## 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 which 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 general purpose 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 general purpose financial statements to be misleading or incomplete.

#### BLENDED COMPONENT UNITS

The following component units have been presented as blended component units 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.

**Minneapolis Community Development Agency**

The City Council created the existing Minneapolis Community Development Agency (MCDA) by Ordinance, which was effective June 1, 1981. The MCDA is the redevelopment arm of the City and provides a wide range of services in the areas of housing and economic development. The overall mission of the MCDA is to effect the revitalization of the City through the redevelopment of its commercial, industrial and residential areas. The MCDA Board of Commissioners is composed of the 13 elected City Council Members sitting as the Board and is the principal legislative and administrative body of the MCDA. The City Finance Officer serves as the MCDA Finance Officer. Complete financial statements for the Agency can be obtained from the MCDA at 105 Fifth Avenue South, Minneapolis, Minnesota 55401-2534.

**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 local governmental aid to the MBC.

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

**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 columns in the combined financial statements include the financial data of the City's other component units. The units are reported in separate columns 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.

**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 state 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 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, 55401-1992.

**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 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 200 Grain Exchange Building, 400 South Fourth Street, Minneapolis, Minnesota, 55415-1400.

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

## RELATED ORGANIZATIONS

The City's officials are also responsible for appointing members of the boards of other organizations but the City's accountability for these organizations does not extend beyond making the appointments. The following organizations are related organizations, which have not been included in the reporting entity:

**Metropolitan Sports Facilities Commission**

The Metropolitan Sports Facilities Commission (Commission) is an appointed commission established under 1977 Minnesota laws. Of the seven members of the Commission, the City of Minneapolis appoints six. The Commissioners serve four-year terms and removal is for cause only. The primary responsibility of the Commission is to serve as owners, operators, and landlords of the Hubert H. Humphrey Metrodome Sports Facility in Minneapolis. Major tenants of the Metrodome Sports Facility are the Minnesota Twins and the Minnesota Vikings. Complete financial statements for the Commission can be obtained from the Metropolitan Sports Facilities Commission at 900 South Fifth Street, Minneapolis, Minnesota, 55415-1903.

**Minneapolis Public Housing Authority**

The Minneapolis Public Housing Authority (MPHA) is the public agency responsible for administering public housing and Section 8 rental assistance programs for eligible individuals and families in Minneapolis. A nine-member Board of Commissioners governs MPHA. The Mayor of Minneapolis appoints the Board Chairperson and four Commissioners; four Commissioners (one of who 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, the MCDA, and accepted by the cities of Minneapolis and Saint Paul under State of Minnesota laws. The MCDA's 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 MCDA 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 MCDA at Suite 700, Crown Roller Mill, 105 Fifth Avenue South, Minneapolis, Minnesota 55401-2534.

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

**Minneapolis Neighborhood Revitalization Policy Board**

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

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

**Minneapolis Youth Coordinating Board**

The Minneapolis Youth Coordinating Board (YCB) was established in accordance with a Joint Powers Agreement entered into between the Hennepin County Board of Commissioners, the Board of Directors of Special School District No. 1, the Library Board, the Park Board, the Mayor and the City Council under authority of State of Minnesota laws. The YCB, which numbers 12 in size, includes the Mayor, two members each from the Hennepin County Board of Commissioners and the Board of Directors of Special School District No. 1, two representatives from the City Council, one member each from the Park Board and Library Board, one member each from the Minneapolis State Legislature House and Senate delegations, and a Judge assigned by the Chief Judge of the District Court. The percentage of each jurisdiction's share in the YCB's assets, liabilities, and equity cannot be determined at fiscal year-end. Complete financial statements for the YCB can be obtained from the Minneapolis Youth Coordinating Board at Room 310½ City Hall, 350 South Fifth Street, Minneapolis, Minnesota 55415-1376.

**B – BASIS OF PRESENTATION**

The accounts of the City are organized and operated on the basis of funds and account groups. 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. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds. Funds are classified into three categories: Governmental, Proprietary, and Fiduciary, each category is divided into separate fund types.

**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.

**Special Revenue Funds** - Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are restricted to expenditures for specified purposes.

**Debt Service Funds** - Debt service funds are used to account for the accumulation of resources for the payment of general long-term debt principal, interest, and related costs.

**Capital Projects Funds -** Capital projects funds are used to account for the acquisition, construction or improvement of capital assets other than those financed directly by Proprietary Funds.

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

### PROPRIETARY FUNDS

**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.

**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.

### FIDUCIARY FUNDS

**Agency Funds -** Agency funds are used to account for assets held by the City as an agent for individuals, private organizations, other governments, and/or other funds.

## C - MEASUREMENT FOCUS

### GOVERNMENTAL FUNDS

The accounting and reporting treatment applied to the fixed assets and long-term 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 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.

Fixed assets used in governmental fund type operations are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings (including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems) are not capitalized with general fixed assets. No depreciation has been provided on general fixed assets. Fixed assets are valued at historical cost, except for donated fixed assets, which are valued at their estimated fair value on the date donated.

Long-term liabilities financed from governmental funds are accounted for in the General Long-Term Debt Account Group rather than in governmental funds. Debt, capital leases, claims, and compensated absences not accounted for in proprietary funds are accounted for within this account group.

The two account groups are not "funds" and are concerned only with the measurement of financial position. The account groups are not involved with measurement of results of operations.

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 General Long-Term Debt Account Group.

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

### PROPRIETARY FUNDS

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on the balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided for using the straight-line method over estimated useful lives generally as follows:

| | |
|---|---|
| Buildings and Structures | 20-60 years |
| Public Improvements | 20-100 years |
| Equipment | 2.5-12 years |

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 with interest earned on invested proceeds over the same period.

### FIDUCIARY FUNDS

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

## D - BASIS OF ACCOUNTING

### GOVERNMENTAL FUNDS

All governmental and agency funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. 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.

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. Accordingly, all compensated absences, other than those financed by the Self-Insurance Fund, are reported in the General Long-Term Debt Account Group. Compensated absences are considered expenditures when paid to employees.

### 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.

For the fiscal year ended December 31, 1999 (Dollar Amounts Expressed in Thousands)

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

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.

**E - 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 1998 process for the 1999 budget involved the following:

- May 13 **-** Capital budget requests were submitted by departments.
- June 8 **-** The Mayor and City Council held an all day budget work session to establish priorities.
- June-July **-** Organizational work teams met to develop service priorities and service redesigns for each City Goal for mayoral review.
- August 13 **-** The Mayor provided departments with budget directions and service priorities.
- August 13 **-**September 24 **-** Departments developed detailed budget recommendations.
- September 9 **-** The Board of Estimate and Taxation set the maximum pay 1999 tax levies.
- November 17 **-** The Mayor presented recommended operating and capital budgets.
- November 19 **-**December 9 **-** The City Council reviewed the Mayors' recommended budgets.
- December 7 and December 10 **-** The City Council held public hearings on the budgets.
- December 10 **-** The City Council adopted the final operating budget and tax levies.

