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

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

	Primary Government			Discrete Component Units	Total
	Governmental Activities	Business-type Activities	Total		
<b><u>ASSETS</u></b>					
Cash and cash equivalents	\$ 327,162	\$ 15,384	\$ 342,546	\$ 29,047	\$ 371,593
Fund investments	25,610	-	25,610	6,026	31,636
Investments with trustees	9,374	35,037	44,411	-	44,411
Receivables (net)	59,665	29,325	88,990	9,494	98,484
Due from primary government	-	-	-	270	270
Due from other government agencies	13,431	28	13,459	-	13,459
Capital leases	-	2,015	2,015	-	2,015
Prepays and other assets	119	-	119	516	635
Inventories	7,141	3,219	10,360	724	11,084
Internal Balances	2,453	(2,453)	-	-	-
Long-term portion of loans and notes receivable	11,138	4,882	16,020	-	16,020
Long-term portion of capital lease receivable	10,100	51,916	62,016	-	62,016
Long-term deferred charges	1,695	991	2,686	-	2,686
Properties held for resale	45,836	12	45,848	-	45,848
Capital assets:					
Nondepreciable	362,624	223,499	586,123	88,957	675,080
Depreciable, net	585,299	716,105	1,301,404	400,533	1,701,937
<b>Total assets</b>	<b>\$ 1,461,647</b>	<b>\$ 1,079,960</b>	<b>\$ 2,541,607</b>	<b>\$ 535,567</b>	<b>3,077,174</b>
<b><u>LIABILITIES</u></b>					
Accounts payable	\$ 18,216	\$ 8,388	\$ 26,604	\$ 13,961	\$ 40,565
Interest payable	117,912	2,743	120,655	-	120,655
Accrued salaries and benefits	16,985	2,718	19,703	4,010	23,713
Unpaid claims payable	32,246	-	32,246	7,753	39,999
Due to component unit	270	-	270	-	270
Due to other governmental agencies	7	43	50	-	50
Unearned revenue	26,943	613	27,556	-	27,556
Deposits	4,739	6,773	11,512	-	11,512
Long-term interest payable	-	13,047	13,047	-	13,047
Compensated absences:					
Due within one year	13,003	664	13,667	3,908	17,575
Due beyond one year	12,390	1,548	13,938	1,883	15,821
Long-term liabilities:					
Due within one year	70,207	34,558	104,765	34	104,799
Due beyond one year	854,747	419,513	1,274,260	10,760	1,285,020
<b>Total liabilities</b>	<b>1,167,665</b>	<b>490,608</b>	<b>1,658,273</b>	<b>42,309</b>	<b>1,700,582</b>
<b><u>NET ASSETS</u></b>					
Invested in capital assets, net of related debt	471,115	541,670	1,012,785	479,390	1,492,175
Restricted:					
Debt service	47,526	33,222	80,748	-	80,748
Culture and recreation	-	-	-	1,133	1,133
Unrestricted	(224,659)	14,460	(210,199)	12,735	(197,464)
<b>Total net assets</b>	<b>293,982</b>	<b>589,352</b>	<b>883,334</b>	<b>493,258</b>	<b>1,376,592</b>
<b>Total liabilities and net assets</b>	<b>\$ 1,461,647</b>	<b>\$ 1,079,960</b>	<b>\$ 2,541,607</b>	<b>\$ 535,567</b>	<b>\$ 3,077,174</b>

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

**STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended December 31, 2006**

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

	Net (Expenses) Revenues and Changes in Net Assets									
	Program Revenues					Primary Government				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Discrete Component Units	Total	
	\$ 67,780	\$ 28,320	\$ 9,943	\$ 3,378	\$ (26,139)	\$ -	\$ (26,139)	\$ -	\$ (26,139)	\$ (26,139)
General government	221,160	43,889	21,025	-	(156,246)	-	(156,246)	-	(156,246)	(156,246)
Public safety	52,267	8,461	1,909	-	(41,897)	-	(41,897)	-	(41,897)	(41,897)
Public works	15,851	-	-	-	(15,851)	-	(15,851)	-	(15,851)	(15,851)
Culture and recreation	14,572	528	11,536	12,285	9,777	-	9,777	-	9,777	9,777
Health and welfare	116,369	35,595	24,481	3,054	(53,239)	-	(53,239)	-	(53,239)	(53,239)
Community & economic development	89,147	-	-	-	(89,147)	-	(89,147)	-	(89,147)	(89,147)
Interest on long-term debt										
Total governmental activities	577,146	116,793	68,894	18,717	(372,742)	-	(372,742)	-	(372,742)	(372,742)
Business-type activities:										
Sanitary Sewer	36,710	37,968	3	-	-	1,261	1,261	-	1,261	1,261
Stormwater	23,815	30,209	327	-	-	6,721	6,721	-	6,721	6,721
Solid waste and recycling	26,554	28,546	37	-	-	2,029	2,029	-	2,029	2,029
Water works	53,209	59,541	629	-	-	6,961	6,961	-	6,961	6,961
Community & economic development	9,035	7,483	-	-	-	(1,552)	(1,552)	-	(1,552)	(1,552)
Municipal Parking	60,097	57,884	12,557	-	-	10,344	10,344	-	10,344	10,344
Total business-type activities	209,420	221,631	13,553	-	-	25,764	25,764	-	25,764	25,764
Total primary government	\$ 786,566	\$ 338,424	\$ 82,447	\$ 18,717	\$ (372,742)	\$ 25,764	\$ (346,978)	\$ -	\$ (346,978)	\$ (346,978)
Component units:	\$ 117,928	\$ 22,546	\$ 6,633	\$ 33,981						
Discrete component units										(54,768)
General Revenues:										
Taxes:										
General property tax and fiscal disparities					145,073		145,073		52,406	197,479
Property tax increment					71,556		71,556		7	71,563
Franchise fees					29,026		29,026		-	29,026
Convention center taxes					56,725		56,725		-	56,725
Other taxes					188		188		-	188
Local government aid					81,626		81,626		8,905	9,093
Grants and contributions not restricted to programs					9		9		428	82,054
Unrestricted interest and investment earnings					14,407		15,949		19,455	19,464
Miscellaneous					2,862		2,862		266	16,215
Other					416		4,901		1,074	1,074
Transfers					(416)		(416)		241	5,142
Total general revenues and transfers					401,888		405,053		82,782	487,835
Change in net assets					29,146		58,075		28,014	86,089
Net assets- January 1 - restated (note 1 O)					264,836		825,259		465,244	1,290,503
Net assets- December 31					\$ 293,982		\$ 883,334		\$ 493,258	\$ 1,376,592

