The proprietary funds financial statements can be found on pages 37-39 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 statement because the resources of those funds are not available to support the programs of the City.

The fiduciary fund financial statement can be found on page 41 of this report.

Notes to the financial statements. The notes 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 45-84 of this report.

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. Required supplementary information can be found on pages 85-87 of this report.

The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 90-130 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

This is the first year the City applied GASB Statement No. 34. The City has not restated prior periods for purposes of providing the comparative data for the Management's Discussion and Analysis (MD&A) because certain prior-year information is unavailable. However, in future years, when prior-year information is available, comparative analysis of government-wide data will be presented.

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by $763,300 at the close of the fiscal year ending December 31, 2002.

	Governmental Activities	Business-type Activities	Total
Current and other assets	$ 530,077	$ 213,795	$ 743,872
Capital assets	793,705	855,870	1,649,575
Total assets	$ 1,323,782	$ 1,069,665	$2,393,447
Current and other liabilities	210,674	23,922	234,596
Long-term liabilities	908,332	487,219	1,395,551
Total liabilities	$ 1,119,006	$ 511,141	$ 1,630,147
Net assets:			
Invested in capital, net of related debt	246,653	465,339	711,992
Restricted net assets	46,242	38,771	85,013
Unrestricted net assets	(88,119)	54,414	(33,705)
Total net assets	204,776	558,524	763,300
Total liabilities and net assets	$ 1,323,782	$ 1,069,665	$ 2,393,447

The largest portion of Minneapolis' net assets, 93%, reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is 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 is 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.

The City is responsible for issuing and reporting all debt related to the Park Board, Library Board, and MBC. Conversely, the capital assets financed by debt proceeds are reported by the Park Board, Library Board, and MBC. As a result, for the year ended December 31, 2002, the City's unrestricted net assets are reduced by $38,520 of discrete component unit debt for which the City does not own or report the underlying asset.

Another portion of the City's net assets, (3 %), represents unrestricted net assets of ($33,705), 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 without offsetting capital assets. The nature of this debt relates to discrete component debt and tax increment issued for the MCDA.

The remaining balance of the City's net assets of $85,013 (10%) represents resources that are subject to external restrictions on how they may be used.

At the end of the current fiscal year, the City has positive balances in two categories of net assets for the City as a whole. For governmental activities, two of three categories are positive, whereas business-type activities report positive balances in all three categories.

Governmental activities. Governmental activities increased the City's net assets by $88,522.

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

	Governmental Activities	Business-type Activities	Total
Revenues			
Program revenues:			
Charges for services	$ 58,113	$ 203,193	$ 261,306
Operating grants and contributions	157,051	2,504	159,555
Capital grants and contributions	22,647	156	22,803
General revenues:			
Property taxes	94,048		94,048
Property tax increment	59,895		59,895
Franchise fees	21,861		21,861
Convention center taxes	47,562		47,562
Other taxes	374		374
Local government aid	98,992		98,992
Grants and contributions not restricted	2,808		2,808
Unrestricted interest and investment earnings	11,758	9,574	21,332
Miscellaneous	13,101	4,778	17,879
Total revenues	$ 588,210	$ 220,205	$ 808,415
Expenses			
General government	$ 95,382		$ 95,382
Public Safety	175,087		175,087
Public Works	61,072		61,072
Health and welfare	24,630		24,630
Community development	106,996		106,996
Interest on long-term debt	44,473		44,473
Sewer		44,183	44,183
Solid waste and recycling		22,479	22,479
Water works		43,850	43,850
Economic development		18,734	18,734
Municipal parking		53,815	53,815
Total expenses	$ 507,640	$ 183,061	$ 690,701
Excess (deficiency) before transfers	80,570	37,144	117,714
Transfers	7,952	(7,952)	-
Change in net assets	88,522	29,192	117,714
Net assets - January 1, 2002	116,254	529,332	645,586
Net assets - December 31, 2002	$ 204,776	$ 558,524	$ 763,300

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

Key elements of the increase of the increase for governmental activities include:

- In 2002, the City received the final grant amount of $81,527 from the State of Minnesota to be used for payment of principal on the original debt associated with the Minneapolis Convention Center.

Governmental activities are supported by charges for service and grant/contributions. Additionally, general revenues cover any net expense after program specific revenues are applied. In 2002, the City primarily relied upon local government aid and property taxes 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 equaled $26,050.

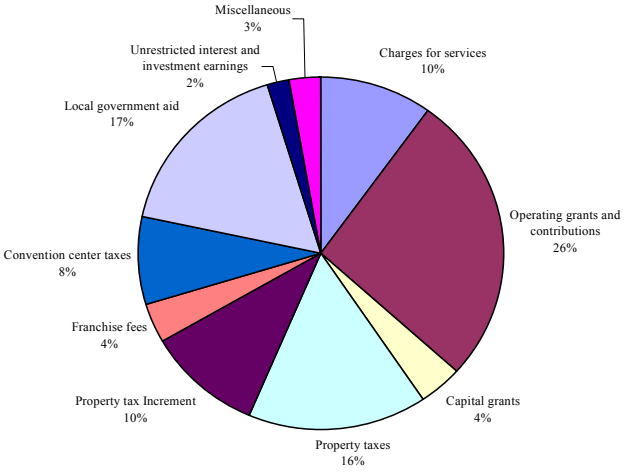
Summary of expenses and program revenues - Governmental Activities
For the Year ended December 31, 2002