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:

| | Original Budget | Total Revisions | Revised Budget |
|---|---|---|---|
| General Fund | $ 209,418 | 5,845 | 215,263 |
| Special Revenue Funds | 63,254 | 93,347 | 156,601 |
| Total | $ 272,672 | 99,192 | 371,864 |

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

**F - DEPOSITS AND INVESTMENTS**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and investments. 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 Park Board and the Library Board. The City has contracted with three investment management firms for management of some of these investments. The City also, from time to time, invests non-pooled cash within individual funds. All investments are reported at fair value.

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

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

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

Interest income in the investment pool, net of daily amortization of premiums and discounts, is calculated daily 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 daily allocation of interest income while other funds, which are not required to retain their allocated interest, pass the interest on to either the City General Fund or to the Community Development Agency Special Revenue Fund. The proprietary funds of the City may, from time to time, have negative equity in the investment pool and as a result may be required to pay a Capital Use Charge as Interest on Interfund Loans based on Council policy. Also, periodically the City distributes interest income from its General Fund to various projects below the fund level, as may be required, on the basis of the calculated average daily cash balance of the project and the average yield of the City’s general portfolio.

**G - INVENTORIES OF MATERIALS AND SUPPLIES**

Depending on the nature of the item, inventories are valued using the moving average valuation method or using the last price of the item purchased. Also, and depending on the nature of the item or the fund in which the inventory is recorded, the costs of inventories are recorded as expenses/expenditures when purchased, or when consumed rather than when purchased.

**H - LOANS RECEIVABLE**

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.

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

**I - PROPERTIES HELD FOR RESALE - ENTERPRISE FUNDS**

Properties held for resale in the Community Development Agency Enterprise Fund have been obtained as a result of repossessions in default situations. Repossessed properties are held solely to be remarketed as part of the programs' ongoing operations. 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.

**J - 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.

**K - PROPERTY TAX**

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.

**L - TOTAL COLUMNS ON COMBINED STATEMENTS**

Total columns on Combined Statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with GAAP. Interfund eliminations have not been made in the aggregation of this data.

For the fiscal year ended December 31, 1999 (Dollar Amounts Expressed in Thousands)

## NOTE 2 - DEPOSITS AND INVESTMENTS

The City's and its discretely presented component units' bank balances of deposits at December 31, 1999, were entirely insured or collateralized with securities held and segregated by the Federal Reserve in the name of the City or the MCDA. The City does not maintain a separate record of investments for discretely presented component units. As a result, the investment amounts reported by Credit Risk Category include the primary government and discretely presented component units.

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

1) Insured or registered, or securities held by the City or its agent in the City's name.

2) Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.

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

Investments at December 31, 1999:

| | Custodian Credit Risk Category | | | Fair |
|---|---|---|---|---|
| **Security Type** | **1** | **2** | **3** | **Value** |
| U.S. Treasury Obligations | $ 33,857 | 1,585 | 958 | 36,400 |
| U.S. Federal Agency Obligations | 149,262 | 23,455 | 343 | 173,060 |
| Municipal Bonds | 22,612 | 20,330 | - | 42,942 |
| Corporate Bonds | - | - | 566 | 566 |
| Commercial Paper | 199,126 | 4,504 | 125 | 203,755 |
| Common Stock | - | - | 3,983 | 3,983 |
| | $ 404,857 | 49,874 | 5,975 | |
| Mutual Fund | | | | 55,212 |
| Insurance Annuities - Trustee | | | | 619 |
| Guaranteed Investment Contracts | | | | 16,294 |
| Total | | | | 532,831 |

For the fiscal year ended December 31, 1999 (Dollar Amounts Expressed in Thousands)

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

RECAP

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

| | | |
|---|---|---|
| Deposits | $ | 3,009 |
| Investments | | 532,831 |
| Imprest cash held by City | | 230 |
| Total | $ | 536,070 |
| | | |
| Primary Government: | | |
| Cash and cash equivalents | $ | 372,358 |
| Construction cash and cash equivalents | | 31,796 |
| Fund investments | | 40,193 |
| Deposits with fiscal agents | | 619 |
| Investments with trustees | | 66,168 |
| Total primary government | | 511,134 |
| | | |
| Discretely Presented Component Units: | | |
| Park Board: | | |
| Cash and cash equivalents | | 14,730 |
| | | |
| Library Board: | | |
| Cash and cash equivalents | | 3,513 |
| Fund investments | | 6,693 |
| Total Library Board | | 10,206 |
| | | |
| Total | $ | 536,070 |

For the fiscal year ended December 31, 1999 (Dollar Amounts Expressed in Thousands)

## NOTE 3 - LONG-TERM RECEIVABLES

According to the Basic Resolution and Indenture of the General Agency Reserve Fund System (GARFS) within the Community Development Agency Enterprise Fund, agreements are to be executed 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 unspent construction fund proceeds. Each lease agreement includes a bargain purchase option that may be invoked 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 MCDA takes possession of the developed property. The future payment requirements for these agreements are as follows:

| | Capitalized Leases | Notes Receivable |
|---|---|---|
| Scheduled Lease Payments: | | |
| 2000 | $ 6,294 | $ 1,881 |
| 2001 | 6,292 | 1,978 |
| 2002 | 6,261 | 1,979 |
| 2003 | 5,977 | 1,718 |
| 2004 | 5,895 | 1,690 |
| 2005 and thereafter | 55,770 | 23,776 |
| Subtotal | 86,489 | 33,022 |
| Less: Interest over lease term | (34,499) | (14,532) |
| Total Principal | 51,990 | 18,490 |
| Less: Unexpended construction funds | (1,839) | - |
| Net Capitalized Leases and Notes receivable | 50,151 | 18,490 |
| Less: Current Portion | (2,670) | (595) |
| Noncurrent Portion | $ 47,481 | $ 17,895 |

For the fiscal year ended December 31, 1999 (Dollar Amounts Expressed in Thousands)

**NOTE 4 - FIXED ASSETS**

A summary of changes in general fixed assets during 1999 is as follows:

| | Balance 1/1/99 | Additions | Deductions | Balance 12/31/99 |
|---|---|---|---|---|
| Land | $ 120,951 | 23,406 | 7,645 | 136,712 |
| Buildings and Structures | 311,307 | 838 | 43 | 312,102 |
| Improvements Other than Buildings | 8,595 | 1,232 | - | 9,827 |
| Equipment | 30,454 | 5,202 | 5,731 | 29,925 |
| Total | $ 471,307 | 30,678 | 13,419 | 488,566 |

A summary of proprietary fund type fixed assets at December 31, 1999 is as follows:

| | Enterprise Funds | Internal Service Funds |
|---|---|---|
| Land, Leaseholds and Easements | $ 76,683 | 3,112 |
| Buildings and Structures | 273,892 | 15,223 |
| Public Improvements | 172,461 | 3 |
| Machinery and Equipment | 13,567 | 44,244 |
| Computer Eequipment | 3,044 | 8,563 |
| Software | 114 | 502 |
| Other Capital Outlay | 125 | 213 |
| Construction in Progress | 70,994 | 9,025 |
| Total | 610,880 | 80,885 |
| Less: Accumulated Depreciation | (154,237) | (36,010) |
| Net Fixed Assets | $ 456,643 | 44,875 |

## NOTE 5 - LONG-TERM DEBT

The City's full faith and credit and taxing power has been pledged to the payment of general obligation debt principal and interest.