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

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
December 31, 2006**

**CITY OF MINNEAPOLIS, MINNESOTA**

**(In Thousands)**

	General	Community Planning and Economic Development	Convention Center	Permanent Improvement	Non-Major Governmental	Total
<b>ASSETS</b>						
Cash and cash equivalents	\$ 63,238	\$ 148,534	\$ 19,844	\$ 23,593	\$ 64,042	\$ 319,251
Fund investments	-	25,610	-	-	-	25,610
Investments with trustees	-	4,313	-	-	5,061	9,374
Receivables:						
Accounts - net	4,544	364	5,611	852	1,009	12,380
Taxes	3,557	598	-	73	1,047	5,275
Special assessments	528	-	-	3,090	29,848	33,466
Loans	-	5,815	7,748	-	3,826	17,389
Accrued interest	104	805	109	176	239	1,433
Intergovernmental	1,013	1,614	-	-	10,608	13,235
Due from other funds	1,176	1,247	98	254	2,406	5,181
Advances to other funds	1,671	10	12,800	-	-	14,481
Land held for development	-	45,836	-	-	-	45,836
Inventories	443	-	-	-	-	443
Prepaid items	28	91	-	-	-	119
<b>Total assets</b>	<b>76,302</b>	<b>234,837</b>	<b>46,210</b>	<b>28,038</b>	<b>118,086</b>	<b>503,473</b>
<b>LIABILITIES and FUND BALANCES</b>						
<b>Liabilities:</b>						
Salaries payable	12,606	312	670	469	660	14,717
Accounts payable	2,900	2,186	1,307	1,251	2,664	10,308
Intergovernmental payable	-	-	3	-	1	4
Due to other funds	-	283	1,175	15,924	4,705	22,087
Due to component units	-	-	-	270	-	270
Deposits held for others	2,466	948	1,325	-	-	4,739
Deferred Revenue	3,218	6,570	508	4,090	45,033	59,419
<b>Total liabilities</b>	<b>21,190</b>	<b>10,299</b>	<b>4,988</b>	<b>22,004</b>	<b>53,063</b>	<b>111,544</b>
<b>Fund balances:</b>						
Reserved for:						
Land held for development	-	45,836	-	-	-	45,836
Specific development projects	-	105,275	-	-	-	105,275
Encumbrances	329	18,756	363	589	8	20,045
Prepaid items	28	91	-	-	-	119
Inventory	443	-	-	-	-	443
Loans	-	5,815	7,748	-	-	13,563
Advances	1,671	10	12,800	-	-	14,481
Pension liability	-	-	-	-	8,994	8,994
Unreserved, reported in						
General Fund	52,641	-	-	-	-	52,641
Special Revenue Fund	-	48,755	20,311	-	8,495	77,561
Debt Service Fund	-	-	-	-	47,526	47,526
Capital Project Fund	-	-	-	5,445	-	5,445
<b>Total fund balances</b>	<b>55,112</b>	<b>224,538</b>	<b>41,222</b>	<b>6,034</b>	<b>65,023</b>	<b>391,929</b>
<b>Total liabilities and fund balances</b>	<b>\$ 76,302</b>	<b>\$ 234,837</b>	<b>\$ 46,210</b>	<b>\$ 28,038</b>	<b>\$ 118,086</b>	<b>\$ 503,473</b>

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

**Reconciliation of the Governmental Funds Balance Sheet to the  
Government-Wide Statement of Net Assets - Governmental Activities  
December 31, 2006**

**CITY OF MINNEAPOLIS, MINNESOTA**

**(In Thousands)**

<b>Fund balances - total governmental funds</b>	\$	391,929
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		
Non-Depreciable	316,619	
Depreciable	914,105	
Accumulated Depreciation	<u>(413,061)</u>	817,663
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds, primarily deferred special assessments.		
		48,648
Internal service funds are used by management to charge the costs of engineering materials and testing, intergovernmental services, property services, permanent improvement equipment, public works stores, and self-insurance.		
		(3,271)
Receivable from business-type funds for internal service fund activity		
		17,734
Accruals to record an accounts receivable allowance, interest receivable on loans and notes, and an adjustment to loans receivable balances.		
		489
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.		
Bonds and Notes Payable and any related unamortized premiums/discounts	(837,770)	
Operating and Capital leases payable	(158)	
Contracts payable	(128)	
Bond Interest Payable	(117,597)	
Compensated Absences	<u>(23,557)</u>	<u>(979,210)</u>
<b>Net assets of governmental activities</b>	<b>\$</b>	<b><u>293,982</u></b>

