Bonds	3.00% to 5.00%	12/19/02	12/01/25	9,500	500	9,000	500	390		
	Variable	10/30/03	12/01/32	57,000	4,950	52,050	125	2,602		
	3.00% to 5.00%	12/01/04	12/01/25	28,000	1,600	26,400	700	1,233		
	4.00% to 4.375%	06/30/05	12/01/25	29,915	4,140	25,775	550	1,071		
	Variable	06/01/06	12/01/09	3,980	1,730	2,250	1,150	113		
Sub-total Library Referendum Bonds				128,395	12,920	115,475	3,025	5,409		
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	3,940	800	800	29		
Pension Bonds (MPRA)	2.00% to 4.98%	12/19/02	12/01/14	10,600	2,040	8,560	1,310	385		
	Variable	10/30/03	12/01/13	17,900	17,900	-	-	-		
	5.00% to 5.30%	12/01/04	12/01/21	24,970	2,970	22,000	-	1,134		
Sub-total Pension Obligation Bonds				119,210	26,850	92,360	2,110	4,743		
Total Property Tax Supported General Obligation Bonds				346,153	97,848	248,305	20,355	12,012		
Self-Supporting General Obligation Bonds										
Convention Center	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	6,660	6,520	5	326		
	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	16,650	31,750	4,415	1,588		
	5.00%	06/24/04	12/01/14	39,740	9,805	29,935	3,380	1,412		
Park Acquisition	4.00% to 5.00%	08/29/01	12/01/19	11,270	2,575	8,695	525	435		
	3.00% to 4.00%	07/11/02	12/01/21	2,200	200	2,000	-	95		
Library Parking Ramp	3.25% to 4.75%	12/19/02	12/01/28	10,100	-	10,100	100	457		
Total Self-Supporting General Obligation Bonds				369,690	127,290	242,400	8,425	11,983		

SCHEDULE OF GOVERNMENTAL ACTIVITY BONDS AND NOTES

CITY OF MINNEAPOLIS, MINNESOTA

December 31, 2007 (In Thousands)

Issues Outstanding	Interest Rates	Issue Date	Final Maturity Date	Issued	Retired	Outstanding	Principal		Interest Due in 2008
							Due in 2008	Due in 2008	
<u>Special Assessment General Obligation Bonds</u>									
Improvements									
	5.10% to 5.70%	06/05/96	12/01/16	2,315	2,215	100	100	100	5
	3.50% to 4.50%	11/17/05	12/01/16	815	-	815	-	815	34
	4.85% to 5.25%	06/25/97	12/01/17	2,965	2,635	330	165	330	16
	3.50% to 4.50%	11/17/05	12/01/17	960	-	960	-	960	41
	3.20% to 4.75%	11/01/98	12/01/18	1,500	1,305	195	145	195	8
	4.00% to 5.00%	11/01/98	12/01/11	1,955	1,370	585	165	585	27
	4.00% to 5.00%	08/29/01	12/01/21	9,245	3,535	5,710	500	5,710	257
	4.00% to 4.10%	11/07/02	12/01/22	5,890	1,910	3,980	300	3,980	184
	2.50% to 4.50%	11/06/03	12/01/23	6,130	1,855	4,275	455	4,275	158
	Variable	10/30/03	12/01/13	1,460	580	880	145	880	44
	2.50% to 4.375%	12/01/04	12/01/24	9,740	2,025	7,715	665	7,715	289
	3.50% to 4.00%	10/20/05	12/01/10	1,155	460	695	220	695	25
	3.50% to 4.00%	10/20/05	12/01/10	860	350	510	175	510	18
	4.00% to 4.375%	11/30/05	12/01/25	4,610	765	3,845	365	3,845	159
	4.00% to 4.50%	11/16/06	12/01/26	3,780	270	3,510	240	3,510	143
	4.00% to 4.50%	11/28/07	12/01/27	5,400	-	5,400	385	5,400	221
Nicollet Mall Improvement	3.50% to 5.00%	06/30/05	03/01/10	6,255	2,290	3,965	1,260	3,965	167
Northhop Lane Improvement	4.375% to 4.875%	07/01/98	12/01/18	158	128	30	6	30	1
	4.00% to 5.00%	11/17/05	12/01/18	35	-	35	-	35	2
Park Diseased Trees	3.00% to 4.00%	07/11/02	12/01/07	500	500	-	-	-	-
	2.00% to 4.00%	06/25/03	12/01/08	500	400	100	100	100	4
	4.00% to 5.00%	06/24/04	12/01/09	500	300	200	100	200	10
	3.00% to 4.00%	06/30/05	12/01/10	500	200	300	100	300	12
	Variable	06/01/06	12/01/11	500	500	-	-	-	-
	4.00% to 5.00%	07/12/07	12/01/12	500	200	300	20	300	15
Total Special Assessment General Obligation Bonds				68,228	23,793	44,435	5,611	44,435	1,840
<u>Tax Increment General Obligation Bonds</u>									
Laurel Village Tax Increment	2.00% to 4.20%	01/29/03	03/01/16	26,350	5,520	20,830	1,850	20,830	747
Nicollet Mall Tax Increment	3.50% to 5.00%	06/30/05	03/01/10	765	285	480	155	480	20

SCHEDULE OF GOVERNMENTAL ACTIVITY BONDS AND NOTES

CITY OF MINNEAPOLIS, MINNESOTA

December 31, 2007		(In Thousands)						
Issues Outstanding	Interest Rates	Issue Date	Final Maturity Date	Issued	Retired	Outstanding	Principal Due in 2008	Interest Due in 2008
<u>Tax Increment General Obligation Bonds (continued)</u>								
Tax Increment	3.50% to 5.00%	06/30/05	03/01/08	36,260	7,815	28,445	4,455	1,368
	3.50% to 5.00%	06/30/05	03/01/08	5,730	3,665	2,065	2,065	52
Tax Redevelopment - Arena Acquisition	4.25% to 5.20%	01/15/96	10/01/24	67,555	12,375	55,180	2,825	2,791
West Side Milling District Tax Increment	4.90% to 6.055%	11/15/01	02/01/26	15,275	75	15,200	200	879
	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	75	1,650	225	45
Block E Development	Variable	10/26/00	03/01/27	10,610	1,350	9,260	290	463
Block E Development - Taxable	4.60% to 5.30%	10/20/05	03/01/27	14,000	1,500	12,500	875	610
Milwaukee Depot Development	7.00% to 7.375%	11/29/00	03/01/20	9,300	1,200	8,100	320	576
Humboldt Greenway	4.00% to 5.00%	11/15/01	02/01/28	4,500	-	4,500	80	209
Heritage Park	2.15% to 4.25%	06/25/03	03/01/25	6,900	-	6,900	150	262
Total Tax Increment General Obligation Bonds				200,070	33,860	166,210	13,490	8,075
<u>Revenue Bonds</u>								
Arena Acquisition Project Series B	Variable	03/01/95	10/01/24	6,100	1,600	4,500	180	221
Arena Acquisition Project Series A	5.50%	03/01/95	10/01/24	6,550	1,695	4,855	195	267
2004 Village at St. Anthony Falls-Tax Exempt	2.35% to 5.75%	03/01/04	03/01/27	7,470	435	7,035	150	377
2005 Village at St. Anthony Falls-Tax Exempt	4.00% to 5.65%	12/13/05	02/01/27	4,430	100	4,330	100	229
2005 Ivy Tower	5.10% to 5.70%	12/20/05	02/01/29	4,935	-	4,935	-	274
2006 Grant Park TI Revenue Refunding	5.00% to 5.350%	09/26/06	02/01/30	10,545	70	10,475	250	541
2007 East River Unocal Site	4.50% to 5.40%	07/12/07	02/01/31	1,750	-	1,750	85	91
Subordinated Development-Tax Increment	7.00% to 7.25%	01/09/90	09/01/09	112,785	94,359	18,426	9,699	26,241
Total Revenue Bonds				154,565	98,259	56,306	10,659	28,241
Total General Government Bonds				1,138,706	381,050	757,656	58,540	62,151