General Obligation Bonds (Property Tax Supported)

Various issues of general obligation bonds are recorded in the General Long-Term Debt Account Group and are backed by the full faith and credit of the City.

General Obligation Bonds (Self-Supporting)

General obligation self-supporting bonds issued by the City are recorded in the Enterprise Funds, Internal Service Funds or General Long-Term Debt Account Group, and are backed by the full faith and credit of the City, but are payable from revenue derived from the function for which they were issued.

General Obligation Special Assessment Bonds

General obligation special assessment bonds are recorded in the General Long-Term Debt Account Group and are payable from special assessments, to be levied and collected for local improvement, and from general property taxes, 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.

General Obligation Tax Increment Bonds

General obligation 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 General Long-Term Debt Account Group, and are 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 General Long-Term Debt Account Group. The 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 GARFS within the Community 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.

As to the 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.

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

1999 Bonds

In February 1999, the City issued $27,000 of General Obligation Tax Increment Bonds Series, 1999A to temporarily finance site assembly, relocation, demolition, soil remediation, and construction of an underground municipal parking ramp and skyways that will accommodate downtown shoppers and workers. The bonds will bear interest at a variable rate with an initial rate of 2.75% to be reset weekly. The final maturity for the bonds is March 1, 2012.

In June 1999, the City issued $88,400 of General Obligation Convention Center Bonds, Series 1999, $8,600 General Obligation Public Works Bonds, Series 1999, $67,250 General Obligation Various Purpose Bonds, Series 1999, $16,150 General Obligation Tax Increment Bonds, Series 1999B, and $14,000 General Obligation Parking Ramp Bonds, Series 1999. The Convention Center Bonds were issued to finance part of the costs of the City's Convention Center Expansion Project and to redeem $25,150 of temporary financing for the project. The Expansion Project will add exhibit space, meeting rooms, an auditorium, and a lobby. The Convention Center bonds had an initial interest rate of 3.5%, the variable interest rate will be reset weekly. These bonds have a final maturity date of December 1, 2018. The Public Works Bonds were issued to finance the acquisition and construction of fleet maintenance facilities and acquisition of fleet vehicles. These bonds had an initial interest rate of 3.5%, the variable interest rate will be reset weekly, the bonds have a maturity date of December 1, 2004. The Various Purpose Bonds were issued for a variety of public works projects, information technology systems, inspection fleet vehicles, diseased tree removal, library improvements, and park improvements. The Various Purpose Bonds have interest rates ranging from 4.0 % to 5.0%, and they have a final maturity date of December 1, 2006. The Tax Increment Bonds were issued to provide permanent financing for part of the costs of construction of the West Metro Education Project/University of St. Thomas Municipal Parking Ramp. The temporary financing for the project was retired with these bond proceeds. The Parking Ramp Bonds were issued to finance part of the costs of the Greyhound/Jefferson Municipal Parking Ramp and bus terminal. The Tax Increment Bonds and the Parking Ramp Bonds have interest rates ranging from 4.7% to 5.125%, and they have a final maturity date of December 1, 2017.

Throughout 1999, the MCDA issued through its GARFS as recorded in the Community Development Agency Enterprise Fund, $2,900 of Revenue Bonds. The bonds were issued to provide financing for a variety of redevelopment projects and such bonds have yields ranging from 5.0 % to 6.75% and final maturity dates ranging from June 1, 2009 to June 1, 2019.

Subsequent to December 31, 1999, the City issued in January 2000, $10,800 of General Obligation Parking Ramp Bonds, Series 2000A, to finance the acquisition of the 10th and Washington Municipal Parking Ramp. The bonds have interest rates ranging from 5.25% to 6.0%, and they have a final maturity date of December 1, 2025.

Subsequent to December 31, 1999, the City issued in February 2000, $2,960 of Taxable General Obligation Tax Increment Bonds, Series 1998 (Traunche C). Traunche A and Traunche B have been previously issued for a total of $2,640. Traunche C constitutes the balance of the authorized amount of bonds. The bonds will be used to finance the West Side Milling District project to renovate warehouses, to construct townhomes, to provide public improvements, and to construct parking spaces. The bonds will bear interest at a variable rate and the rate will be adjusted each February 1 and August 1 commencing August 1, 2000. The final maturity for the bonds is February 1, 2016.

**For the fiscal year ended December 31, 1999** **(Dollar Amounts Expressed in Thousands)**

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

A summary of General Obligation Debt and Revenue Bonds/Notes at December 31, 1999 follows:

| | | |
|---|---|---|
| General Long-Term Debt Account Group Bonds and Notes | | |
| General Obligation Bonds (Property Tax Supported) | $ | 88,485 |
| General Obligation Bonds (Self-Supporting) | | 297,800 |
| General Obligation Special Assessment Bonds | | 39,367 |
| General Obligation Tax Increment Bonds | | 216,845 |
| Revenue Bonds | | 125,035 |
| Revenue Notes | | 27,753 |
| Total | $ | 795,285 |
| ~~Proprietary Funds Bonds and Notes~~ | | |
| General Obligation Bonds (Self-Supporting) | $ | 326,620 |
| General Agency Reserve Fund System Bonds | | 82,410 |
| Mortgage Revenue Bonds | | 33,835 |
| Revenue Note | | 4,760 |
| Total | $ | 447,625 |

The following is a summary of changes in bonds payable of the City for the year ended December 31, 1999:

| | General Long-Term Debt | Proprietary Funds |
|---|---|---|
| Bonds payable at January 1, 1999 | $ 685,238 | $ 422,608 |
| Bonds issued | 152,835 | 71,465 |
| Bonds retired | $ (70,541) | $ (51,208) |
| Total bonds payable at December 31, 1999 | $ 767,532 | $ 442,865 |

**For the fiscal year ended December 31, 1999** **(Dollar Amounts Expressed in Thousands)**

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

Annual requirements to amortize all bonds outstanding as of December 31, 1999 follows:

| Year | | Principal | Interest * | Total |
|---|---|---|---|---|
| 2000 | $ | 84,236 | 57,684 | 141,920 |
| 2001 | | 91,144 | 61,825 | 152,969 |
| 2002 | | 99,915 | 67,613 | 167,528 |
| 2003 | | 84,405 | 66,841 | 151,246 |
| 2004 | | 85,160 | 67,065 | 152,225 |
| 2005-2009 | | 335,850 | 298,430 | 634,280 |
| 2010-2014 | | 235,832 | 95,369 | 331,201 |
| 2015-2019 | | 123,630 | 37,446 | 161,076 |
| 2020-2024 | | 55,215 | 13,307 | 68,522 |
| 2025-2028 | | 15,010 | 2,990 | 18,000 |
| Total | $ | 1,210,397 | 768,570 | 1,978,967 |

* Includes variable rate bond issues with interest rates of 5.0. The range of interest paid on these bonds for the current year was 2.0% to 5.4%.