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

**GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
For the Fiscal Year Ended December 31, 2006**

**CITY OF MINNEAPOLIS, MINNESOTA**

**(In Thousands)**

	<b>General</b>	<b>Community Planning and Economic Development</b>	<b>Convention Center</b>	<b>Permanent Improvement</b>	<b>Nonmajor Governmental</b>	<b>Total</b>
<b>REVENUES:</b>						
Taxes	\$ 137,889	\$ 71,161	\$ 56,725	\$ 1,806	\$ 33,312	\$ 300,893
Licenses and permits	24,938	-	-	266	634	25,838
Intergovernmental revenues	91,614	8,008	-	15,184	61,175	175,981
Charges for services and sales	38,169	6,950	5,155	3,796	1,042	55,112
Fines and forfeits	8,598	-	-	-	651	9,249
Special assessments	3,008	-	-	1,618	7,737	12,363
Interest	907	7,657	752	2,522	2,679	14,517
Miscellaneous revenues	1,446	12,369	9,931	995	9,260	34,001
Total revenues	<u>306,569</u>	<u>106,145</u>	<u>72,563</u>	<u>26,187</u>	<u>116,490</u>	<u>627,954</u>
<b>EXPENDITURES:</b>						
Current:						
General government	46,861	-	67	871	19,004	66,803
Public safety	193,813	-	-	-	26,533	220,346
Public works	38,734	-	-	-	437	39,171
Culture and recreation	200	-	-	15,651	-	15,851
Health and welfare	3,693	-	-	-	10,920	14,613
Community & economic development	3,530	54,852	32,011	-	21,710	112,103
Capital outlay	-	-	-	45,447	-	45,447
Debt Service:						
Principal retirement	-	-	-	-	72,768	72,768
Interest and fiscal charges	-	-	-	-	63,490	63,490
Total expenditures	<u>286,831</u>	<u>54,852</u>	<u>32,078</u>	<u>61,969</u>	<u>214,862</u>	<u>650,592</u>
Excess (deficiency) of revenues over (under) expenditures	<u>19,738</u>	<u>51,293</u>	<u>40,485</u>	<u>(35,782)</u>	<u>(98,372)</u>	<u>(22,638)</u>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers from other funds	20,994	14,390	3,129	469	118,179	157,161
Transfers (to) other funds	(39,182)	(77,738)	(38,242)	(7,037)	(23,377)	(185,576)
Bonds issued	-	-	-	26,835	-	26,835
Premium (Discount)	-	-	-	49	-	49
Refunding bonds issued	-	-	-	-	10,545	10,545
Payments to escrow agents	-	-	-	-	(9,989)	(9,989)
Total other financing sources (uses)	<u>(18,188)</u>	<u>(63,348)</u>	<u>(35,113)</u>	<u>20,316</u>	<u>95,358</u>	<u>(975)</u>
Net change in fund balances	1,550	(12,055)	5,372	(15,466)	(3,014)	(23,613)
Fund balances - January 1	<u>53,562</u>	<u>236,593</u>	<u>35,850</u>	<u>21,500</u>	<u>68,037</u>	<u>415,542</u>
<b>Fund balances - December 31</b>	<u>\$ 55,112</u>	<u>\$ 224,538</u>	<u>\$ 41,222</u>	<u>\$ 6,034</u>	<u>\$ 65,023</u>	<u>\$ 391,929</u>

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

**Reconciliation of the Statement of Revenues, Expenditures,  
and Changes in Fund Balances of Governmental Funds to the  
Statement of Activities - Governmental Activities  
For the Fiscal Year Ended December 31, 2006**

**CITY OF MINNEAPOLIS, MINNESOTA**

**(In Thousands)**

<b>Net increase (decrease) in fund balances - total governmental funds</b>		(23,613)
Amounts reported for governmental activities in the statement of activities are different because:		
Interest receivable is not recorded within the fund level statements.		309
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net expense of certain activities of the internal service funds is reported with governmental activities with amounts related to business type activities shown as an internal balance.		18,602
Transfers from business-type funds for internal service fund activity		337
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Expenditures for general capital assets, infrastructure, and other related capital assets:		42,160
Less loss on retirement of capital assets		(236)
Less current year depreciation		(23,242)
Revenues and expenses in the statement of activities that do not provide current financial resources are not reported as revenues and expenses in the funds.		(5,768)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets:		
Bonds Principal Payments	84,978	
Bond Proceeds	(37,429)	47,549
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:		
Change in accrued interest payable	(25,657)	
Change in compensated absences	(1,295)	(26,952)
<b>Increase (decrease) in net assets of governmental activities</b>		<u><u>29,146</u></u>