SCHEDULE OF GOVERNMENTAL ACTIVITY BONDS AND NOTES

CITY OF MINNEAPOLIS, MINNESOTA

December 31, 2007		(In Thousands)						
Issues Outstanding	Interest Rates	Issue Date	Final Maturity Date	Issued	Retired	Outstanding	Principal Due in 2008	Interest Due in 2008
<u>Revenue Notes</u>								
Community Health and Education	5.86%	08/05/97	08/05/12	680	244	436	33	25
NSP Energy	0.00%	1996 - 1998	12/31/08	5,973	5,789	184	185	-
Tax Increment-		01/00/00	01/00/00	-	-	-	-	-
College of St. Thomas District	6.93%	04/01/91	02/01/16	9,200	-	9,200	-	324
Urban Village - 2002B	Variable	11/19/01	12/01/31	3,000	120	2,880	65	45
Urban Village - 2002B	Variable	11/19/01	12/01/31	2,000	2,000	-	-	-
East River Unocal Site	7.00%	09/19/02	08/01/07	1,500	1,500	-	-	-
Section 108 - Portland Place	7.60%	08/01/00	08/01/17	610	124	486	32	37
Section 108 - Green Institute	Variable	02/14/02	08/01/21	3,500	452	3,048	128	174
Section 108 - Midtown Exchange	Variable	12/01/04	08/01/24	6,500	-	6,500	-	377
Total Revenue Notes				32,963	10,229	22,734	443	982
Total General Government Bonds and Notes				1,171,669	391,279	780,390	58,983	63,133
<u>Internal Service Funds</u>								
Equipment Fund General Obligation Bonds								
Currie Facility	4.00% to 5.00%	08/29/01	12/01/22	26,150	7,335	18,815	525	941
Equipment Purchases 2002	3.25% to 3.50%	12/19/02	12/01/07	6,100	6,100	-	-	-
Equipment Purchases 2003	2.00% to 4.00%	06/25/03	12/01/18	9,630	3,710	5,920	725	237
Equipment Purchases 2004	4.00% to 5.00%	06/24/04	12/01/19	5,450	1,980	3,470	410	173
Equipment Purchases 2005	3.00% to 4.00%	06/30/05	12/01/20	5,540	1,500	4,040	750	161
Total Equipment Fund General Obligation Bonds				52,870	20,625	32,245	2,410	1,512
Property Fund General Obligation Bonds								
Property Fund General Obligation Bonds	3.00% to 4.60%	07/11/02	12/01/19	6,425	1,465	4,960	330	208
Property Fund General Obligation Bonds	2.00% to 4.00%	06/25/03	12/01/17	4,560	1,450	3,110	325	125
Total Property Fund General Obligation Bonds				10,985	2,915	8,070	655	333

SCHEDULE OF GOVERNMENTAL ACTIVITY BONDS AND NOTES

CITY OF MINNEAPOLIS, MINNESOTA

December 31, 2007

(In Thousands)

Issues Outstanding	Interest Rates	Issue Date	Final Maturity Date	Issued	Retired	Outstanding	Principal		Interest	
							Due in 2008	Due in 2008	Due in 2008	Due in 2008
Information & Technology Services Fund - General Obligation Bonds										
	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	518	5,000	100	100	250	250
	3.50% to 4.00%	10/20/05	12/01/12	4,370	1,180	3,190	595	595	118	118
	4.00% to 5.00%	06/24/04	12/01/07	2,475	2,475	-	-	-	-	-
	3.00% to 4.00%	06/30/05	12/01/09	2,475	1,475	1,000	500	500	40	40
	Variable	06/01/06	12/01/11	1,525	325	1,200	300	300	60	60
	4.00% to 5.00%	07/12/07	12/01/12	1,450	-	1,450	250	250	73	73
Total Information & Technology Services Fund - General Obligation Bonds				40,633	5,973	34,660	1,745	1,745	1,625	1,625
Self-Insurance Fund - General Obligation Bonds (Self-Supporting)										
	Variable	09/21/00	12/01/10	8,800	7,740	1,060	335	335	53	53
Sub-Total Self-Insurance Fund				8,800	7,740	1,060	335	335	53	53
Total Internal Service Funds				113,288	37,253	76,035	5,145	5,145	3,523	3,523
Total General Governmental Activity Bonds and Notes				1,284,957	428,532	856,425	64,128	64,128	66,656	66,656

SCHEDULE OF BUSINESS ACTIVITY BONDS AND NOTES

CITY OF MINNEAPOLIS, MINNESOTA

December 31, 2007		(In Thousands)						
Issues Outstanding	Interest Rates	Issue Date	Final Maturity Date	Issued	Retired	Outstanding	Principal Due in 2008	Interest Due in 2008
<u>Stormwater Fund General Obligation Bonds</u>								
	4.70% to 5.75%	06/01/93	12/01/15	3,856	1,610	2,246	345	473
	4.25% to 5.05%	05/24/94	12/01/08	4,225	3,825	400	400	356
	4.00% to 5.00%	11/01/98	12/01/17	9,345	2,435	6,910	-	346
	4.00% to 5.00%	08/29/01	12/01/08	11,102	9,602	1,500	1,500	75
	2.00% to 4.00%	06/25/03	12/01/10	8,590	5,590	3,000	1,000	120
	4.00% to 5.00%	06/24/04	12/01/09	7,410	3,350	4,060	2,000	203
	3.00% to 4.00%	06/30/05	12/01/08	5,079	2,079	3,000	3,000	120
	3.50% to 4.00%	10/20/05	12/01/09	715	475	240	240	8
	Variable	06/01/06	12/01/11	6,947	983	5,964	-	298
	4.00% to 5.00%	06/01/07	12/01/12	6,304	4	6,300	-	315
Total Stormwater Fund Bonds				63,573	29,953	33,620	8,485	2,314
<u>Sanitary Sewer Fund General Obligation Bonds</u>								
	Variable	06/01/06	12/01/11	625	89	536	-	27
	4.00% to 5.00%	07/12/07	12/01/12	6,250	750	5,500	1,200	275
Total Sanitary Sewer Fund Bonds				6,875	839	6,036	1,200	302
<u>Water Fund General Obligation Bonds</u>								
	4.70% to 5.75%	06/01/93	12/01/15	6,715	3,669	3,046	299	410
	4.25% to 5.05%	05/24/94	12/01/08	11,775	10,174	1,601	1,601	1,424
	4.375% to 4.875%	07/01/98	12/01/07	8,960	8,960	-	-	-
	4.00% to 5.00%	11/01/98	12/01/17	15,340	2,725	12,615	-	621
	2.00% to 4.00%	06/25/03	12/01/10	8,350	5,350	3,000	1,000	120
	3.00% to 4.00%	06/30/05	12/01/08	4,250	3,250	1,000	1,000	40
	Variable	06/01/06	12/01/07	1,843	1,843	-	-	-
	4.00% to 5.00%	07/12/07	12/01/09	3,407	492	2,915	1,480	146
Drinking Water Program - Notes Payable				27,400	2,400	25,000	500	705
	2.800%	02/21/04	08/20/23	25,000	900	24,100	400	675
	2.530%	03/23/05	08/20/19	12,500	100	12,400	50	314
	2.600%	08/23/06	08/20/26	4,951	100	4,851	350	127
Total Water Fund General Obligation Bonds and Notes				130,491	39,963	90,528	6,680	4,582

SCHEDULE OF BUSINESS ACTIVITY BONDS AND NOTES

CITY OF MINNEAPOLIS, MINNESOTA

December 31, 2007 (In Thousands)

Issues Outstanding	Interest Rates	Issue Date	Final Maturity Date	Issued	Retired	Outstanding	(In Thousands)		
							Principal Due in 2008	Interest Due in 2008	
<u>Municipal Parking Fund General Obligation Bonds</u>									
	4.70% to 5.75%	06/01/93	12/01/15	4,530	2,220	2,310	355	487	
	3.50% to 5.00%	06/30/05	03/01/12	12,400	2,980	9,420	1,660	430	
	4.375% to 4.875%	07/01/98	12/01/18	2,282	1,712	570	114	25	
	4.00% to 5.00%	11/17/05	12/01/18	685	-	685	-	31	
	4.00% to 5.00%	11/01/98	12/01/17	30,730	7,360	23,370	1,495	1,144	
	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	8,200	5,800	950	282	
	3.50% to 5.00%	11/17/05	12/01/17	5,340	-	5,340	-	246	
	5.25% to 6.00%	01/12/00	12/01/25	10,800	175	10,625	125	619	
	5.00% to 5.125%	08/29/01	12/01/28	15,000	15,000	-	-	-	
	3.00% to 5.00%	07/11/02	12/01/12	11,485	5,700	5,785	1,410	275	
	3.00% to 5.00%	07/11/02	12/01/12	7,135	3,540	3,595	885	171	
	4.00% to 5.00%	11/07/02	12/01/26	25,000	1,250	23,750	225	1,178	
	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	4,615	14,555	1,670	497	
	Variable	03/17/05	12/01/33	16,400	1,100	15,300	-	710	
	3.50% to 4.00%	10/20/05	12/01/09	840	435	405	205	14	
	3.50% to 4.00%	10/20/05	12/01/09	1,240	640	600	305	21	
	3.50% to 4.00%	10/20/05	12/01/09	2,370	1,170	1,200	615	42	
	Variable	06/01/06	12/01/13	1,700	-	1,700	100	85	
	4.00% to 5.00%	07/12/07	12/01/14	1,700	-	1,700	-	85	
<u>Municipal Parking Fund General Obligation/Tax Increment Bonds</u>									
	4.70% to 5.125%	07/01/99	12/01/24	16,150	9,125	7,025	425	353	
	3.50% to 5.00%	11/17/05	12/01/21	7,100	-	7,100	-	322	
	5.00% to 5.25%	06/29/00	12/01/15	5,000	1,500	3,500	400	184	
	5.00% to 5.00%	11/14/00	03/01/26	46,225	24,450	21,775	3,900	991	
	3.50% to 5.00%	11/17/05	12/01/21	15,355	-	15,355	-	752	
	6.30% to 7.00%	11/29/00	03/01/12	15,000	8,000	7,000	1,400	432	
	Variable	03/17/05	03/01/32	4,250	390	3,860	-	193	
<u>Total Municipal Parking Fund General Obligation Bonds</u>							337,712	99,562	238,150
<u>Total Business Activity General Obligation Bonds</u>							538,651	170,317	368,334
<u>Total Municipal Parking Fund General Obligation Bonds</u>							16,239	-	11,808
<u>Total Business Activity General Obligation Bonds</u>							32,604	-	19,006