1999 Notes

In December, 1998, the City authorized the issuance a Limited Revenue Tax Increment Note in a maximum principal amount of $20,000 as part of an initial, and temporary, financing package for construction of a City owned parking facility that will be capitalized in the Municipal Parking Enterprise Fund. Funds will be provided to the City by a developer as certain project costs are incurred. The initial rate on the note is 8.25% with a maturity date of February 15, 2012. At December 31, 1999, funds of $12,300 had been drawn under the terms of the Note. The City intends to issue debt in the year 2000 that will retire this Note.

The MCDA has entered into agreements with the Federal Home Loan Bank for a loan program to finance business and housing expansion in the Minneapolis area. In 1999, notes of $1,200 were issued for business expansion loans and notes of $2,641 were issued for housing expansion loans. The notes mature in 2009 and 2001 respectively.

For the fiscal year ended December 31, 1999 (Dollar Amounts Expressed in Thousands)

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

The following is a summary of changes in notes payable of the City for the year ended December 31, 1999:

| | General Long-Term Debt | Proprietary Funds |
|---|---|---|
| Long-Term Notes Payable at January 1, 1999 | $ 18,020 | $ 972 |
| Notes issued | 12,300 | 3,841 |
| Notes retired | (2,567) | (53) |
| Long-Term Notes Payable at December 31, 1999 | $ 27,753 | $ 4,760 |

Annual requirements to amortize notes outstanding as of December 31, 1999 are:

| Year | Principal | Interest | Total |
|---|---|---|---|
| 2000 | $ 1,048 | 932 | 1,980 |
| 2001 | 1,054 | 1,459 | 2,513 |
| 2002 | 3,958 | 1,438 | 5,396 |
| 2003 | 2,207 | 1,210 | 3,417 |
| 2004 | 1,596 | 1,084 | 2,680 |
| 2005-2009 | 8,150 | 3,541 | 11,691 |
| 2010-2014 | 5,300 | 1,534 | 6,834 |
| * | 9,200 | - | 9,200 |
| Total | $ 32,513 | 11,198 | 43,711 |

* The terms of the 1991 tax increment revenue note require payments of principal and interest solely from available tax increment generated in the related tax increment district. Consequently, the annual requirements to amortize notes outstanding does not include interest on the $9,200 note.

**For the fiscal year ended December 31, 1999** **(Dollar Amounts Expressed in Thousands)**

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

Loans Payable

The Community Development Agency Enterprise Fund includes a program in which revenue bonds are issued to finance economic development. Revenue bonds are also issued through this program to finance governmental projects. The debt service payments for these bond issues (which are not backed by the full faith and credit of the City) will be generated from governmental activity. The bonds are recorded in the Community Development Agency's Enterprise Fund, which issued the debt. The governmental obligation to provide funds is recorded in the General Long-Term Debt Account Group as Loans Payable. The Loans Payable obligation was $9,255 at December 31, 1999. A summary of changes in loans payable for 1999 follows:

| | | |
|---|---|---|
| Payable January 1, 1999 | $ | 9,965 |
| Changes | | (710) |
| Payable December 31, 1999 | $ | 9,255 |

Operating Leases Payable

Operating lease liability attributable to governmental funds is included in the General Long-Term Debt Account Group. A summary of changes in operating leases payable for 1999 follows:

| | | |
|---|---|---|
| Payable January 1, 1999 | $ | 731 |
| Changes | | 37 |
| Payable December 31, 1999 | $ | 768 |

Capital Leases Payable

Capital lease liability attributable to governmental funds is included in the General-Long-Term Debt Account Group. A summary of changes in capital leases payable for 1999 follows:

| | | |
|---|---|---|
| Payable January 1, 1999 | $ | 281 |
| Changes | | (53) |
| Payable December 31, 1999 | $ | 228 |

For the fiscal year ended December 31, 1999 (Dollar Amounts Expressed in Thousands)

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

Compensated Absences

Accrued liabilities for compensated absences attributable to governmental funds are included in the General Long-Term Debt Account Group. A summary of changes in compensated absences for 1999 follows:

| | General Long-Term Debt | Enterprise Funds | Internal Service Funds |
|---|---|---|---|
| Payable January 1, 1999 | $ 21,030 | 1,622 | 4,479 |
| Changes | (83) | 160 | 390 |
| Payable December 31, 1999 | $ 20,947 | 1,782 | 4,869 |

Contracts Payable

The MCDA is obligated under contract to purchase a property. The contract calls for payments to be made over the next 10 years. The ownership of the property does not transfer to the MCDA until the end of the contract; therefore, no amount has been capitalized. Total contract obligations were $320 at December 31, 1999. A summary of changes in contracts payable for 1999 follows:

| | |
|---|---|
| Payable January 1, 1999 | $ 340 |
| Changes | (20) |
| Payable December 31, 1999 | $ 320 |

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

As of December 3l, 1999, the City had industrial, commercial, and housing revenue bonds and notes outstanding with an original issue amount of approximately $ 1,935,422. The bonds are payable solely from revenues of the respective enterprises and do not constitute an indebtedness of the City. As a result, these bonds are not a charge against its general credit or taxing power.

**NOTE 7 - PRIOR YEAR DEFEASANCE OF DEBT**

In prior years, the City defeased certain general obligation bonds and self supporting revenue bonds by placing the proceeds of the refunding issues in special escrow accounts and investing in securities of the U.S. Government and its Agencies. The maturities of these investments coincide with the principal and interest payment dates of the refunded bonds and have been certified to be sufficient to pay all principal and interest on the bonds when due as required by applicable laws. Accordingly, the original refunded bonds have been eliminated and the new advance refunding bonds added to the appropriate financial statements. The City remains contingently liable to pay the refunded bonds. The balance outstanding of the extinguished debt as of December 31, 1999 is $82,927.

For the fiscal year ended December 31, 1999 (Dollar Amounts Expressed in Thousands)

## NOTE 8 - DEMAND BONDS

The City has issued General Obligation demand bonds maturing serially through December 1, 2018, in the original amounts of $23,230, $26,845, $28,200, $24,000, $8,500, $2,640, $38,000, $27,000, and $97,000. The bonds were issued pursuant to resolutions adopted by the City Council. The proceeds of the bonds were used to finance a portion of the cost of construction of certain local improvements. The remaining redemption schedule for these bonds is as follows:

| Year | Amount |
|---|---|
| 2000 | $ 14,245 |
| 2001 | 14,750 |
| 2002 | 29,115 |
| 2003 | 18,290 |
| 2004 | 23,005 |
| 2005 | 11,280 |
| 2006 | 7,120 |
| 2007 | 5,610 |
| 2008 | 5,080 |
| 2009 | 8,315 |
| 2010 | 8,535 |
| 2011 | 8,765 |
| 2012 | 12,100 |
| 2013 | 9,635 |
| 2014 | 10,670 |
| 2015 | 10,715 |
| 2016 | 10,755 |
| 2017 | 10,000 |
| 2018 | 10,000 |
| Total | $ 227,985 |

The bonds are subject to purchase at the demand of the holder at a price equal to the principal plus accrued interest on delivery to the City's Remarketing agents. The Remarketing agents are authorized to use their best efforts to sell the repurchased bonds at a price equal to 100 percent of the principal amount by adjusting the interest rate.