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

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

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Business-type Activities - Enterprise Funds						Governmental Activities	
	Sanitary Sewer	Stormwater	Water Works	Municipal Parking	Solid Waste and Recycling	Community Planning and Economic Development	Total	Internal Service Funds
<b>ASSETS</b>								
Current assets:								
Cash and cash equivalents	\$ 7,597	\$ 1,212	\$ 2,542	\$ 50	\$ 2,197	\$ 1,786	\$ 15,384	\$ 7,911
Investments with trustees	-	-	-	-	-	35,037	35,037	-
Receivables:								
Accounts - net	2,736	4,024	4,879	1,397	2,840	17	15,893	371
Special assessments:								
Current	4	-	16	4	1	-	25	-
Delinquent	-	47	119	-	21	-	187	-
Deferred	-	123	747	10,870	1	-	11,741	-
Loans	-	-	-	-	-	679	679	-
Notes	-	-	-	-	-	650	650	-
Accrued interest	-	5	-	-	-	145	150	-
Intergovernmental	2	13	13	-	-	-	28	196
Capital leases	-	-	-	-	-	2,015	2,015	-
Due from other funds	549	8,421	1,379	4,267	13,300	675	28,591	4,155
Inventories	-	-	2,220	-	999	-	3,219	6,698
Properties held for resale	-	-	-	-	-	12	12	-
Total current assets	<u>10,888</u>	<u>13,845</u>	<u>11,915</u>	<u>16,588</u>	<u>19,359</u>	<u>41,016</u>	<u>113,611</u>	<u>19,331</u>
Long-term assets:								
Receivables:								
Loans	-	-	-	-	-	2,272	2,272	-
Notes	-	-	-	-	-	2,610	2,610	-
Capital leases	-	-	-	-	-	51,916	51,916	-
Deferred charges	-	78	87	826	-	-	991	98
Capital assets:								
Nondepreciable								
Land, leaseholds and easements	1	7,191	2,993	120,625	16	4,250	135,076	23,850
Construction in progress	363	67,002	20,656	402	-	-	88,423	22,155
Depreciable								
Buildings and structures	-	-	169,228	349,538	2,047	15,592	536,405	55,732
Less accumulated depreciation	-	-	(39,097)	(112,693)	(1,954)	(9,225)	(162,969)	(23,367)
Public improvements	125,957	256,590	132,439	53	-	-	515,039	3,066
Less accumulated depreciation	(50,268)	(80,044)	(49,180)	(4)	-	-	(179,496)	(2,501)
Machinery and equipment	1,182	1,374	2,085	1,298	11,704	398	18,041	72,442
Less accumulated depreciation	(984)	(1,171)	(1,146)	(766)	(6,986)	(355)	(11,408)	(34,356)
Computer equipment	10	193	289	1,545	177	-	2,214	42,681
Less accumulated depreciation	(10)	(183)	(233)	(1,311)	(169)	-	(1,906)	(36,533)
Software	-	1,488	1,847	136	955	-	4,426	14,460
Less accumulated depreciation	-	(1,488)	(1,691)	(116)	(955)	-	(4,250)	(7,375)
Other capital outlay	-	-	19	15	-	-	34	51
Less accumulated depreciation	-	-	(17)	(8)	-	-	(25)	(45)
Total long-term assets	<u>76,251</u>	<u>251,030</u>	<u>238,279</u>	<u>359,540</u>	<u>4,835</u>	<u>67,458</u>	<u>997,393</u>	<u>130,358</u>
<b>Total assets</b>	<u>\$ 87,139</u>	<u>\$ 264,875</u>	<u>\$ 250,194</u>	<u>\$ 376,128</u>	<u>\$ 24,194</u>	<u>\$ 108,474</u>	<u>\$ 1,111,004</u>	<u>\$ 149,689</u>

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

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

	Business-type Activities - Enterprise Funds						Total	Governmental
	Sanitary Sewer	Stormwater	Water Works	Municipal Parking	Solid Waste and Recycling	Community Planning and Economic Development		Internal Service Funds
<b>LIABILITIES</b>								
Current liabilities:								
Salaries payable	\$ 215	\$ 421	\$ 1,375	\$ 218	\$ 488	\$ 1	\$ 2,718	\$ 2,268
Accounts payable	310	144	3,992	2,198	1,597	147	8,388	7,908
Intergovernmental payable	-	-	42	1	-	-	43	3
Due to other funds	-	1,400	-	11,900	-	-	13,300	2,540
Deposits held for others	13	426	54	2,446	4	3,830	6,773	-
Advances from other funds	-	-	-	-	-	10	10	-
Interest payable	-	116	721	1,622	-	284	2,743	315
Unearned revenue	-	32	-	-	-	581	613	6,072
Bonds payable-current portion	17	7,793	6,927	16,044	-	2,665	33,446	9,130
Notes payable-current portion	-	-	1,000	-	-	112	1,112	-
Compensated assets payable-current portion	50	111	325	52	125	1	664	552
<b>Total current liabilities</b>	<b>605</b>	<b>10,443</b>	<b>14,436</b>	<b>34,481</b>	<b>2,214</b>	<b>7,631</b>	<b>69,810</b>	<b>28,788</b>
Long-term liabilities:								
Interest payable	-	3,814	6,201	3,032	-	-	13,047	-
Bonds payable	536	27,320	21,262	252,331	-	55,320	356,769	74,585
Unamortized premium (discounts)	-	(188)	50	(745)	-	-	(883)	1,586
Advances from other funds	-	-	-	-	-	-	-	14,471
Notes payable	-	-	62,789	-	-	838	63,627	-
Compensated absences payable	117	260	758	121	291	1	1,548	1,284
Unpaid claims payable	-	-	-	-	-	-	-	32,246
<b>Total long-term liabilities</b>	<b>653</b>	<b>31,206</b>	<b>91,060</b>	<b>254,739</b>	<b>291</b>	<b>56,159</b>	<b>434,108</b>	<b>124,172</b>
<b>Total liabilities</b>	<b>1,258</b>	<b>41,649</b>	<b>105,496</b>	<b>289,220</b>	<b>2,505</b>	<b>63,790</b>	<b>503,918</b>	<b>152,960</b>
<b>NET ASSETS</b>								
Invested in capital assets, net of related debt	75,698	216,027	146,164	91,084	4,835	7,862	541,670	46,339
Restricted	-	-	-	-	-	33,222	33,222	-
Unrestricted	10,183	7,199	(1,466)	(4,176)	16,854	3,600	32,194	(49,610)
<b>Total net assets</b>	<b>85,881</b>	<b>223,226</b>	<b>144,698</b>	<b>86,908</b>	<b>21,689</b>	<b>44,684</b>	<b>607,086</b>	<b>(3,271)</b>
<b>Total liabilities and net assets</b>	<b>\$ 87,139</b>	<b>\$ 264,875</b>	<b>\$ 250,194</b>	<b>\$ 376,128</b>	<b>\$ 24,194</b>	<b>\$ 108,474</b>	<b>\$ 1,111,004</b>	<b>\$ 149,689</b>
Net assets - total enterprise funds							\$ 607,086	
Some amounts reported for business-type activities in the statement of net assets are different because certain internal service fund assets and liabilities are included with business-type activities.							(17,734)	
Net assets of business-type activities							\$ 589,352	