SCHEDULE OF BUSINESS ACTIVITY BONDS AND NOTES

CITY OF MINNEAPOLIS, MINNESOTA

Issues Outstanding	Interest Rates	Issue Date	Final Maturity Date	Issued	Retired	Outstanding	(In Thousands)	
							Principal Due in 2008	Interest Due in 2008
Community Development Agency Fund - General Agency Reserve Fund System Bonds								
Shaw Acquisition Corporation II	10.40%	07-01-87	02-01-07	945	945	-	-	-
NICO Properties	5.60% to 6.80%	07-01-95	02-01-24	4,650	4,650	-	-	-
Carlson Companies	4.85% to 6.00%	03-01-96	02-01-11	8,370	5,760	2,610	690	147
Halper Box	5.10% to 6.15%	04-01-97	06-01-17	2,400	920	1,480	115	87
Baker Bearing	5.10% to 6.20%	05-01-97	12-01-17	2,900	1,045	1,855	140	110
Laurel Village Alden Limited Partnership II	4.30% to 5.75%	10-01-97	06-01-27	2,515	420	2,095	55	118
100 East 22nd Associates - A	4.00% to 5.50%	10-01-97	06-01-12	2,820	1,655	1,165	235	61
Cord Sets	4.10% to 5.50%	07-01-98	06-01-18	1,500	490	1,010	70	53
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	740	260	125	111
Pajor and Associates	4.75% to 6.75%	03-01-00	12-01-25	1,505	230	1,275	40	84
Resource Inc	4.65% to 6.00%	08-01-00	12-01-20	1,650	395	1,255	70	72
Elmer Enterprises Refunding	3.90% to 5.875%	04-01-01	06-01-19	2,395	2,395	-	-	-
Bridgerail Properties (All-Weather Roofing)	4.31% to 7.00%	09-01-02	06-01-22	2,750	440	2,310	100	149
Kristol Properties	2.45% to 5.12%	11-20-03	12-01-23	3,300	890	2,410	240	108
Infinite Graphics	2.25% to 5.50%	07-14-04	12-01-24	2,475	325	2,150	115	110
Theatres Bonds, Series 2005-1	5.23% to 6.30%	12-20-05	12-01-35	21,055	565	20,490	305	1,259
Ambassador Press Refunding	4.27% to 6.50%	06-26-06	12-01-26	8,400	60	8,340	455	433
Quality Resource Group	5.28% to 5.84%	03-01-07	12-01-27	3,100	-	3,100	90	174
New French Bakery (Taxable)	5.70%	07-26-07	06-01-12	1,000	-	1,000	-	47
New French Bakery (Tax-Exempt)	4.62% to 5.25%	07-26-07	06-01-28	8,990	-	8,990	-	421
Total Community Development Agency Fund - General Agency Reserve Fund System Bonds				85,620	21,925	63,695	2,845	3,544
Community Development Agency Fund - Revenue Notes								
Economic Development Program								
Federal Home Loan Note	6.29%	12-14-97	12-14-12	440	245	195	34	11
Federal Home Loan Note	6.20%	04-01-99	04-10-14	1,200	557	643	86	38
Total Community Development Agency Fund - Revenue Notes				1,640	802	838	120	49
Total Business Activity Bonds and Notes				625,911	193,044	432,867	35,569	22,599

**MUNICIPAL BUILDING COMMISSION
BALANCE SHEET
December 31, 2006**

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

	General Fund	Capital Projects Fund	Total
<u>ASSETS</u>			
Cash and cash equivalents	\$ 443	\$ 3	\$ 446
Receivables:			
Accounts - net	4	392	396
Taxes			
Current	35	-	35
Delinquent	127	-	127
Intergovernmental	723	-	723
Due from other funds	140	-	140
	<u>1,472</u>	<u>395</u>	<u>1,867</u>
Total assets	1,472	395	1,867
<u>LIABILITIES and FUND BALANCES</u>			
Liabilities:			
Salaries payable	269	1	270
Accounts payable	244	96	340
Due to other funds	-	140	140
Deferred revenue	127	-	127
	<u>640</u>	<u>237</u>	<u>877</u>
Total liabilities	640	237	877
Fund balances:			
Reserved for:			
Encumbrances	1	34	35
Unreserved, reported in			
General Fund	831	-	831
Capital Project Fund	-	124	124
	<u>832</u>	<u>158</u>	<u>990</u>
Total fund balances	832	158	990
	<u>\$ 1,472</u>	<u>\$ 395</u>	<u>\$ 1,867</u>
Total liabilities and fund balances	\$ 1,472	\$ 395	\$ 1,867

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

CITY OF MINNEAPOLIS, MINNESOTA

For the fiscal year ended December 31, 2007

(In Thousands)

	General Fund	Capital Projects Fund	Total
REVENUES:			
Taxes	\$ 3,870	\$ -	\$ 3,870
Intergovernmental revenues	397	76	473
Charges for services and sales	3,209	1,524	4,733
Miscellaneous revenues	100	1,352	1,452
Total revenues	<u>7,576</u>	<u>2,952</u>	<u>10,528</u>
EXPENDITURES:			
Current:			
General government	7,384	-	7,384
Capital outlay	-	3,052	3,052
Total expenditures	<u>7,384</u>	<u>3,052</u>	<u>10,436</u>
Excess (deficiency) of revenues over (under) expenditures	<u>192</u>	<u>(100)</u>	<u>92</u>
Net change in fund balance	192	(100)	92
Fund balances - January 1	<u>640</u>	<u>258</u>	<u>898</u>
Fund balances - December 31	<u><u>\$ 832</u></u>	<u><u>\$ 158</u></u>	<u><u>\$ 990</u></u>



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STATISTICAL SECTION

This part of the City of Minneapolis Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends These tables contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	136 - 139
Revenue Capacity These tables contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes.	140 - 143
Debt Capacity These tables present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	144 - 151
Demographic and Economic Information These tables offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.	152 - 153
Operation Information These tables contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.	154 - 157

Schedule 1
City of Minneapolis
Net Assets by Component (In Thousands)
Last 5 Fiscal Years
December 31, 2007

	Fiscal Year				
	2003	2004	2005	2006	2007
Governmental activities					
Invested in capital assets, net of related debt	\$ 276,744	\$ 353,750	\$ 319,954	\$ 471,115	\$ 492,007
Restricted	47,504	49,028	42,667	47,526	54,226
Unrestricted	(135,763)	(191,289)	(107,885)	(224,659)	(113,865)
Total governmental activities net assets	\$ 188,485	\$ 211,489	\$ 254,736	\$ 293,982	\$ 432,368
Business-type activities					
Invested in capital assets, net of related debt	\$ 480,562	\$ 504,453	\$ 523,073	\$ 541,670	\$ 529,140
Restricted	42,906	40,140	37,030	33,222	33,015
Unrestricted	36,845	14,865	320	14,460	83,340
Total business-type activities net assets	\$ 560,313	\$ 559,458	\$ 560,423	\$ 589,352	\$ 645,495
Primary government					
Invested in capital assets, net of related debt	\$ 757,306	\$ 858,203	\$ 843,027	\$ 1,012,785	\$ 1,021,147
Restricted	90,410	89,168	79,697	80,748	87,241
Unrestricted	(98,918)	(176,424)	(107,565)	(210,199)	(30,525)
Total primary government net assets	\$ 748,798	\$ 770,947	\$ 815,159	\$ 883,334	\$ 1,077,863

(UNAUDITED)

Schedule 2
City of Minneapolis
Changes in Net Assets (In Thousands)
Last 5 Fiscal Years
December 31, 2007