All of 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 HypoVereinsbank, acting through its Chicago 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 valid for five years from the sale date, subject to extension with the agreement of the Bank, and 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 range from June 20, 2002 to June 25, 2003. Amounts advanced under the Standby Bond Purchase Agreements are due on the expiration date of the agreement.

The City has the option to convert all of the bonds from a variable interest rate to a fixed interest rate, which shall be determined by the Remarketing Agent on a date not more than 35 days or less than ten days prior to the proposed conversion date.

The City is required to pay to HypoVereinsbank an annual commitment fee of one-eighth of one percent per annum of the outstanding principal amount of the bonds. The Remarketing agent receives a fee equal to one-tenth of one percent of the principal amount of bonds held by the public.

For the fiscal year ended December 31, 1999 (Dollar Amounts Expressed in Thousands)

## NOTE 9 - LEASES

### A - Capital leases

The MCDA has entered into separate lease agreements for six maintenance vehicles, two copy machines, theatre office furniture and a theatre sound system. The lease agreements extend to the year 2002. The terms of the lease agreements provide for an ownership transfer to the MCDA at the end of the lease. These assets have been capitalized as machinery and equipment in the General Fixed Assets Account Group with a total capitalized value of $378.

The future minimum lease payments and the present value of the net minimum lease payments as of December 31, 1999 are as follows:

| Year ending December 31 | Amount |
|---|---|
| 2000 | $ 137 |
| 2001 | 109 |
| 2002 | 8 |
| Total minimum lease payments | 254 |
| Less: amount representing interest | (26) |
| Present value of net minimum lease payment | $ 228 |

### B - Operating leases

The MCDA leases office space and equipment for its operations. The two leases for office space expire in the years 2001 and 2002, and the office space lease payments were $672 in 1999. The equipment lease periods vary from one to five years, and the equipment lease payments were $87 in 1999. The MCDA leases equipment, uniforms, and office space for its theatre operations. These lease periods vary from one to four years, and the lease payments were $85 in 1999.

The City leases computer equipment for various operations. The leases for computer equipment expire in the years 2001, 2002 and 2004, and the computer equipment lease payments were $2,156 in 1999.

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

| Year ending December 31 | Amount |
|---|---|
| 2000 | $ 3,095 |
| 2001 | 2,432 |
| 2002 | 708 |
| Total minimum lease payments | 6,235 |

For the fiscal year ended December 31, 1999 (Dollar Amounts Expressed in Thousands)

**NOTE 9 - LEASES** (continued)

**C - Operating leases with scheduled rent increases**

The City leases office space for various operations. The leases contain scheduled rent increases with terms varying from five to twelve years. The operating lease transactions are measured on a straight-line basis over the lease term per GASB Statement No. 13-Accounting for Operating Leases with Scheduled Rent Increases. Application of the straight-line basis to the total lease expenditures of $2,644 over the lease terms results in a total annual lease amount of $290.

For 1999, the amount of lease expenditures is as follows:

| | Amount |
|---|---|
| Operating leases | $ 290 |
| Less: amount added to GLTDAG | (37) |
| Total expenditures | $ 253 |

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

| Year | Amount |
|---|---|
| 2000 | $ 297 |
| 2001 | 344 |
| 2002 | 345 |
| 2003 | 431 |
| 2004 | 449 |
| Thereafter | 150 |
| Total minimum lease payments | $ 2,016 |

For the fiscal year ended December 31, 1999 (Dollar Amounts Expressed in Thousands)

## NOTE 10 – DUE FROM AND TO OTHER FUNDS

Amounts due from other funds and due to other funds as of December 31, 1999, are listed below:

| | Due From Other Funds | Due To Other Funds |
|---|---|---|
| General Fund | $ 296 | 55 |
| Special Revenue Funds: | | |
| Community Development Agency | 2,015 | 583 |
| Community Development Block Grant | 71 | 883 |
| Employee Retirement | - | 230 |
| Grants-Federal | 63 | 611 |
| Grants-Other | 4 | 204 |
| Debt Service Funds: | | |
| Community Development Agency | 858 | - |
| Capital Projects Funds: | | |
| Permanent Improvement | 174 | - |
| Enterprise Funds: | | |
| Community Development Agency | - | 857 |
| Sewer Rental | 475 | - |
| Solid Waste and Recycling | 18 | - |
| Agency Funds: | | |
| Community Development Agency | - | 551 |
| Total All Funds | $ 3,974 | 3,974 |

For the fiscal year ended December 31, 1999 (Dollar Amounts Expressed in Thousands)

## NOTE 11 - INTERFUND LOANS RECEIVABLE AND PAYABLE

Loans receivable and payable between funds as of December 31, 1999, are listed below:

| | Interfund Loans Receivable | Interfund Loans Payable |
|---|---|---|
| Special Revenue Funds: | | |
| Arena Reserve | $ 5,050 | - |
| Community Development Agency | 21 | - |
| Convention Facilities Reserve | 7,000 | - |
| Grants-Federal | - | 1,030 |
| Grants-Other | 1,030 | - |
| Municipal Building Commission | 75 | - |
| Capital Projects Funds: | | |
| Municipal Building Commission | - | 75 |
| Enterprise Funds: | | |
| Municipal Parking | 7,000 | - |
| River Terminal | - | 21 |
| Sewer Rental | 3,000 | - |
| Solid Waste and Recycling | 1,475 | - |
| Water Works | 7,000 | - |
| Internal Service Funds: | | |
| Engineering Materials and Testing | 1,050 | |
| Intergovernmental Services | - | 9,000 |
| Lands and Buildings | - | 1,950 |
| Permanent Improvement Equipment | - | 15,800 |
| Public Works Stores | - | 1,950 |
| Self-Insurance | | 2,875 |
| Total All Funds | $ 32,701 | 32,701 |

## NOTE 12 - ADVANCES TO AND FROM OTHER FUNDS

Advances between funds as of December 31, 1999, are listed below:

| | Advances To Other Funds | Advances From Other Funds |
|---|---|---|
| Special Revenue Funds: | | |
| Community Development Agency | $ 1,539 | 18 |
| Capital Projects Funds: | | |
| Community Development Agency | 11,986 | 10,489 |
| Permanent Improvement | - | 500 |
| Enterprise Funds: | | |
| Community Development Agency | - | 10 |
| Municipal Parking | 500 | 3,008 |
| Total All Funds | $ 14,025 | 14,025 |

For the fiscal year ended December 31, 1999 (Dollar Amounts Expressed in Thousands)