Functions/Programs	Expenses	Program revenues	Net (Expense) Revenue by Program
General Government	$ 95,382	$ 142,146	$ 46,764 [1]
Public Safety	175,087	34,858	(140,229)
Public Works	61,072	23,181	(37,891)
Health and Welfare	24,630	15,190	(9,440)
Community Development	106,996	22,436	(84,560)
Long Term Debt	44,473	-	(44,473)
	$ 507,640	$ 237,811	$ (269,829)

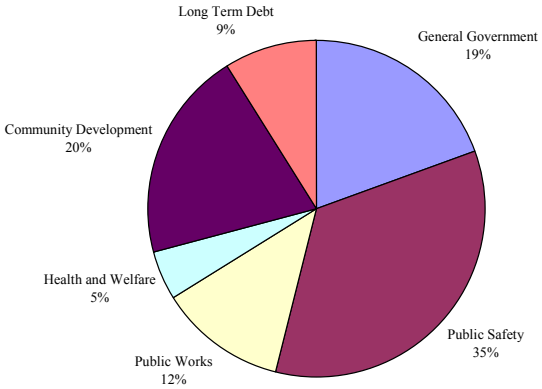
General Revenues Supporting Governmental Activities	358,351
Change in net assets	88,522
Net assets - January 1, 2002	116,254
Net assets - December 31, 2002	$ 204,776

1) The net revenue for General Government is primarily due to receipt of the final grant amount from the State of Minnesota in the amount of $81,527 as discussed previously.

Revenues by source - Governmental Activities



Expenses by Function



Business-type activities. Business-type activities increased the City's net assets by $29,192, 25%, of the growth in the City's net assets.

Key elements of this increase are as follows:

- Business-type activities' revenues increased in 2002 compared to 2001 due to increases in the utility rates structure. An 18 cent rate per cubic feet (9.9%) increase was implemented for water, 12 cent rate per cubic feet (3.9%) increase for sewer, and 75 cent rate per month per dwelling unit (4.2%) increase for solid waste and recycling.

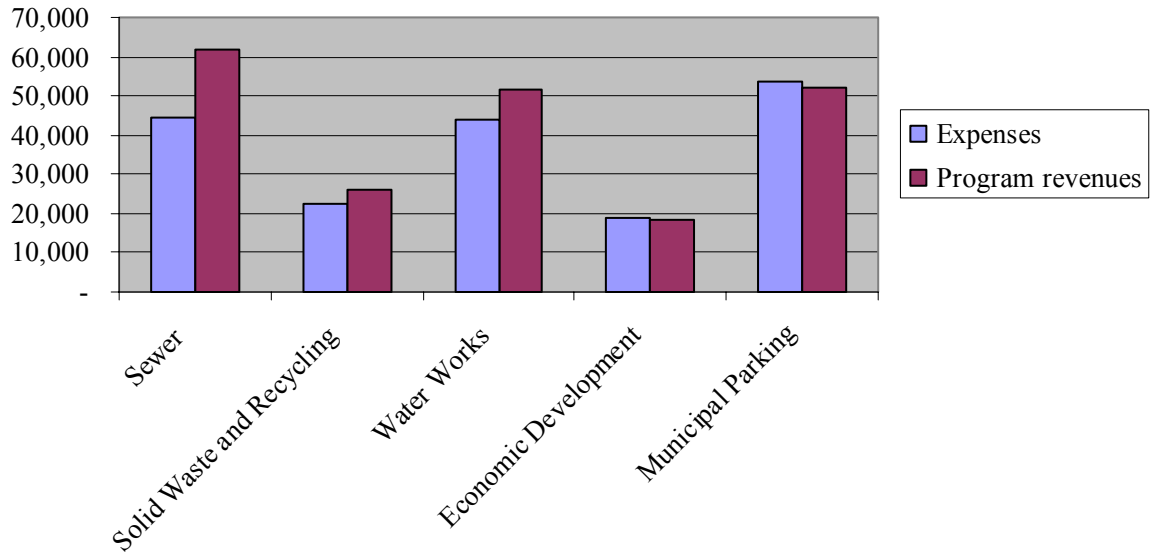
- Offsetting these increases were decreased revenues in municipal parking and economic development.

Summary of expenses and program revenues - Business-Type Activities
For the Year ended December 31, 2002

Functions/Programs	Expenses	Program revenues	Net (Expense) Revenue by Program
Sewer	$ 44,183	$ 61,658	$ 17,475
Solid waste and recycling	22,479	26,155	3,676
Water works	43,850	51,464	7,614
Economic development	18,734	14,356	(4,378)
Municipal parking	53,815	52,220	(1,595)
	$ 183,061	$ 205,853	$ 22,792

General Revenues Supporting Business-type Activities	6,400
Change in net assets	29,192
Net assets - January 1, 2002	529,332
Net assets - December 31, 2002	$ 558,524

Expenses and program revenues - Business type activities



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