

NOTE 11 – INTERFUND TRANSACTIONS

Interfund Receivables/Payables

The composition of interfund balances as of December 31, 2002 are as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Internal Service Funds	\$ 15,659
	Nonmajor Governmental Funds	206
Community Development Special Revenue Fund	MCDA Enterprise Fund	161
	Nonmajor Governmental Funds	3,569
Convention Center Special Revenue Fund	General Fund	202
Development Debt Service Fund	Municipal Parking Fund	25
Nonmajor Governmental Funds	General Fund	8
	Nonmajor Governmental Funds	256
	Convention Center Fund	530
	Internal Service Funds	352
	Community Development Special Revenue Fund	467
Water Enterprise Fund	Sewer Enterprise Fund	431
	Nonmajor Governmental Funds	106
Internal Service Funds	Internal Service Funds	61
	Permanent Improvement Fund	592
	Total	<u>\$ 22,625</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	MCDA Enterprise Fund	\$ 10
Convention Center Special Revenue Fund	Internal Service Funds	<u>12,800</u>
	Total	<u>\$ 12,810</u>

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

For the fiscal year ended December 31, 2002

(Dollar Amounts Expressed in Thousands)

Note 11 – INTERFUND TRANSACTIONS (Continued)

Transfers

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

(a) Between Governmental and Business-tupe Activities:

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>
General Fund	Internal Service Funds	\$ 17,854
Community Development Special Revenue Fund	Community Development Enterprise Fund	2,125
	Municipal Parking Fund	5,654
		<u>7,779</u>
Convention Center Fund	Municipal Parking Fund	8,235
	Internal Service Funds	88
		<u>8,323</u>
Permanent Improvement Fund	Municipal Parking Fund	191
	Sewer Rental	149
	Internal Service Funds	187
		<u>527</u>
Nonmajor Governmental Funds	Sewer Rental	88
	Water Works Fund	106
	Internal Service Funds	110
		<u>304</u>
Internal Service Funds	Permanent Improvement Fund	420
	Nonmajor Governmental Funds	260
		<u>680</u>
Enterprise Funds:		
Municipal Parking Fund	General Fund	10,575
	Nonmajor Governmental Funds	1,504
		<u>12,079</u>
Sewer Rental	General Fund	62
	Nonmajor Governmental Funds	530
		<u>592</u>
Solid Waste & Recycling Fund	General Fund	62
Water Works Funds	General Fund	62
	Nonmajor Governmental Funds	154
		<u>216</u>
Community Development Enterprise Fund	Community Development Special Revenue Fund	132
Total		<u>\$ 48,548</u>

Note 11 – INTERFUND TRANSACTIONS (Continued)

For the fiscal year ended December 31, 2002

(Dollar Amounts Expressed in Thousands)

Transfers (Continued)

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

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>
General Fund	Community Development Special Revenue Fund	\$ 688
	Permanent Improvement Fund	738
	Nonmajor Governmental Funds	764
		<u>2,190</u>
Community Development Special Revenue Fund	General Fund	228
	Permanent Improvement Fund	1,275
	Development Debt Fund	25,118
	Nonmajor Governmental Funds	32,116
		<u>58,737</u>
Convention Center Fund	General Fund	5,841
	Permanent Improvement Fund	1,560
	Development Debt Fund	16,205
	Nonmajor Governmental Funds	2,747
		<u>26,353</u>
Permanent Improvement Fund	General Fund	200
	Community Development Special Revenue Fund	1,250
	Permanent Improvement Fund	25
	Development Debt Fund	417
	Nonmajor Governmental Funds	1,993
		<u>3,885</u>
Nonmajor Governmental Funds	General Fund	2,370
	Community Development Special Revenue Fund	11,986
	Permanent Improvement Fund	131
	Development Debt Fund	2,763
	Nonmajor Governmental Funds	4
		<u>17,254</u>
Internal Service Funds	Internal Service Funds	1,718
Enterprise Funds:		
Municipal Parking Fund	Solid Waste and Recycling Fund	146
	Internal Service Funds	91
		<u>237</u>
Sewer Rental	Internal Service Funds	129
Solid Waste & Recycling Fund	Internal Service Funds	131
Water Works Funds	Internal Service Funds	2,441
Total		<u>\$ 113,075</u>

Note 11 – INTERFUND TRANSACTIONS (Continued)

Transfers (Continued)

Transfers are made through out 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 12 - 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 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 governmental funds, reserves and designations segregate portions of fund balance that are either not available or have been earmarked for specific purposes. The various reserves and designations are established by actions of the City Council and management and can be increased, reduced, or eliminated by similar actions.

As of December 31, 2002, reservations of fund balance are described below:

- 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 13 – 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, 2002, the Governmental activities restricted net assets are as follows:

Loans	\$	112
Unspent bond proceeds		46,120
Advances to Business-type activities		10
Total Restricted Net Assets - Governmental Activities	\$	46,242

For the fiscal year ended December 31, 2002

(Dollar Amounts Expressed in Thousands)

NOTE 14 – RESTRICTED NET ASSETS – BUSINESS-TYPE ACTIVITIES

Certain net assets are classified on the statement of net assets as restricted because their use is limited. The Business-type activities report restricted net assets for amounts that are not available for operations or are legally restricted by outside parties for use for a specific purpose. As of December 31, 2002, the Business-type Activities Restricted Assets are as follows:

Capital improvements	\$ 2,862
Debt service	<u>35,909</u>
 Total Restricted Net Assets - Governmental Activities	 <u><u>\$ 38,771</u></u>

The parking fund restricted net assets are for a reserve for major repair and improvements for the three Third Avenue Distributor Garages that the State of Minnesota owns and the City of Minneapolis operates.

The MCDA fund restricted net assets are for debt service of \$35,909 and for capital improvements of \$156.

NOTE 15 - DEFICIT NET ASSETS

The following funds had deficit net assets as of December 31, 2002:

	<u>Deficit</u>
	<u>End of Year</u>
Internal Service Funds:	
Intergovernmental Services	\$ (40,850)
Self-Insurance	(43,255)

The City has developed strategies to control costs and increase annual financial resources and eliminate the any net asset deficits, over several years, in the Intergovernmental Services Internal Service Fund, Lands and Buildings Internal Service Fund, and the Permanent Improvement Equipment Internal Service Fund. In September of 2000, the City adopted a workout plan for the Intergovernmental Services (ITS) fund.

During 2002, the City more properly aligned its reporting of assets with the related debt. This has effected both the Permanent Improvement Equipment Fund and the Property Services Fund net asset position and leaves two Internal Service Funds with deficit net assets.

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