## NOTE 13 - CONTRIBUTED CAPITAL

**The changes in the enterprise funds' contributed capital accounts follows:**

| Source | Community Development Agency | Municipal Parking | Sewer Rental | Solid Waste and Recycling | Water Works | Total |
|---|---|---|---|---|---|---|
| Contributed capital - January 1, 1999 | $ 7,698 | 55,680 | 33,942 | 2,321 | 21,650 | 121,291 |
| Contribution for construction | - | 944 | - | - | 562 | 1,506 |
| Credit arising from transfer of depreciation to contributed capital | - | (448) | (332) | - | (56) | (836) |
| Contributed capital - December 31, 1999 | $ 7,698 | 56,176 | 33,610 | 2,321 | 22,156 | 121,961 |

**The changes in the internal service funds' contributed capital accounts follows:**

| Source | Engineering Materials and Testing | Inter-governmental Services | Permanent Improvement Equipment | Public Works Stores | Total |
|---|---|---|---|---|---|
| Contributed capital - January 1, 1999 | $ 184 | 904 | 2,523 | 1,096 | 4,707 |
| Contribution for construction | - | - | 4,617 | - | 4,617 |
| Contributed capital - December 31, 1999 | $ 184 | 904 | 7,140 | 1,096 | 9,324 |

For the fiscal year ended December 31, 1999 (Dollar Amounts Expressed in Thousands)

## NOTE 14 - RETAINED EARNINGS - RESERVED

| | Amount |
|---|---|
| Enterprise Funds: | |
| Retained Earnings Reserved for: | |
| Debt service | $ 19,457 |
| Renewal and replacement | 3,193 |
| Total Enterprise Funds | 22,650 |
| Internal Service Funds: | |
| Retained Earnings Reserved for: | |
| Future contingencies | 42 |
| Renewal and replacement | 1,000 |
| Severance pay | 3,257 |
| Total Internal Service Funds | 4,299 |
| Total Retained Earnings -Reserved | $ 26,949 |

## NOTE 15 - FUND BALANCE - RESERVED

| | Amount |
|---|---|
| General Fund: | |
| Fund Balance Reserved for: | |
| Encumbrances | $ 92 |
| Riverside Homes Financial Guarantee | 325 |
| Materials and supplies inventory | 628 |
| Total General Fund | 1,045 |
| Special Revenue Funds: | |
| Fund Balance Reserved for: | |
| Encumbrances | 3,572 |
| Prepaid items | 27 |
| Loans | 160 |
| Advances | 1,539 |
| Future contingencies | 2,465 |
| Total Special Revenue Funds | 7,763 |
| Capital Projects Funds: | |
| Fund Balance Reserved for: | |
| Encumbrances | 37,501 |
| Advances | 11,986 |
| Specific capital projects | 168,684 |
| Total Capital Projects Funds | 218,171 |
| Total Fund Balance - Reserved | $ 226,979 |

For the fiscal year ended December 31, 1999 (Dollar Amounts Expressed in Thousands)

## NOTE 16 - FUND BALANCE - UNRESERVED - DESIGNATED

| | | Amount |
|---|---|---|
| General fund: | | |
| Fund Balance Unreserved - Designated for: | | |
| Property tax relief | $ | 6,221 |
| Special Revenue Funds: | | |
| Fund Balance Unreserved - Designated for: | | |
| Neighborhood early learning centers | | 1,012 |
| Urban renewal projects | | 1,109 |
| Total Special Revenue Funds | | 2,121 |
| Debt Service Funds: | | |
| Fund Balance Unreserved -Designated for: | | |
| Debt Service | | 63,080 |
| Total Fund Balance Unreserved - Designated | $ | 71,422 |

## NOTE 17 - DEFICIT RETAINED EARNINGS

The following funds had Retained Earnings deficits as of December 31, 1999:

| | | Deficit End of Year |
|---|---|---|
| Internal Service Funds: | | |
| Intergovernmental Services | $ | (9,627) |
| Lands and Buildings | | (1,971) |
| Permanent Improvement Equipment | | (1,933) |
| Self-Insurance | | (32,316) |

The City will develop strategies to control costs and increase annual financial resources and eliminate the retained earnings 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. The adopted 2000 budget includes increased resources of $2 million and cost reductions of approximately $2 million to begin this workout strategy.

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

## NOTE 18 - DEFINED BENEFIT PENSION PLAN - STATEWIDE PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

### A - 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 of the MCDA, 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 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 Coordinated Plan member 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 1.7 percent of average salary for each year of service. For the PEPFF members, the annuity accrual rate is 3.0 percent for each year of service. For PERF members whose annuity is calculated using Method 1 and for all PEPFF members, a full annuity is available when age plus years of service equal 90. A reduced retirement annuity is also available to eligible members seeking early retirement.

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

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 PERF and the PEPFF. This report may be obtained by writing to PERA, 514 St. Peter Street, #200, Saint Paul, Minnesota 55102 or by calling (651) 296-7460 or 1-800-652-9026.

For the fiscal year ended December 31, 1999 (Dollar Amounts Expressed in Thousands)

**NOTE 18 - DEFINED BENEFIT PENSION PLAN - STATEWIDE PUBLIC EMPLOYEES RETIREMENT ASSOCIATION** (continued)

**B - FUNDING POLICY**

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. PERF Coordinated Plan members are required to contribute 4.75 percent of their annual covered salary. PEPFF members are required to contribute 7.6 percent of their annual covered salary through June 30, 1999, and 6.2 percent of their annual salary after that. As of December 31, 1999, the City is required to contribute the following percentages of annual covered payroll:

| | |
|---|---|
| Public Employees Retirement Fund | |
| Coordinated Plan | 5.18% |
| Public Employees Police and Fire Fund | 9.30% |

The City's contributions for the years ended June 30, 1999, 1998, and 1997, for the PERF and the PEPFF were:

| | PERF | PEPFF |
|---|---|---|
| 1999 | $4,473 | $5,369 |
| 1998 | 4,189 | 5,441 |
| 1997 | 3,306 | 4,907 |

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

**NOTE 19 - DEFINED BENEFIT PENSION PLAN - MULTIPLE EMPLOYER MINNEAPOLIS EMPLOYEES RETIREMENT FUND**

**A - PLAN DESCRIPTION**

All full-time City employees hired on or before June 30, 1978, other than firefighters, police officers, and employees of the MCDA, 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 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.

For the fiscal year ended December 31, 1999 (Dollar Amounts Expressed in Thousands)

**NOTE 19 - DEFINED BENEFIT PENSION PLAN - MULTIPLE EMPLOYER MINNEAPOLIS EMPLOYEES RETIREMENT FUND** (continued**)**

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

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

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

The MERF issues a publicly available financial report that includes financial statements and required supplementary information for the MERF. This report may be obtained by writing to MERF, 706 – Second Avenue South, #800, Minneapolis, Minnesota 55402, or by calling (612) 335-5950.