**PROPRIETARY FUNDS  
STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN NET ASSETS  
For the Fiscal Year Ended December 31, 2006**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Business-type Activities - Enterprise Funds						Total	Governmental
	Sanitary Sewer	Stormwater	Water Works	Municipal Parking	Solid Waste and Recycling	Community Planning and Economic Development		Internal Service Funds
Operating revenues:								
Charges for services and sales	\$ 39,171	\$ 29,461	\$ 62,174	\$ 57,869	\$ 27,121	\$ 3,696	\$ 219,492	\$ 128,261
Interest	115	-	-	-	-	3,473	3,588	-
Rents and commissions	-	-	-	214	-	-	214	27,860
Other	46	748	73	-	1,495	314	2,676	-
Total operating revenues	39,332	30,209	62,247	58,083	28,616	7,483	225,970	156,121
Operating expenses:								
Personal services	3,388	6,460	18,594	3,225	8,511	64	40,242	39,303
Contractual services	8,032	11,664	20,021	35,693	16,325	3,320	95,055	84,867
Materials, supplies, services and other	27,122	125	8,089	514	1,113	130	37,093	19,324
Rent	-	-	-	-	-	-	-	1,624
Cost of stores issuance	-	-	-	-	-	-	-	7,232
Depreciation	1,216	3,652	6,846	7,045	1,034	430	20,223	10,742
Total operating expenses	39,758	21,901	53,550	46,477	26,983	3,944	192,613	163,092
<b>Operating income (loss)</b>	<b>(426)</b>	<b>8,308</b>	<b>8,697</b>	<b>11,606</b>	<b>1,633</b>	<b>3,539</b>	<b>33,357</b>	<b>(6,971)</b>
Non-operating revenues (expenses):								
Interest revenue	6	38	11	68	-	1,419	1,542	2
Interest expense	(9)	(1,914)	(3,500)	(14,331)	-	(3,751)	(23,505)	(4,273)
Gain (loss) on disposal of capital assets	-	-	(293)	(123)	-	(1,340)	(1,756)	130
Special assessments	3	327	629	12,557	37	-	13,553	-
Damages/losses recovered	-	-	-	-	-	-	-	61
Other revenues	-	-	1,898	141	-	-	2,039	5,274
Total non-operating revenues (expenses)	-	(1,549)	(1,255)	(1,688)	37	(3,672)	(8,127)	1,194
Income (loss) before transfers	(426)	6,759	7,442	9,918	1,670	(133)	25,230	(5,777)
Transfers in (out):								
Transfers from other funds	-	304	-	18,208	506	-	19,018	24,665
Transfers to other funds	-	(241)	(306)	(13,100)	(735)	(600)	(14,982)	(286)
Total transfers	-	63	(306)	5,108	(229)	(600)	4,036	24,379
<b>Change in net assets</b>	<b>(426)</b>	<b>6,822</b>	<b>7,136</b>	<b>15,026</b>	<b>1,441</b>	<b>(733)</b>	<b>29,266</b>	<b>18,602</b>
Net assets - January 1	86,307	216,404	137,562	71,882	20,248	45,417		(21,873)
<b>Net assets - December 31</b>	<b>\$ 85,881</b>	<b>\$ 223,226</b>	<b>\$ 144,698</b>	<b>\$ 86,908</b>	<b>\$ 21,689</b>	<b>\$ 44,684</b>		<b>\$ (3,271)</b>

Some amounts reported for business-type activities in the statement of activities are different because the net revenue (expense) of certain internal service funds is reported with business-type activities.

(337)