	Fiscal Year				
	2003	2004	2005	2006	2007
Expenses					
Governmental activities:					
General government	\$ 123,139	\$ 75,530	\$ 68,095	\$ 67,780	\$ 57,519
Public safety	168,976	202,334	215,366	221,160	226,050
Public works	68,296	20,691	28,909	52,267	80,315
Culture and recreation	26,346	49,968	48,744	15,851	5,279
Health and welfare	23,502	9,905	13,502	14,572	14,325
Community development	107,061	105,676	133,037	116,369	118,066
Interest on long-term debt	44,014	56,283	34,383	89,147	40,691
Total governmental activities expenses	\$ 561,334	\$ 520,387	\$ 542,036	\$ 577,146	\$ 542,245
Business-type activities:					
SanitarySewer	56,746	53,690	26,880	36,710	37,696
Stormwater	-	-	25,898	23,815	24,459
Water works	46,757	50,683	46,292	53,209	52,983
Municipal parking	62,832	67,195	56,676	60,097	58,714
Community development	14,962	18,551	24,517	9,035	6,446
Solid waste and recycling	23,568	26,007	24,500	26,554	26,570
Total business-type activities expenses	\$ 204,865	\$ 216,126	\$ 204,763	\$ 209,420	\$ 206,868
Total primary government expenses	\$ 766,199	\$ 736,513	\$ 746,799	\$ 786,566	\$ 749,113
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 48,345	\$ 18,036	\$ 19,805	\$ 28,320	\$ 30,490
Public safety	6,498	36,073	38,002	43,889	34,486
Public works	4,419	2,059	5,169	8,461	10,239
Health and welfare	712	449	536	528	500
Community development	7,915	32,465	44,447	35,595	30,169
Culture and recreation	-	-	-	-	2,252
Operating grants and contributions	65,751	52,288	85,301	68,894	84,926
Capital grants and contributions	19,793	35,637	13,858	18,717	19,174
Total governmental activities program revenues	\$ 153,433	\$ 177,007	\$ 207,118	\$ 204,404	\$ 212,236
Business-type activities:					
Charges for services:					
Sanitary Sewer	\$ 59,834	\$ 64,132	\$ 33,756	\$ 37,968	\$ 40,369
Storm Water	\$ -	\$ -	\$ 31,336	\$ 30,209	\$ 32,205
Water works	55,903	58,669	60,118	59,541	29,193
Municipal parking	51,859	55,274	55,300	57,884	60,625
Solid waste and recycling	27,071	28,396	29,443	28,546	7,917
Community development	10,791	13,838	12,125	7,483	60,152
Operating grants and contributions	1,537	-	-	13,553	1,737
Capital grants and contributions	-	-	-	-	-
Total business-type activities program revenues	\$ 206,995	\$ 220,309	\$ 222,078	\$ 235,184	\$ 232,198
Total primary government program revenues	\$ 360,428	\$ 397,316	\$ 429,196	\$ 439,588	\$ 444,434
Net (Expenses) Revenue					
Governmental activities	\$ (407,901)	\$ (340,602)	\$ (334,918)	\$ (372,742)	\$ (330,009)
Business-type activities	2,130	4,183	17,315	25,764	25,330
Total primary government net expense	\$ (405,771)	\$ (336,419)	\$ (317,603)	\$ (346,978)	\$ (304,679)
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Taxes					
General property tax and fiscal disparities	\$ 109,340	\$ 124,485	\$ 131,261	\$ 145,073	\$ 159,878
Property tax increment	67,506	64,118	64,044	71,556	77,979
Franchise fees	24,083	25,112	27,702	29,026	29,548
Convention center taxes	48,908	52,169	55,064	56,725	60,065
Other taxes	341	273	228	188	215
Intergovernmental - unrestricted	88,818	81,722	65,921	81,626	70,712
Grants and contributions not restricted to programs	2,689	-	-	9	8
Unrestricted interest and investment earnings	14,251	6,152	13,510	14,407	17,574
Sale of land	-	-	-	-	-
Other	20,500	1,028	1,144	2,862	2,715
Gain on sale of capital assets	-	3	-	-	-
Transfers	7,308	8,544	19,291	416	5,023
Total governmental activities	\$ 383,744	\$ 363,606	\$ 378,165	\$ 401,888	\$ 423,717
Business-type activities:					
Unrestricted interest and investment earnings	\$ 2,181	\$ 1,236	\$ 1,359	\$ 1,542	\$ 1,924
Other	4,724	2,270	1,580	2,039	3,187
Gain on sale of capital assets	62	-	2	-	30,725
Transfers	(7,308)	(8,544)	(19,291)	(416)	(5,023)
Total business-type activities	\$ (341)	\$ (5,038)	\$ (16,350)	\$ 3,165	\$ 30,813
Total primary government	\$ 383,403	\$ 358,568	\$ 361,815	\$ 405,053	\$ 454,530
Changes in Net Assets					
Governmental activities	\$ (24,157)	\$ 23,004	\$ 43,247	\$ 29,146	\$ 93,708
Business-type activities	1,789	(855)	965	28,929	56,143
Total primary government	\$ (22,368)	\$ 22,149	\$ 44,212	\$ 58,075	\$ 149,851

(UNAUDITED)

Schedule 3
City of Minneapolis
Fund Balance, Governmental Funds (In Thousands)
Last 5 Fiscal Years
December 31, 2007

	Fiscal Year				
	2003	2004	2005	2006	2007
General Fund					
Reserved	\$ 436	\$ 880	\$ 2,724	\$ 2,471	\$ 1,394
Unreserved	53,111	60,472	50,838	52,641	53,851
Total general fund	\$ 53,547	\$ 61,352	\$ 53,562	\$ 55,112	\$ 55,245
All Other Government Funds					
Reserved	\$ 241,008	\$ 230,653	\$ 201,202	\$ 206,285	\$ 210,056
Unreserved					
Special revenue funds	90,422	93,908	96,828	77,561	79,230
Capital project funds	67,658	49,028	21,283	5,445	1,192
Debt Service funds	47,504	42,419	42,667	47,526	54,226
Total all other governmental funds	\$ 446,592	\$ 416,008	\$ 361,980	\$ 336,817	\$ 344,704

(UNAUDITED)

Schedule 4
City of Minneapolis
Changes in Fund Balance, Governmental Funds (In Thousands)
Last 5 Fiscal Years
December 31, 2007

	Fiscal Year				
	2003	2004	2005	2006	2007
Revenues					
Taxes	\$ 248,584	\$ 265,672	\$ 277,411	\$ 300,893	\$ 326,187
Licenses, fees, and permits	22,915	24,780	25,835	25,838	26,407
Intergovernmental revenues	164,600	161,820	169,558	175,981	160,384
Charges for services	34,192	43,798	52,590	55,112	53,778
Fines and penalties	8,704	9,641	10,680	9,249	9,397
Special assessments	10,921	11,091	11,503	12,363	13,555
Interest	14,455	6,141	13,292	14,517	19,075
Miscellaneous revenues	31,603	32,042	34,696	34,001	29,626
Total Revenues	535,974	554,985	595,565	627,954	638,409
Expenditures					
General government	98,201	57,557	58,880	66,803	55,581
Public Safety	160,750	190,638	209,453	220,346	222,823
Highways and streets	33,542	40,049	39,204	39,171	41,892
Culture and recreations	26,346	49,968	48,744	15,851	5,279
Health and welfare	22,856	9,403	13,258	14,613	14,193
Community development	110,576	106,348	128,464	112,103	116,348
Capital outlay	59,714	63,365	46,141	45,447	43,846
Debt Service:					
Principal	67,329	76,175	90,825	72,768	66,744
Interest	52,263	57,462	62,456	63,490	62,424
Total expenditures	631,577	650,965	697,425	650,592	629,130
Excess of revenues over (under) expenditures	(95,603)	(95,980)	(101,860)	(22,638)	9,279
Other Financing Sources (Uses)					
Transfers from other funds	118,655	112,918	159,664	157,161	129,321
Transfers to other funds	(149,381)	(147,725)	(179,836)	(185,576)	(151,672)
Bonds issued	160,229	84,770	59,356	26,835	20,344
Premium (discount)	1,736	4,898	4,293	49	478
Refunding bonds issued	31,810	51,210	71,385	10,545	1,750
Loans and notes issued	1,725	6,500	-	-	-
Payments to escrow agents	(31,625)	(39,370)	(74,820)	(9,989)	(1,480)
Total other financing sources (uses)	133,149	73,201	40,042	(975)	(1,259)
Net change in fund balance	\$ 37,546	\$ (22,779)	\$ (61,818)	\$ (23,613)	\$ 8,020
Debt service as a percentage of noncapital expenditures	20.9%	22.7%	23.5%	22.5%	22.1%

(UNAUDITED)

Schedule 5
City of Minneapolis
Assessed Value and Actual Value of Taxable Property
Last Ten Fiscal Years
(In thousands of dollars)
December 31, 2007

Fiscal Year Ended December 31,	Commercial Property	Apartment Property	Residential Property	Industrial Property	Personal & Other Property	Tax-Exempt Property	Total Taxable Assessed Value ¹	Total Direct Tax Rate	Estimated		Taxable Assessed Value as a % of Actual Taxable Value
									Actual Taxable Value ²	Actual Taxable Value	
1998	3,619,646	1,215,820	8,576,609	772,009	277,422	4,775,146	\$ 14,461,506	5.40	16,785,843		86%
1999	3,968,179	1,323,041	9,215,680	804,894	289,177	5,076,487	\$ 15,600,971	5.88	18,424,454		85%
2000	4,191,716	1,495,183	10,093,079	902,211	296,295	6,385,833	\$ 16,978,484	6.03	20,113,950		84%
2001	4,566,619	1,774,766	11,702,958	1,030,649	295,151	7,024,416	\$ 19,370,143	5.93	22,694,511		85%
2002	4,996,989	2,262,704	14,445,648	1,147,733	309,224	7,834,331	\$ 23,162,298	8.28	26,594,230		87%
2003	4,895,935	2,633,849	16,664,348	1,314,200	363,997	8,160,621	\$ 25,872,329	8.78	29,315,775		88%
2004	4,670,904	3,005,654	19,172,856	1,302,065	372,891	8,739,232	\$ 28,524,370	8.50	33,473,533		85%
2005	4,646,615	3,199,757	21,504,339	1,347,262	392,195	10,351,037	\$ 31,090,168	8.19	35,289,521		88%
2006	5,282,718	3,393,675	24,309,842	1,392,094	413,521	\$8,426,487	\$ 34,791,850	7.75	39,067,565		89%
2007	6,141,186	3,341,167	25,883,768	1,305,858	424,587	\$8,465,785	\$ 37,096,566	7.55	39,943,095		93%

Source: Finance Department calculations, using Assessor data

Notes:

¹Total of each for the first five property types. Tax exempt property value has been netted from each of these totals.