**B - FUNDING POLICY**

Minnesota Statutes Chapter 422A 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 MERF equal to the amount required by state statutes. The MERF members are required to contribute 9.75 percent of their annual covered salary. The City is required to contribute 11.5 percent of annual covered payroll to the pension plan. The employer contributions include amounts required to achieve full funding by the year 2020. Additional employer amounts beyond the 11.5 percent are charged to various City funds to support 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, 1999, 1998, and 1997, for the MERF were:

| | |
|---|---|
| 1999 | $8,749 |
| 1998 | 10,129 |
| 1997 | 12,090 |

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

## NOTE 20 - DEFINED BENEFIT PENSION PLAN - SINGLE EMPLOYER MINNEAPOLIS FIREFIGHTER'S RELIEF ASSOCIATION MINNEAPOLIS POLICE RELIEF ASSOCIATION

### A - PLAN DESCRIPTION

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

Each member who is at least 50 years of age and has five years of service with the Minneapolis Fire Department or the Minneapolis Police Department is eligible to receive a service pension, monthly, for the remainder of the member's life. All benefits are based on a plan of a number of units. A unit is $1/80^{th}$ 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, 1998, may be obtained by writing to the Minneapolis Firefighter's Relief Association at 2021 East Hennepin Avenue, Suite 360, Minneapolis, Minnesota 55413, or by calling (612) 331-4255. 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, 1998, may be obtained by writing to the Minneapolis Police Relief Association, 10 - Second Street Northeast, Suite 103, Minneapolis, Minnesota, 55413, or by calling (612) 378-1449.

### B - FUNDING POLICY

Authority for contributions to the MFRA and the MPRA pension plans is established by Minnesota Statutes, section 69.77 and may be amended only by the Minnesota State Legislature. The MFRA and the MPRA funding policies provide for contributions from the City, the State of Minnesota, and active plan members. City contributions are actuarially determined which requires full funding of the MFRA's accrued liability and the MPRA's accrued liability by the year 2010. The City contributed $4,317 to MFRA and $2,699 to MPRA for the fiscal year ended December 31, 1998. Employees under these plans contribute annually an amount equal to eight percent of the maximum first grade firefighter's salary or eight percent of the maximum top grade patrol officer's salary from which pension benefits are determined. The State of Minnesota annually contributes two percent fire premium insurance aid and the amortization state aid to the MFRA and two percent peace officers' state aid to the MPRA.

For the fiscal year ended December 31, 1999 (Dollar Amounts Expressed in Thousands)

**NOTE 20 - DEFINED BENEFIT PENSION PLAN - SINGLE EMPLOYER**
**MINNEAPOLIS FIREFIGHTER'S RELIEF ASSOCIATION**
**MINNEAPOLIS POLICE RELIEF ASSOCIATION** (continued)

The City's annual pension cost for the fiscal year ended December 31, 1998, and related information for each plan is as follows:

| | MFDRA | MPRA |
|---|---|---|
| Annual pension cost | $5,568 | $6,130 |
| Contributions made | $5,568 | $6,130 |
| Actuarial valuation date | 12/31/98 | 12/31/98 |
| Actuarial cost method | Entry Age | Entry Age |
| Amortization method | Level Percentage of Payroll | Level Percentage of Payroll |
| Remaining amortization period | 11 years, closed | 11 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 |
| Inflation | 3% per annum | 3% per annum |
| Cost-of-living adjustments | 4% per annum | 4% per annum |

**Three-Year Trend Information:**

| | Year Ending | Annual Pension Cost (APC) | Percentage of APC Contributed (%) | Net Pension Obligation |
|---|---|---|---|---|
| MFRA | | | | |
| | 1996 | $6,381 | 100 | $ - |
| | 1997 | 4,945 | 100 | - |
| | 1998 | 5,568 | 100 | - |
| MPRA | | | | |
| | 1996 | $8,463 | 100 | $ - |
| | 1997 | 7,539 | 100 | - |
| | 1998 | 6,130 | 100 | - |

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

For the fiscal year ended December 31, 1999 (Dollar Amounts Expressed in Thousands)

**NOTE 20 - DEFINED BENEFIT PENSION PLAN- SINGLE EMPLOYER**
**MINNEAPOLIS FIREFIGHTER'S RELIEF ASSOCIATION**
**MINNEAPOLIS POLICE RELIEF ASSOCIATION** (continued)

**Schedules of Funding Progress:**

**MFRA:**

| Actuarial Valuation Date | Actuarial Value of Plan Assets (a) | Actuarial Accrued Liability (AAL) --Entry Age (b) | Unfunded AAL (UAAL) (b - a) | Funded Ratio (%) (a/b) | Annual Covered Payroll (Previous Fiscal Year) ( c ) | UAAL as a Percentage of Covered Payroll (%) ((b - a)/c) |
|---|---|---|---|---|---|---|
| 1996 | $ 208,969 | $ 252,540 | $ 43,571 | 82.7 | $ 12,298 | 354.3 |
| 1997 | 245,306 | 274,030 | 28,724 | 89.5 | 12,079 | 237.8 |
| 1998 | 300,150 | 284,874 | (15,276) | 105.4 | 11,357 | -134.5 |

**MPRA:**

| Actuarial Valuation Date | Actuarial Value of Plan Assets (a) | Actuarial Accrued Liability (AAL) --Entry Age (b) | Unfunded AAL (UAAL) (b - a) | Funded Ratio (%) (a/b) | Annual Covered Payroll (Previous Fiscal Year) ( c ) | UAAL as a Percentage of Covered Payroll (%) ((b - a)/c) |
|---|---|---|---|---|---|---|
| 1996 | $ 320,686 | $ 382,957 | $ 62,271 | 83.7 | $ 13,003 | 478.9 |
| 1997 | 362,683 | 398,728 | 36,045 | 91.0 | 10,818 | 333.2 |
| 1998 | 387,530 | 414,694 | 27,164 | 93.4 | 8,857 | 306.7 |

## NOTE 21- DEFINED CONTRIBUTION PLAN - MCDA

### A - PLAN DESCRIPTION

Qualified MCDA employees belong to a defined contribution pension plan administered by Union Central Life Insurance Company. The plan is established and administered in accordance with Minnesota Statutes, Chapter 353. 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 20½. The payroll for employees covered by the MCDA's defined contribution plan for the year ended December 31, 1999, was $7,059; theMCDA's total payroll was $8,044.

### B - CONTRIBUTIONS REQUIRED AND MADE

The MCDA and its 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 they are 100 percent vested immediately as to their individual contribution. The MCDA and its employee participants each contributed $353 to the plan during the year, which represented five percent of the covered payroll.

## NOTE 22 - POST EMPLOYMENT BENEFITS

In addition to the pension benefits described in the Notes to the Financial Statements, the City provides postretirement health care premium offset, in accordance with Council Action, for Police and Fire Relief Association retirees. The City reimburses each pension organization the difference between the full premium and the amount withheld for health care coverage from retiree pension checks. Each year the Council appropriates $100 for this postemployment benefit.

## NOTE 23 - VACATION, SEVERANCE, SICK AND COMPENSATORY TIME PAY

Depending on the terms of their collective bargaining contract, or the policies applicable to their classification, employees may accumulate up to 35 days vacation.