Change in net assets of business-type activities

\$ 28,929

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

**PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
For the Fiscal Year Ended December 31, 2006**

**CITY OF MINNEAPOLIS, MINNESOTA**

**(In Thousands)**

							Governmental	
	Sanitary Sewer	Stormwater	Water Works	Municipal Parking	Solid Waste and Recycling	Community Planning and Economic Development	Total	Activities Internal Service Funds
<b>Cash flows from operating activities:</b>								
Cash received from customers and users	\$ 39,472	\$ 26,008	\$ 63,568	\$ 61,908	\$ 29,596	\$ 5,875	\$ 226,427	\$ 165,260
Payments to suppliers and users	(35,061)	(10,432)	(25,631)	(38,904)	(16,865)	(4,014)	(130,907)	(111,483)
Payments to employees	(3,359)	(6,391)	(18,515)	(3,464)	(8,447)	(74)	(40,250)	(38,237)
<b>Net Cash Provided (used) by operating Activities</b>	<b>1,052</b>	<b>9,185</b>	<b>19,422</b>	<b>19,540</b>	<b>4,284</b>	<b>1,787</b>	<b>55,270</b>	<b>15,540</b>
<b>Cash flows from non-capital financing activities:</b>								
Bonds issued	-	-	-	-	-	8,400	8,400	-
Transfers from other funds	-	304	-	18,019	506	-	18,829	24,665
Advances from other funds	-	-	-	-	-	-	-	(78)
Principal paid on bonds and notes	-	-	-	-	-	(12,502)	(12,502)	(4,015)
Interest paid on bonds and notes	-	-	-	-	-	(3,774)	(3,774)	(105)
Transfers to other funds	-	(241)	(306)	(12,911)	(735)	(600)	(14,793)	(286)
<b>Net cash provided (used) by non-capital financing activities</b>	<b>-</b>	<b>63</b>	<b>(306)</b>	<b>5,108</b>	<b>(229)</b>	<b>(8,476)</b>	<b>(3,840)</b>	<b>20,181</b>
<b>Cash Flows from capital and related financing activities</b>								
Bonds issued	553	6,947	1,843	1,700	-	-	11,043	1,525
Notes issued	-	-	6,256	-	-	-	6,256	-
Principal paid on bonds	-	(8,360)	(7,819)	(14,174)	-	-	(30,353)	(14,720)
Interest paid on bonds	-	(2,483)	(4,371)	(13,186)	-	-	(20,040)	(4,371)
Principal paid on notes	-	-	(840)	-	-	-	(840)	-
Interest paid on notes	(9)	-	-	-	-	-	(9)	-
Acquisition and construction of capital assets	(186)	(7,670)	(13,641)	(1,294)	(2,205)	-	(24,996)	(16,840)
Bond issuance costs	-	(20)	(5)	58	-	-	33	(4)
Proceeds from sale of capital assets	-	-	-	-	-	2	2	778
<b>Net cash provided (used) by capital and related financing activities</b>	<b>358</b>	<b>(11,586)</b>	<b>(18,577)</b>	<b>(26,896)</b>	<b>(2,205)</b>	<b>2</b>	<b>(58,904)</b>	<b>(33,632)</b>
<b>Cash flows from investing activities:</b>								
Purchase of investments	-	-	-	-	-	(1,586)	(1,586)	-
Sale of investments	-	-	-	-	-	7,715	7,715	-
Interest	6	33	11	68	-	954	1,072	2
<b>Net cash provided (used) by investing activities</b>	<b>6</b>	<b>33</b>	<b>11</b>	<b>68</b>	<b>-</b>	<b>7,083</b>	<b>7,201</b>	<b>2</b>
Net increase (decrease) in cash and cash equivalents	1,416	(2,305)	550	(2,180)	1,850	396	(273)	2,091
Cash and cash equivalents, beginning of year	6,181	3,517	1,992	2,230	347	1,390	15,657	5,820
<b>Cash and cash equivalents, end of year</b>	<b>\$ 7,597</b>	<b>\$ 1,212</b>	<b>\$ 2,542</b>	<b>\$ 50</b>	<b>\$ 2,197</b>	<b>\$ 1,786</b>	<b>\$ 15,384</b>	<b>\$ 7,911</b>
<b>Reconciliation of operating income to net cash provided (used) by operating activities</b>								
Operating income (loss)	\$ (426)	\$ 8,308	\$ 8,697	\$ 11,606	\$ 1,634	\$ 3,539	\$ 33,358	\$ (6,971)
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:								
Depreciation	1,216	3,652	6,846	7,045	1,034	430	20,223	10,742
Accounts receivable (net)	689	(1,834)	331	1,305	642	73	1,206	(33)
Intergovernmental receivable	(1)	(13)	(13)	-	-	-	(27)	5
Loans receivable	-	-	-	-	-	581	581	-
Notes Receivable	-	-	-	-	-	620	620	-
Interest receivable	-	-	-	-	-	(9)	(9)	-
Special assessments receivable	(4)	21	40	(10,865)	1	-	(10,807)	-
Capital lease receivable	-	-	-	-	-	(3,156)	(3,156)	-
Inventories	-	-	245	-	(18)	-	227	(2,074)
Prepays	-	-	-	-	-	-	-	195
Deferred charges	-	-	-	-	-	75	75	-
Due from other funds	(549)	(2,950)	(1,379)	306	300	(675)	(4,947)	4,107
Due from component unit	-	-	-	-	-	-	-	133
Due to other funds	-	1,400	-	(1,700)	-	-	(300)	1,495
Salaries payable	20	55	67	(124)	38	(10)	46	(83)
Accounts payable	94	(30)	2,302	(999)	591	36	1,994	1,951
Intergovernmental payable	-	-	(69)	1	-	363	295	(9)
Deposit held for others	-	202	(185)	382	-	-	399	5
Unearned revenue	-	32	-	-	-	(80)	(48)	(402)
Compensated absences payable	9	15	13	(115)	25	-	(53)	1
Unpaid claims	-	-	-	-	-	-	-	1,145
Special assessments	4	327	629	12,557	37	-	13,554	-
Damages/losses recovered	-	-	-	-	-	-	-	61
Other non-operating revenues	-	-	1,898	141	-	-	2,039	5,272
<b>Net cash provided (used) by operating activities</b>	<b>\$ 1,052</b>	<b>\$ 9,185</b>	<b>\$ 19,422</b>	<b>\$ 19,540</b>	<b>\$ 4,284</b>	<b>\$ 1,787</b>	<b>\$ 55,270</b>	<b>\$ 15,540</b>
<b>Non-cash investing, capital and financing activities:</b>								
(Loss) on disposal of capital assets	\$ -	\$ -	\$ (293)	\$ -	\$ -	\$ -	\$ (293)	\$ -