²Calculated using sales ratios, a means of statistically measuring the uniformity of assessments statewide. 1997 based on 1998 sales ratio.

Tax Rates are per \$1,000 of assessed value.

Total Direct Tax Rate is the weighted average of all individual direct rates applied

(UNAUDITED)

Schedule 6
City of Minneapolis
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
December 31, 2007

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
City Direct Rates										
<i>Tax Capacity Based Rates</i>										
General	2.54	2.75	2.74	2.81	3.12	3.63	4.13	4.40	4.27	4.24
Estimate and Taxation	0.00	0.01	0.01	0.00	0.01	0.01	0.01	0.01	0.01	0.01
Building Commission	0.11	0.12	0.12	0.11	0.18	0.19	0.17	0.16	0.14	0.13
Permanent Improvement	0.06	0.09	0.10	0.11	0.14	0.14	0.10	0.08	0.07	0.05
Bond Redemption	0.71	0.90	1.10	0.95	1.53	1.69	1.25	0.97	0.74	0.63
Firefighter's Relief Association	0.14	0.13	0.04	0.01	-	-	-	-	0.05	0.10
Police Relief Association	0.08	0.03	0.05	-	0.16	0.16	0.14	-	0.08	0.12
Minneapolis Employees Retirement Fund	0.22	0.16	0.16	0.14	0.24	0.21	0.19	0.13	0.11	0.08
Parks	0.99	1.11	1.13	1.21	1.86	1.75	1.65	1.55	1.42	1.34
Libraries	0.43	0.46	0.47	0.45	0.63	0.60	0.56	0.52	0.48	0.45
Community Development	-	-	-	-	0.26	0.21	-	-	-	-
Public Housing	0.04	0.05	0.05	0.04	0.05	0.05	0.05	0.05	0.04	0.04
Teacher's Retirement Association	0.07	0.08	0.09	0.08	0.11	0.12	0.11	0.09	0.08	0.07
<i>Market Value Based Rates</i>										
Library Referendum	-	-	-	-	-	0.02	0.14	0.24	0.27	0.27
Total City Direct Rates	5.39	5.89	6.06	5.91	8.29	8.78	8.50	8.20	7.76	7.55
Overlapping Rates										
<i>Tax Capacity Based Rates</i>										
Watershed Districts	n/a	n/a	n/a	0.18	0.36	0.16	0.10	0.16	0.13	0.14
Hennepin County	4.67	4.98	4.80	4.52	5.95	5.93	5.33	4.94	4.59	4.40
Minneapolis Public Schools	8.97	7.95	7.72	6.98	4.39	4.40	4.17	3.39	3.23	3.06
Other Special Taxing Districts	0.85	0.95	0.94	0.31	0.63	0.67	0.62	0.59	0.52	0.54
<i>Market Value Based Rates</i>										
Minneapolis Public Schools Referendum	0.01	0.01	0.02	0.02	0.01	0.01	0.01	0.01	0.01	0.01
Solid Waste Fee	n/a	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Overlapping Rates	14.50	13.89	13.48	12.01	11.34	11.17	10.23	9.09	8.48	8.15
Grand Total	19.89	19.78	19.54	17.92	19.63	19.95	18.73	17.29	16.24	15.70

Based upon weighted class rate among property types (e.g. commercial/industrial, residential)

Bond Redemption levy is reserved for repayment of debt service, according to schedules at the time of sale of the bonds.

n/a=not available

Source: Finance Department

(UNAUDITED)

Schedule 7
City of Minneapolis
Principal Property Tax Payers
Current Year and Nine Years Ago
December 31, 2007

(Dollar Amounts Express in Thousands)

<u>Taxpayer</u>	2007			1998		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Northern States Power	\$ 321,904	1	1.47%	\$274,520	3	3.94%
Target Corporation	235,243	2	1.08%			
MB Mpls. 8th St LLC	192,000	3	0.88%			
NWC Limited Partnership	172,000	4	0.79%	187,100	4	2.44%
American Express Financial Corp.	159,146	5	0.72%			
Wells Operating Partnership LP	144,000	6	0.66%			
City Center Associates	134,800	7	0.62%	182,500	5	2.50%
First Minneapolis - Hines	136,000	8	0.62%			
Minneapolis 225 Holdings LLC	134,000	9	0.62%			
Byte Investmetn Ptnrshp I	130,000	10	0.60%			
Hines Intrsts Ltd Ptnrsp				391,000	1	5.11%
Heitman Properties Ltd.				336,315	2	4.41%
Property Minnesota One LLC				152,900	6	2.00%
Interntl Centre Ltd Ptnrshp				120,495	7	1.57%
Brookfield Market Inc				114,400	8	1.49%
NW Natl Life Insruance Co				98,078	9	1.28%
Federal Reserve Bank of Mpls				96,375	10	1.26%
Total	\$ 1,759,093		8.06%	\$ 1,953,683		26.00%

Source: Bond Issue Report 6/15/1999 and 6/15/2007

(UNAUDITED)

Schedule 8
City of Minneapolis
Property Tax Levies and Collections
Last Ten Fiscal Years
December 31, 2007

(Dollar Amounts Express in Thousands)

Fiscal Year Ended December 31,	Taxes Levied for the Fiscal Year	Collections within the		Collections in Subsequent Years	Total Collections to Date
		Fiscal Year of the Levy	Percentage of Levy		
1998	\$ 139,189	\$ 137,700	98.93%	\$ 789	\$ 138,489 99.50%
1999	144,339	142,815	98.94%	841	143,656 99.53%
2000	153,438	151,872	98.98%	232	152,104 99.13%
2001	163,751	161,188	98.43%	19	161,207 98.45%
2002	146,852	144,386	98.32%	(102)	144,284 98.25%
2003	158,819	156,550	98.57%	680	157,230 99.00%
2004	176,066	173,565	98.58%	359	173,924 98.78%
2005	190,375	187,271	98.37%	1,408	188,679 99.11%
2006*	205,830	201,794	98.04%	1,562	203,356 98.80%
2007	222,523	217,841	97.90%	3,212	221,053 99.34%

Source: Minneapolis Finance Department - Controller Division

(UNAUDITED)

Schedule 9
City of Minneapolis
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(in thousands of dollars, except per capita)
December 31, 2007

Fiscal Year	Governmental Activities				Business-type Activities				Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Revenue Bonds	Notes Payable	General Obligation Bonds & Notes	Revenue Bonds	Notes Payable	Total Primary Government				
1998	534,813	150,425	18,020	279,443	143,165	972	1,126,838	N/A	3,125		
1999	642,497	125,035	27,753	326,620	116,245	4,760	1,242,910	N/A	3,466		
2000	731,091	118,385	14,478	432,940	94,445	9,083	1,400,422	16.14%	3,660		
2001	756,500	103,726	32,488	417,672	102,765	7,406	1,420,557	15.45%	3,714		
2002	738,379	90,643	49,091	380,645	91,885	3,502	1,354,145	16.78%	3,538		
2003	857,358	77,102	48,422	390,135	82,117	1,248	1,456,382	16.32%	3,810		
2004	891,678	74,682	41,998	407,280	71,390	1,155	1,488,183	16.99%	3,892		
2005	865,011	67,085	41,252	410,263	61,631	1,056	1,446,298	15.36%	3,730		
2006	817,771	65,756	26,709	396,019	57,985	950	1,365,190	14.50%	3,521		
2007	777,385	56,306	22,735	368,335	63,695	837	1,289,293	12.71%	3,323		

Notes:
Details regarding the city's outstanding debt can be found in the notes to the financial statements.
(1) See Schedule 14 for personal income and population data. Personal income data was not available for 1998 - 1999.