Sick leave may be accumulated indefinitely by employees. Also, employees have the option of being paid once a year for current unused sick leave accumulated over a minimum base of 60 days or under certain circumstances having such unused sick leave convert to vacation leave and add to their vacation balance. Such payments, or conversions, are based on a sliding scale ranging from 50 percent to 100 hundred percent depending on the base level attained. In addition, employees meeting certain qualifications and minimum thresholds may, upon severance of employment, receive over a period of five years, payment for unused sick leave at their rate of pay upon severance and equal to one-half of their unused sick leave.

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 24 - ENTERPRISE FUND SEGMENT INFORMATION

The City maintains the following Enterprise Funds:

**Community Development Agency-** This fund is used to account for the enterprise fund activities of the MCDA (a component unit of the City of Minneapolis).

**Municipal Parking -** 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.

**River Terminal -** This fund is used to account for the operations of the public terminal facility located on the Mississippi River.

**Sewer Rental -** This fund is used to account for sewage fees collected from customers connected to the City's sewer system and for all expenses of operating this system. This fund also accounts for storm water management activities.

**Solid Waste and Recycling -** This fund is used to account for the revenues and expenses for solid waste collection, disposal and recycling activities.

**Water Works -** 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.

For the fiscal year ended December 31, 1999 (Dollar Amounts Expressed in Thousands)

**NOTE 24 - ENTERPRISE FUND SEGMENT INFORMATION** (continued)

| | Community Development Agency | Municipal Parking | River Terminal | Sewer Rental | Solid Waste and Recycling | Water Works | Total |
|---|---|---|---|---|---|---|---|
| Operating revenues | $ 8,990 | 47,549 | 3,486 | 50,894 | 22,173 | 41,382 | 174,474 |
| Depreciation | - | 4,148 | 371 | 822 | 829 | 3,348 | 9,518 |
| Operating income (loss) | 7,510 | 11,369 | 390 | 13,526 | (429) | 7,296 | 39,662 |
| Non-operating revenues (expenses): | | | | | | | |
| Special assessments | - | 152 | - | 133 | 133 | 516 | 934 |
| Operating transfers: | | | | | | | |
| In | 1,097 | 12,661 | 500 | - | - | - | 14,258 |
| Out | (1,175) | (11,289) | - | (2,963) | (160) | (2,750) | (18,337) |
| Net income (loss) | (1,747) | 3,533 | 851 | 8,772 | (467) | 2,394 | 13,336 |
| Credit arising from transfer of depreciation to contributed capital | - | 448 | - | 332 | - | 56 | 836 |
| Net working capital | 54,686 | 20,130 | 73 | 7,334 | 4,063 | 16,420 | 102,706 |
| Current assets | 72,494 | 36,617 | 177 | 19,217 | 5,530 | 25,384 | 159,419 |
| Non-current assets | 99,387 | 223,956 | 9,865 | 94,460 | 3,982 | 126,621 | 558,271 |
| Fixed assets: | | | | | | | |
| Additions | - | 11,397 | - | 19,040 | 851 | 19,050 | 50,338 |
| Deductions | - | 56 | - | - | 7 | 872 | 935 |
| Total assets | 171,881 | 260,573 | 10,042 | 113,677 | 9,512 | 152,005 | 717,690 |
| Long-term liabilities | 126,493 | 176,881 | - | 37,747 | 318 | 57,390 | 398,829 |
| Total fund equity | 27,580 | 67,205 | 9,938 | 64,047 | 7,727 | 85,651 | 262,148 |

For the fiscal year ended December 31, 1999 (Dollar Amounts Expressed in Thousands)

## NOTE 25 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is self-insured for workers' compensation and general liability. The workers' compensation program included the BET, the MBC, and all City departments. The Library Board, the MCDA, and the Park Board maintained their own workers' compensation programs. The City and the BET are self-insured for tort liability while the MBC, the MCDA, the Library Board, and the Park Board maintained their own liability programs. The City, including all discrete and blended component units of government, also maintained a self-funded dental plan for covered employees. The claims liability of $21,885 reported in the Self-Insurance Internal Service Fund at December 31, 1999, 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 and dental.

The City purchased excess insurance for its workers' compensation program from the Workers' Compensation Reinsurance Association (WCRA). The WCRA reimburses members for individual claim losses exceeding the City's retention limit of $580,000 per claim. Workers' compensation coverage is governed by State of Minnesota statutes.

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

Dental coverage is based on plan design and includes coverage of up to $750 per person annually with $50 and $100 deductibles per individual/per family. Based on an actuarial review of the dental plan, it has been determined that the premium rates are sufficient.

There were no significant changes in coverage during fiscal year 1999, and for the three previous fiscal years settlements did not exceed coverage.

Changes in the claims liabilities during fiscal 1998 and 1999 were:

| | 1998 | 1999 |
|---|---|---|
| Liability balance - January 1 | $ 18,553 | $ 20,089 |
| Current year claims and changes in estimates | 8,941 | 11,341 |
| Claim payments | (7,405) | (9,545) |
| Liability balance - December 31 | $ 20,089 | $ 21,885 |

## NOTE 26 - RELATED PARTY TRANSACTIONS

Theatre Live! Inc, is a promotion company affiliated with HTG, the theater manager, of MCDA's Theater Operations Program within its Special Revenue Fund Group. HTG principals have two seats on the nine-member board of Theatre Live! Inc.

| | |
|---|---|
| Events promoted by Theatre Live! Inc. at MCDA's theatres in 1999 | 232 |
| Approximate use fees recorded for these events | $799 |
| Advances on ticket sales to Theatre Live! Inc., at December 31, 1999 | $129 |

Theatre Live! Inc., use fees paid to the Theater Operations Program equaled 70 percent of the $1,146 total use fees collected by the theaters in 1999.

**NOTE 27 - OTHER COMMITMENTS AND CONTINGENCIES**

Occasionally, the City will enter into contracts with federal and state authorities, which will extend over several years, and are on a reimbursable basis. Expenditures under these contracts are the prime factor for determining eligibility for reimbursement. Generally, non-performance by the City will not cause these contracts to become liabilities. The uncompleted portion of these contracts is not shown in the statements as liabilities or encumbrances.

In connection with the normal conduct of its affairs, the City is involved in various claims, litigation, and judgments and the City is vigorously defending itself in a number of matters as follows:

Police Department-Excessive Force (Two cases in discovery or litigation stage)
Police Department-Wrongful Death or Negligent Injury (Three cases, one of which the City deposited $750 (Statutory limit) with the Court to be disbursed to claimants)
Inspections Department-Negligent Action (One case in litigation)
City-PreCondemnation Activities (Two cases in litigation)
MCDA-Trespass Damage (One case in litigation)

Although the outcome of these matters is not presently determinable, in the opinion of the City the resolution of the cases will not have a material effect on the financial condition of the City.

There are no unasserted claims and assessments that are probable of assertion and which must be disclosed in accordance with Financial Accounting Standards Board Statement No. 5 - Accounting for Contingencies