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

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

**CITY OF MINNEAPOLIS, MINNESOTA**

**(In Thousands)**

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

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

**COMBINING STATEMENT OF ACTIVITIES  
DISCRETE COMPONENT UNITS  
For the Fiscal Year Ended December 31, 2006**

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

FUNCTIONS/PROGRAMS	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Library Board	Park Board	Municipal Building Commission	Total Discrete Component Units
Library Board	\$ 27,990	\$ 1,393	\$ 2,690	\$ 27,760	\$ 3,853	\$ -	\$ -	\$ 3,853
Park Board	84,965	16,508	3,713	6,221	-	(58,523)	-	(58,523)
Municipal Building Commission	4,973	4,645	230	-	-	-	(98)	(98)
Total discrete component unit activities	\$ 117,928	\$ 22,546	\$ 6,633	\$ 33,981	\$ 3,853	(58,523)	(98)	(54,768)
General Revenues:								
Taxes:								
General property tax and fiscal disparities					12,260	36,502	3,644	\$ 52,406
Property tax increment					-	-	7	7
Other taxes					-	8,905	-	8,905
Local government aid					-	-	428	428
Grants and contributions not restricted to specific programs					7,570	11,885	-	19,455
Unrestricted interest and investment earnings					266	-	-	266
Other					241	-	-	241
Miscellaneous					-	-	1,074	1,074
Total general revenues, special items, and transfers					20,337	57,292	5,153	82,782
Change in net assets					24,190	(1,231)	5,055	28,014
Net assets- January 1, 2006, as restated					170,798	277,384	17,062	465,244
Net assets- December 31, 2006					\$ 194,988	\$ 276,153	\$ 22,117	\$ 493,258

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

**COMBINING STATEMENT OF NET ASSETS  
DISCRETE COMPONENT UNITS  
December 31, 2006**

**CITY OF MINNEAPOLIS, MINNESOTA**

**(In Thousands)**

	<u>Library Board</u>	<u>Park Board</u>	<u>Municipal Building Commission</u>	<u>Total Discrete Component Units</u>
<b><u>ASSETS</u></b>				
Cash and investments	\$ 14,762	\$ 13,235	\$ 1,050	\$ 29,047
Fund investments	6,026	-	-	6,026
Receivables (net)	4,000	4,532	962	9,494
Due from primary government	270	-	-	270
Prepays and other assets	516	-	-	516
Inventories	64	660	-	724
Capital assets:				
Nondepreciable	7,863	74,479	6,615	88,957
Depreciable, net	185,350	200,436	14,747	400,533
Total assets	<u>218,851</u>	<u>293,342</u>	<u>23,374</u>	<u>535,567</u>
<b><u>LIABILITIES</u></b>				
Accounts payable	11,559	1,640	762	13,961
Accrued salaries and benefits	952	2,808	250	4,010
Unpaid claims payable	-	7,753	-	7,753
Compensated absences:				
Due within one year	941	2,801	166	3,908
Due beyond one year	311	1,493	79	1,883
Long-term liabilities:				
Due within one year	-	34	-	34
Due beyond one year	10,100	660	-	10,760
Total liabilities	<u>23,863</u>	<u>17,189</u>	<u>1,257</u>	<u>42,309</u>
<b><u>NET ASSETS</u></b>				
Invested in capital assets, net of related debt	183,113	274,915	21,362	479,390
Restricted - Culture and recreation	1,133	-	-	1,133
Unrestricted	10,742	1,238	755	12,735
Total net assets	<u>194,988</u>	<u>276,153</u>	<u>22,117</u>	<u>493,258</u>
Total liabilities and net assets	<u>\$ 218,851</u>	<u>\$ 293,342</u>	<u>\$ 23,374</u>	<u>\$ 535,567</u>

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

For the fiscal year ended December 31, 2006

(Dollar Amounts Expressed in Thousands)

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

The financial statements of the City of Minneapolis (City) have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

**A - REPORTING ENTITY**

The City is a municipal corporation governed by a Mayor-Council form of government. It was incorporated in 1867, and it adopted a Charter on November 2, 1920. The Mayor and 13 City Council Members from individual wards are elected for terms of four years without limit on the number of terms that may be served. The Mayor and City Council are jointly responsible for the annual preparation of a budget and a five-year capital improvement program. The Mayor has veto power, which the Council may override with a vote of nine members. The City employs a Finance Officer who is charged with maintaining and supervising the various accounts and funds of the City as well as several boards and commissions.

As required by GAAP, the basic financial statements present the reporting entity which consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the City's basic financial statements to be misleading or incomplete.

**BLENDED COMPONENT UNIT**

The following component unit has been presented as a blended component unit because the component unit's governing body is substantially the same as the governing body of the City, or the component unit provides services almost entirely to the primary government.

**▪ Board of Estimate and Taxation**

The Board of Estimate and Taxation (BET) is established under Chapter 15 of the City Charter. It is composed of seven members, two of whom are elected by voters of the City. The Mayor, or the Mayor's appointee, the President of the City Council, and the Chair of the City Council's Ways and Means/Budget Committee are ex-officio members of the board. The Minneapolis Park and Recreation Board and Minneapolis Library Board annually select one of its members to serve on the Board of Estimate and Taxation. By action of the City Council, or such other governing board of a department requesting the sale of bonds, the Board of Estimate and Taxation may vote to incur indebtedness and issue and sell bonds and pledge the full faith and credit of the City for payment of principal and interest. The Board of Estimate and Taxation also establishes the maximum property tax levies for most City funds and maintains responsibility for the internal audit function for the City including boards and commissions that are component units of the City.

**DISCRETELY PRESENTED COMPONENT UNITS**

The component unit column in the government-wide financial statements includes the financial data of the City's other component units. The units are reported in a separate column to emphasize that they are legally separate from the City but are included because the primary government is financially accountable and is able to impose its will on the organizations. These units subscribe to the accounting policies and procedures of the primary government.