Source: Minneapolis Finance Department - Capital and Debt Management
(UNAUDITED)

Schedule 10
City of Minneapolis
Ratios Of Net General Bonded Debt Outstanding
Last Ten Fiscal Years

(in thousands of dollars, except per capita)
 December 31, 2007

Fiscal Year	Net General Bonded Debt Outstanding					Percentage of Total Taxable Assessed Value of Property (1)	Per Capita (2)
	Governmental General Obligation Bonds	Business-type General Obligation Bonds & Notes	Less Assets Reserved for Debt Service	Total	Total		
1998	534,813	279,443	31,666	782,590	5.41%	2,170	
1999	642,497	326,620	36,139	932,978	5.98%	2,602	
2000	731,091	432,940	32,495	1,131,536	6.66%	2,957	
2001	756,500	417,672	33,059	1,141,113	5.89%	2,984	
2002	738,379	380,645	32,453	1,086,571	4.69%	2,839	
2003	857,358	390,135	34,451	1,213,042	4.69%	3,173	
2004	891,678	407,280	35,753	1,263,205	4.43%	3,303	
2005	865,011	410,263	27,704	1,247,570	4.01%	3,218	
2006	817,771	396,019	30,978	1,182,812	3.40%	3,051	
2007	777,385	368,335	36,559	1,109,161	2.99%	2,859	

Notes:

Details regarding the city's outstanding debt can be found in the notes to the financial statements.

(1) See Schedule 5 for property value data. Assessed value used is consistent with valuations on the legal debt margin schedule.

(2) Population data can be found in Schedule 14.

Source: Minneapolis Finance Department - Capital and Debt Management

(UNAUDITED)

Schedule 11
City of Minneapolis
Direct and Overlapping Governmental Activities Debt
(in thousands of dollars)
December 31, 2007

Governmental Unit	Net General Obligation Governmental Debt Outstanding (1)	Estimated Percentage Applicable (2)	Estimated Share of Direct and Overlapping Debt
City of Minneapolis - Direct Debt	\$ 464,868 (3)	100.00%	\$ 464,868
<u>Overlapping Debt:</u>			
Special School District No. 1	\$ 339,587	100.00%	\$ 339,587
Hennepin County	468,236 (4)	24.50%	114,718
Hennepin County Regional Railroad Authority	44,577	24.50%	10,921
Metropolitan Council	142,203	11.86%	16,865
Subtotal, Overlapping Debt			\$ 482,091
Total Direct and Overlapping Debt			\$ 946,959

Notes:

Details regarding the city's outstanding debt can be found in the notes to the financial statements.

(1) This table represents the net governmental debt of the City of Minneapolis and overlapping jurisdictions on a net debt basis. This presentation shows the total property tax supported debt burden of the general taxpayers of the City.

(2) The estimated percentage applicable is determined by Hennepin County and represents the tax capacity of the City in relation to the tax capacity of the overlapping jurisdictions as calculated by Hennepin County.

(3) Total excludes \$242,400 of self supporting debt, \$44,435 of special assessment debt and all governmental activity revenue bonds and notes which are not principally paid by the general taxpayer base.

(4) Excludes suburban library bonds for which Minneapolis taxpayers are not obligated.

Sources:

Minneapolis Finance Department - Capital and Debt Management
Minneapolis Public School District 1
Hennepin County
MET Council Report of Outstanding Indebtedness

(UNAUDITED)

Schedule 12
City of Minneapolis
Legal Debt Margin Information
Last Ten Fiscal Years
(in thousands of dollars)
December 31, 2007

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Debt Limit	\$519,540	\$576,511	\$655,557	\$784,051	\$875,204	\$967,210	\$1,054,780	\$1,182,794	\$1,159,728	\$1,253,051
Total net debt applicable to limit	118,312	134,109	159,347	146,911	193,639	319,436	362,739	369,842	339,712	313,129
Legal debt margin	<u>\$401,228</u>	<u>\$442,402</u>	<u>\$496,210</u>	<u>\$637,140</u>	<u>\$681,565</u>	<u>\$647,774</u>	<u>\$692,041</u>	<u>\$812,952</u>	<u>\$820,016</u>	<u>\$939,922</u>
Total net debt applicable to limit as a percentage of debt limit	22.77%	23.26%	24.31%	18.74%	22.13%	33.03%	34.39%	31.27%	29.29%	24.99%

Legal Debt Margin Calculation for Fiscal Year 2007

Real Property (2007 Assessed Market Value)	\$36,694,955
Personal Property (2007 Assessed Market Value)	401,611
Adjustment for Exempt Personal Property (1966 Market Value)	298,030
Adjustment for Net Fiscal Disparities (Contribution)/Distribution	196,944
Total 2007 Assessed Market Value	<u>37,591,540</u>
Debt Limit (3-1/3% of Market Value Applicable to Debt Limit)	1,253,051
Debt applicable to limit:	
General Obligation Bonds Subject to Debt Limit.	337,190
Less: Assets in General Debt Service Funds	(24,061)
Total Net Debt Applicable to Limit	<u>313,129</u>
Legal Debt Margin	<u>\$939,922</u>

Source: Minneapolis Finance Department - Capital and Debt Management

(UNAUDITED)

Schedule 13
City of Minneapolis
Pledged-Revenue Coverage
Last Ten Fiscal Years
(in thousands of dollars)
December 31, 2007

MUNICIPAL PARKING BONDS

Fiscal Year	Operating Revenue (1)	Operating Expenses (2)	Debt Service Transfers (3) (4)	Net Revenue Available for Debt Service	Debt Service Requirements			
					Principal	Interest	Total	
1998	43,964	28,331	8,384	24,017	5,980	6,729	12,709	1.89
1999	48,248	32,032	12,426	28,642	25,849	9,209	35,058	0.82
2000	52,746	29,936	11,508	34,318	24,765	10,949	35,714	0.96
2001	56,889	35,227	8,757	30,419	31,329	12,734	44,063	0.69
2002	55,010	35,462	8,235	27,783	13,439	13,205	26,644	1.04
2003	53,401	44,507	13,941	22,836	10,129	12,616	22,745	1.00
2004	55,604	47,409	13,993	22,188	11,434	13,226	24,660	0.90
2005	55,600	39,535	13,474	29,539	12,834	12,127	24,961	1.18
2006	58,349	39,431	16,816	35,734	14,174	13,186	27,360	1.31
2007	60,554	39,548	18,361	39,367	16,924	12,882	29,806	1.32

Notes:

- (1) Operating revenue includes fees for services and other non-operating revenues available for debt service.
- (2) Operating expenses are 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 in 2003.

Source: Minneapolis Finance Department - Capital and Debt Management

(UNAUDITED)

Schedule 13
City of Minneapolis
Pledged-Revenue Coverage
Last Ten Fiscal Years
 (in thousands of dollars)
 December 31, 2007

(Continued)

SANITARY SEWER BONDS

Fiscal Year	Operating Revenue (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements		Coverage
				Principal	Interest	
1998	-	-	-	-	-	0.00
1999	-	-	-	-	-	0.00
2000	-	-	-	-	-	0.00
2001	-	-	-	-	-	0.00
2002	-	-	-	-	-	0.00
2003	-	-	-	-	-	0.00
2004	-	-	-	-	-	0.00
2005	-	-	-	-	-	0.00
2006	39,342	38,542	800	72	9	9.88
2007 (3)	41,915	39,954	1,961	767	137	904

Notes:

- (1) Operating revenue includes fees for services and other non-operating revenues available for debt service.
- (2) Operating expenses are exclusive of depreciation.
- (3) In 2005, the Sewer fund was split into two funds - Stormwater and Sanitary Sewer. Historically, the debt for the sewer fund was primarily stormwater related. The first year debt was issued for sanitary sewer purposes was in 2006.

Source: Minneapolis Finance Department - Capital and Debt Management
 (UNAUDITED)

Schedule 13
City of Minneapolis
Pledged-Revenue Coverage
Last Ten Fiscal Years
(in thousands of dollars)
December 31, 2007

(Continued)

STORMWATER BONDS

Fiscal Year	Operating Revenue (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements		Coverage	
				Principal	Interest		
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	67,458	55,619	11,839	9,120	2,292	11,412	1.04
2005 (3)	31,435	20,080	11,355	9,609	2,352	11,961	0.95
2006	30,575	18,250	12,325	8,360	2,483	10,843	1.14
2007	33,008	19,348	13,660	7,797	2,563	10,360	1.32

Notes:

- (1) Operating revenue includes fees for services and other non-operating revenues available for debt service.
- (2) Operating expenses are exclusive of depreciation.
- (3) In 2005, the Sewer fund was split into two funds - Stormwater and Sanitary Sewer. Historically, the debt for the sewer fund has been primarily for stormwater related issues.

Source: Minneapolis Finance Department - Capital and Debt Management

(UNAUDITED)

Schedule 13
City of Minneapolis
Pledged-Revenue Coverage
Last Ten Fiscal Years
 (in thousands of dollars)
 December 31, 2007

(Continued)

WATER WORKS BONDS

Fiscal Year	Operating Revenue (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements		Coverage	
				Principal	Interest		
1998	44,865	31,946	12,919	2,210	552	2,762	4.68
1999	42,919	30,738	12,181	3,374	1,832	5,206	2.34
2000	50,567	33,428	17,139	6,091	2,281	8,372	2.05
2001	55,385	37,154	18,231	9,879	2,392	12,271	1.49
2002	57,378	40,161	17,217	13,192	2,796	15,988	1.08
2003	62,581	40,178	22,403	12,759	2,836	15,594	1.44
2004	63,449	46,205	17,244	11,930	3,221	15,152	1.14
2005	61,946	44,116	17,830	10,819	4,078	14,897	1.20
2006	64,786	46,704	18,082	8,659	4,371	13,030	1.39
2007	66,439	44,838	21,601	8,419	4,481	12,900	1.67

Notes:

- (1) Operating revenue includes fees for services and other non-operating revenues available for debt service.
- (2) Operating expenses are exclusive of depreciation.

Source: Minneapolis Finance Department - Capital and Debt Management
(UNAUDITED)

Schedule 14
City of Minneapolis
Demographic and Economic Statistics
Last 10 Fiscal Years
December 31, 2006

Year	Population (1)	Aggregate Income (3)	Per Capita Income	Median Age (4)	School Enrollment (5)	Annual average Unemployment Rate (6)
1997	362,090	N/A	N/A	N/A	48,706	3.3%
1998	360,591	N/A	N/A	N/A	48,776	2.8%
1999	358,610	N/A	N/A	N/A	48,487	2.8%
2000 (2)	382,618	\$ 8,675,946,500	\$ 22,675	31.5	48,689	3.0%
2001	382,446	\$ 9,194,419,953	\$ 24,041	32.1	47,824	3.9%
2002	382,700	\$ 8,069,589,052	\$ 21,086	32.0	45,651	4.9%
2003	382,295	\$ 8,924,153,419	\$ 23,344	33.4	42,900	5.2%
2004	382,400	\$ 8,759,647,300	\$ 22,907	33.9	40,051	5.0%
2005	387,711	\$ 9,417,158,500	\$ 24,289	32.1	37,865	4.2%
2006	387,970	\$ 10,144,150,100	\$ 27,487	33.6	36,428	3.8%
2007	N/A	N/A	N/A	N/A	34,570	4.2%

N/A = Non available

Sources:

- (1) Population 1997-2006 - Metropolitan Council
- (2) Population and aggregate income for 2000 - US Census of Population and Housing
- (3) Aggregate income (for population 15+) - US Census Bureau - American Community Survey
- (4) Median age - US Census Bureau - American Community Survey
- (5) School enrollment - Minneapolis School System
- (6) Annual average unemployment rate - Minnesota Department of Employment and Economic Development

- Notes: 1) The Metropolitan Council adopts the 2000 population figure from Census. For consistency purposes to calculate per capita income, 2000 population and aggregate income data are from the Census of Population.
- 2) ACS only counts population in households; it excludes population in group quarters such as student dormitories, jail, convents and other institutions.

Definitions:

Total Income is the sum of the amounts reported separately for wages, salary, commissions, bonuses, or tips; self-employment income from own non-farm or farm businesses, including proprietorships and partnerships; interest, dividends, net rental income, royalty income, or income from estates and trusts; Social Security or Railroad Retirement income; Supplemental Security Income (SSI); any public assistance or welfare payments from the state or local welfare office; retirement, survivor, or disability pensions; and any other sources of income received regularly such as Veterans' (VA) payments, unemployment compensation, child support or alimony

Per capita income is an average obtained by dividing aggregate income by the population 15 years old or older in an area.

(UNAUDITED)

Schedule 15
City of Minneapolis
Principal Employers
December 31, 2007

<u>Employer - Metro Region</u>	2007			2006		
	Approximate Number of Employees	Rank	Percentage of Total City Employment	Approximate Number of Employees	Rank	Percentage of Total City Employment
University of Minnesota	30,000	1	14.18%	30,240	1	14.29%
Target Corporation	25,734	2	12.16%	24,294	2	11.48%
Allina Health System	22,105	3	10.45%	22,500	3	10.64%
Wells Fargo Bank Minnesota	20,175	4	9.54%	19,100	4	9.03%
Fairview Health Services	18,500	5	8.74%	18,500	5	8.74%
Hennepin County	12,171	6	5.75%	12,459	6	5.89%
U.S. Bankcorp	9,500	7	4.49%	9,442	7	4.46%
Ameriprise Financial Inc.	6,000	8	2.84%	6,500	8	3.07%
Xcel Energy Inc.	5,057	10	2.39%	5,356	9	2.53%
United Parcel Services	5,400	9	2.55%	5,329	10	2.52%
	154,642		73.10%	153,720		72.66%

Source: Minnesota Department of Employment and Economic Development
(<http://www.mnpro.com/>)
Information Prior to 2006 is not available

(UNAUDITED)

Schedule 16
City of Minneapolis
Full-time Equivalent City Government Employees by Function
Last 10 Fiscal Years
 December 31, 2007

Full-time Equivalent Employees as of December 31,										
Function Program	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General Government										
Assessor	40.30	39.00	38.00	37.00	35.50	35.50	34.50	34.50	34.50	37.00
Attorney	89.00	106.00	105.50	113.50	111.50	110.63	101.13	101.00	106.50	108.00
City Clerk	79.25	77.60	80.25	52.00	54.25	47.50	46.20	26.50	39.50	27.00
City Coordinator	771.25	772.25	775.50	852.80	969.20	969.59	929.75	929.08	911.03	917.00
City Council	13.00	13.00	13.00	38.00	38.00	38.00	39.00	39.00	26.00	
Civil Rights	23.00	24.00	25.00	29.00	29.00	27.50	24.00	27.00	25.80	26.00
Civilian Review	7.00	7.00	7.00	5.00	5.00					
Community Planning and Economic Development										
Fire	483.00	483.00	493.00	483.00	482.50	469.50	449.50	444.50	444.50	447.00
Health & Family Support	69.97	70.97	73.90	64.15	69.15	75.40	73.90	69.00	66.30	66.00
Mayor	13.00	13.00	13.00	13.00	12.00	11.00	11.00	11.00	11.00	12.00
Police	1,205.50	1,202.50	1,191.00	1,182.50	1,093.00	1,060.50	966.05	942.00	1,058.00	1,088.00
Public Works	1,180.19	1,177.24	1,182.64	1,195.34	1,227.04	1,256.54	1,211.19	1,206.39	1,206.59	1,197.00
Planning	32.00	39.00	39.00							
	4,006.46	4,024.56	4,036.79	4,277.04	4,330.52	4,308.14	4,030.22	3,968.97	4,071.72	4,066.00
Independent Boards										
Board of Estimate & Taxation	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Library	352.19	358.89	358.89	357.99	368.00	363.40	242.00	246.50	261.90	273.00
Park	883.26	890.47	903.38	951.23	946.94	936.27	907.47	907.91	909.55	902.00
Community Development	162.50	163.50	157.00							
Building Commission	60.50	74.00	66.50	66.50	66.50	64.00	62.00	61.00	61.00	62.00
Youth Coordinating Board	31.00	31.13	28.50	30.00	39.00	26.50	4.50	4.50	4.50	5.00
NRP	19.00	18.00	16.00	15.00	14.00	12.00	12.00	11.00	10.00	10.00
	1,510.45	1,537.99	1,532.27	1,422.72	1,436.44	1,404.17	1,229.97	1,232.91	1,248.95	1,254.00
Total	5,516.91	5,562.55	5,569.06	5,699.76	5,766.96	5,712.31	5,260.19	5,201.88	5,320.67	5,320.00

(UNAUDITED)

Source: City Budget Office

**Schedule 17
City of Minneapolis
Operating Indicators by Function/Program - Last 10 Fiscal Years
December 31, 2007**

Function/Description	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General Government										
Assessor										
Sales ratio, all classes aggregated	86%	85%	84%	85%	87%	88%	85%	88%	89%	93%
Number of parcels' valuations petitioned in tax court	NA	274	505	621	834	745	967	824	890	NA
Attorney - City litigation										
Liability payouts, millions	\$ 2.9	\$ 5.4	\$ 11.6	\$ 2.9	\$ 2.0	\$ 10.3	\$ 4.3	\$ 3.2	\$ 1.7	\$ 9.3
Civil litigation caseload	953	808	688	697	683	724	904	1,142	999	1,226
City Clerk - Elections										
Number of registered voters	227,894	205,069	259,231	223,778	219,834	217,131	287,459	235,172	226,585	220,740
Number of votes cast in election	141,540	23,323	175,191	89,927	150,192	2,284	201,672	70,987	149,318	no election
Voter turnout, percentage of registered voters	62.11%	11.37%	65.58%	40.19%	68.32%	16.49%	70.16%	30.19%	65.90%	no election
Type of election, highest level of government	state	special/school	federal	municipal	state	3rd ward only	federal	municipal	state	no election
Number of new voters registered at the polls	NA	NA	46,627	5,976	32,869	41	48,611	5,579	28,907	no election
Number of spoiled ballots	NA	NA	3,891	1,162	4,309	3	3,909	755	2,284	no election
Number of absentee ballots	NA	NA	8,412	2,681	5,272	173	14,147	2,506	7,410	no election
Coordinator - Finance										
Bond rating - Fitch	NAP	NAP	AAA	AAA	AAA	AAA	AAA	AAA	AAA	AAA
Bond rating - Moody's	Aaa	Aaa	Aaa	Aa1	Aa1	Aa1	Aa1	Aa1	Aa1	Aa1
Bond rating - Standard & Poor's	AAA	AAA	AAA	AAA	AAA	AAA	AAA	AAA	AAA	AAA
Collections Effectiveness Indicator, Utility revenues	NA	NA	NA	NA	NA	81%	79%	68%	70%	78%
Civil Rights										
Number of new civil rights complaints	NA	NA	NA	NA	NA	165	125	121	250	231
Number of new complaints of police misconduct	NA	NA	NA	NA	NA	157	128	85	89	75
Community and Economic Development & Planning										
Number of jobs added by City assisted businesses (projected)	NA	NA	NA	1,771	1,445	1,554	378	659	2,115	318
Multifamily housing investment: City funds, millions	NA	NA	NA	\$ 9	\$ 27	\$ 11	\$ 23	\$ 33	\$ 12	\$ 10
Multifamily housing investment: Other public funds, millions	NA	NA	NA	\$ 15	\$ 26	\$ 39	\$ 38	\$ 19	\$ 14	\$ 12
Multifamily housing investment: Private funds, millions	NA	NA	NA	\$ 120	\$ 285	\$ 130	\$ 145	\$ 225	\$ 165	\$ 57
Business finance loans: City funds, millions	NA	NA	NA	\$ 2.5	\$ 2.4	\$ 2.2	\$ 1.6	\$ 2.6	\$ 3.7	\$ 1.9
Number of foreclosure sales	NA	NA	NA	NA	NA	NA	NA	863	1,610	5,563
Convention Center										
Occupancy rate	NA	NA	NA	NA	60%	55%	56%	66%	62%	61%
Total attendance	NA	NA	NA	NA	1,111,513	917,821	903,330	784,250	836,000	782,000
Health & Family Support										
Number of three-year old screenings conducted by the schools	NA	NA	NA	NA	NA	195	601	647	740	837
Number of homicide deaths in Minneapolis, ages 15-24	NA	NA	NA	NA	NA	24	19	17	26	15
Percent of one and two year olds tested for lead	53%	53%	48%	50%	55%	58%	63%	65%	69%	NA
Number of children under age 6 with elevated lead levels	1,157	968	758	846	601	544	434	406	208	NA
Public Safety										
Coordinator - 311 - 911										
911 answer time, seconds	NA	NA	NA	NA	NA	6.09	6.51	6.40	7.53	7.90
911 pending time to dispatch, high priority calls, minutes	NA	NA	NA	NA	NA	2.32	2.28	2.85	2.97	3.17
Percent of 311 calls answered in 20 seconds or less	NAP	NAP	NAP	NAP	NAP	NAP	NAP	NAP	90%	74%
Percent of 311 calls resolved at first call	NAP	NAP	NAP	NAP	NAP	NAP	NAP	NAP	70%	76%
Attorney - Criminal Prosecution										
Number of chronic offenders convicted	NA	NA	NA	NA	NA	82	83	81	129	130
Domestic violence conviction rate	NA	NA	NA	NA	NA	48%	48%	48%	58%	54%
Prosecution caseload	63,887	55,027	51,080	44,970	43,981	35,393	29,117	21,688	27,195	27,377

Schedule 17
City of Minneapolis
Operating Indicators by Function/Program - Last 10 Fiscal Years
December 31, 2007

Function/Description	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Public Safety, continued										
Fire										
Number of emergency responses	22,365	23,680	24,131	24,542	21,745	21,879	21,433	22,423	22,199	34,019
Number of fires extinguished (all non EMS runs prior to 2002)	10,703	10,483	10,325	10,260	2,238	2,194	2,068	1,775	1,808	1,859
Number of hazmat, false alarms, and other non EMS/ fire runs	NA	NA	NA	NA	9,471	8,940	9,129	9,672	9,638	9,961
Number of inspections	5,532	5,810	7,626	9,528	6,736	9,782	9,460	7,802	8,271	4,821
Percent of time response is five minutes or less	NA	NA	NA	NA	NA	88.1%	88.1%	85.8%	84.8%	83.0%
Lives lost due to fires	NA	NA	4	7	5	8	6	5	2	2
Civilian injuries due to fire	NA	NA	42	30	51	28	37	31	29	21
Police										
Number of major crimes	35,478	31,454	28,134	27,199	27,200	25,427	25,457	28,941	29,474	28,458
Number of livability crimes	NA	NA	NA	45,385	42,405	38,926	37,000	36,676	40,294	38,184
Number of violent crimes (subset of major crimes)	5,639	5,024	4,490	4,140	4,204	4,594	4,825	5,572	6,480	5,660
Number of guns seized	NA	NA	NA	763	813	822	1,093	1,032	1,458	1,087
Regulatory Services - Building permits										
Permits issued	13,590	27,067	17,812	32,823	21,228	20,277	13,497	45,163	34,587	10,787
Estimated value, in millions	\$ 429	\$ 393	\$ 978	\$ 163	\$ 90	\$ 100	\$ 927	\$ 777	\$ 840	\$ 761
Public Works										
Refuse Collection										
Refuse collected, tons	163,879	165,666	168,859	175,712	174,146	174,491	175,887	169,220	164,180	153,687
Recyclables, tons	52,631	51,776	55,279	58,958	58,320	59,742	61,267	56,479	54,649	47,976
Percent of solid waste stream recycled, by weight	NA	NA	NA	NA	NA	34.2%	34.8%	33.4%	34.0%	31.2%
Water										
Average daily consumption, thousands of gallons	67,817	65,380	65,380	65,380	61,160	57,960	57,343	56,864	58,434	60,300
Sewer										
Number of residential sanitary sewer backups	NA	NA	31	35	29	24	20	21	21	18
Volume of combined sewer overflow, millions of gallons	60	3	25	57	40	1	8	2	3	none
Streets										
Safety and ride-ability pavement condition index (PCI), average of all city streets	79	78	78	78	77	76	75	74	74	73
Number of traffic crashes	NA	NA	NA	8,079	7,442	7,018	6,802	6,443	5,712	5,950
Number of injuries in traffic crashes	NA	NA	NA	3,626	3,297	3,052	3,144	2,844	2,535	2,300

Notes:

NA = Not Available, NAP= measure is Not Applicable to that year; new service or process
The City is working to focus on consistent reporting of results data. Although many of these statistics may have been collected in earlier years, the method of collection may not have been the same as current collection methods.

Source: Prepared by finance department using City department reports

(UNAUDITED)

Schedule 18
City of Minneapolis
Capital Assets Statistics by Function/Program
Last 10 Fiscal Years
December 31, 2007

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<u>Primary Government</u>										
<u>Public Safety:</u>										
Police stations	5	5	5	5	5	5	5	5	5	5
Patrol units	222	224	223	225	225	225	218	205	206	124
Unmarked, trucks, trailers, scooters, motorcycles	265	274	284	286	267	254	256	320	309	99
Fire Stations	20	20	19	19	19	19	19	19	19	19
Fire Trucks/Pumpers/Ladders/Engines/Cars	72	73	73	58	59	59	71	62	62	60
Regulatory Services Fleet	93	166	166	191	114	130	129	129	99	221
<u>Public Works:</u>										
Refuse collection trucks, heavy equipment, dumpster:	94	99	108	114	106	105	119	121	149	202
Streets (miles)	978	978	978	1,071	1,071	1,070	1,070	1,070	896	896
Alleys (miles)	433	433	433	455	374	376	379	379	380	380
Sidewalks (miles)	1,903	1,903	1,903	1,900	1,900	1,900	1,900	1,900	2,000	2,000
Streetlights	33,466	33,100	33,100	34,200	35,500	35,600	39,000	40,500	43,000	43,000
Traffic signals	710	844	854	855	884	884	884	916	916	916
Buildings/Plants/Garages	32	33	34	34	29	28	28	31	31	31
Equipment, Cars, Trucks, Tractors, Vans	649	984	1,056	1,090	931	909	912	875	1,016	902
<u>Business-type Activities</u>										
<u>Water:</u>										
Water mains (miles)	1,000.26	1,000.26	1,000.26	1,000.26	1,000.26	1,000.26	1,000.26	1,000.26	1,000.26	1,000.26
Fire hydrants	8,084	8,084	8,084	8,084	8,084	8,084	8,084	8,084	8,084	80,084
Storage capacity (thousands of gallons)	180,000	180,000	180,000	180,000	180,000	180,000	180,000	180,000	180,000	180,000
Buildings	13	13	13	13	13	13	14	14	14	13
Water basins	3	3	3	3	3	3	3	3	3	3
Sanitary sewers (miles)	860.68	860.78	860.78	877.35	852.20	834.70	844.70	838.07	837.50	830.00
<u>Stormwater:</u>										
Storm sewers (miles)	515.55	518.34	518.34	533.28	568.99	583.40	536.47	580.70	570.70	522.00
Holding Ponds	1	1	2	3	3	3	3	3	3	3
Number of parking ramps	15	15	17	18	19	21	22	22	24	15
Convention Center	1	1	1	1	2	2	2	2	3	4

Source: Minneapolis Finance Department - Comptroller Division

(UNAUDITED)



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