**▪ Minneapolis Library Board**

The Minneapolis Library Board (Library Board) was established according to Chapter 17 of the City Charter. It is an eight-member board, six of whom are elected for four-year terms by voters of the City. The Mayor and the City Council each appoint one member. The Library Board is responsible for operating and maintaining libraries located throughout the City. The Mayor recommends the tax levies and budget for the Library Board and the City Council and Mayor approve the allocations of the state's local government aid for Library Board operations. The Board of Estimate and Taxation approves the property tax levy for the Library Board, and the full faith and credit of the City

For the fiscal year ended December 31, 2006

(Dollar Amounts Expressed in Thousands)

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****▪ Minneapolis Library Board (continued)**

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

**▪ Minneapolis Park and Recreation Board**

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

**▪ Municipal Building Commission**

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

**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 whom must be a public housing family development resident) are

For the fiscal year ended December 31, 2006

(Dollar Amounts Expressed in Thousands)

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****RELATED ORGANIZATIONS****▪ Minneapolis Public Housing Authority (continued)**

appointed by the City Council. The mission of the MPHA is to provide well-managed high-quality housing for eligible families and individuals; to increase the supply of affordable rental housing; and to assist public housing residents in realizing goals of economic independence and self-sufficiency. Complete financial statements for the MPHA can be obtained from the Minneapolis Public Housing Authority at 1001 Washington Avenue North, Minneapolis, Minnesota, 55401-1043.

**JOINT VENTURES**

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

**• Minneapolis/Saint Paul Housing Finance Board**

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

**• Minneapolis Neighborhood Revitalization Program Policy Board**

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

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

**▪ Minneapolis Youth Coordinating Board**

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

For the fiscal year ended December 31, 2006

(Dollar Amounts Expressed in Thousands)

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

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

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

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

**FUND FINANCIAL STATEMENTS**

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

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

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

**GOVERNMENTAL FUNDS**

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

For the fiscal year ended December 31, 2006

(Dollar Amounts Expressed in Thousands)

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

Major revenues that are determined to be susceptible to accrual include property taxes, special assessments, grants-in-aid, intergovernmental revenues, rentals, and Intra-city charges. Interest on investments, short-term notes and loans receivable are accrued; interest on special assessments receivable is not accrued. Major revenues that are determined not to be susceptible to accrual because they are not available soon enough to pay liabilities of the current period or are not objectively measurable include delinquent property taxes and assessments, licenses, permits, fines and forfeitures.

Governmental fund expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for principal and interest on general long-term debt which is recognized when due. Compensated absences, which include accumulated unpaid vacation, compensatory time and severance pay, are not payable from expendable available financial resources, except to the extent there are available resources in the Self-Insurance Internal Service Fund for vested severance pay. Compensated absences are considered expenditures when paid to employees.

The accounting and reporting treatment applied to the assets and liabilities associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending, or "financial flow," measurement focus. This means that only current assets and current liabilities, as defined by GAAP, are generally included on the balance sheets. Reported fund balance (net current assets) is considered a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, governmental funds are said to present a summary of sources and uses of "available spendable resources" during a period.

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

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

The City reports the following major governmental funds:

- **General Fund**

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

- **Special Revenue Fund - Community Planning and Economic Development**

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

- **Special Revenue Fund - Convention Center**

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

- **Capital Project Fund - Permanent Improvement**

This fund is used to account for capital acquisition, construction and improvement projects including bridge construction, sidewalk construction, street construction, completion of the Heritage Park Project, infrastructure projects, and many information and technology system projects.

For the fiscal year ended December 31, 2006

(Dollar Amounts Expressed in Thousands)

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

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

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

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

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

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

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

**Enterprise Funds**

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

The City reports the following major enterprise funds:

**Sanitary Sewer Fund**

This fund is used to account for sewage fees collected from customers connected to the City's sanitary sewer system and for all expenses of operating this system. This activity was previously reported in the Sewer Rental Fund, which was split into this fund and the Stormwater Fund as of January 1, 2005.

**Stormwater Fund**

This fund is used to account for storm water fees collected from customers, and for City street cleaning and other storm water management activities. This activity was previously reported in the Sewer Rental Fund, which was split into this fund and the Sanitary Sewer Fund as of January 1, 2005.

For the fiscal year ended December 31, 2006

(Dollar Amounts Expressed in Thousands)

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****B – BASIS OF PRESENTATION****PROPRIETARY FUNDS****Enterprise Funds (continued)****Water Works Fund**

This fund is used to account for the operation, maintenance, and construction projects related to the water delivery system. This fund also accounts for the operations related to the billings for water, sewage, and solid waste fees.

**Municipal Parking Fund**

This fund is used to account for the operation, maintenance, and construction of the City's parking facilities as well as on-street parking and the Municipal Impound Lot.

**Solid Waste and Recycling Fund**

This fund is used to account for the revenues and expenses for solid waste collection, disposal and recycling activities.

**Community Planning and Economic Development Fund**

This fund is used to account for the enterprise fund activities of the Department of Community Planning and Economic Development.

**NON-MAJOR FUNDS**

The City reports the following non-major governmental funds:

**Special Revenue Funds:**

Arena Reserve  
Board of Estimate and Taxation  
Community Development Block Grant  
Convention Facilities Reserve  
Employee Retirement  
Grants- Federal  
Grants- Other  
Police

**Debt Service Funds:**

Community Planning and Economic Development  
Development  
General Debt Service  
Special Assessment

Additionally, the City reports the following fund types:

**Internal Service Funds**

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

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

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

**Property Services** – This fund is used to account for the physical management and maintenance of various City buildings, except for the City Hall/County Court House building.

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

**B – BASIS OF PRESENTATION**

**PROPRIETARY FUNDS**

**Internal Service Funds (continued)**

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

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

**Self-Insurance** – This fund is used to account for employee benefit programs and administrative costs, occupational health services and severance payments to employees who have retired or resigned, a tort liability program and a workers’ compensation program.

**Agency Funds**

Financial statements of agency funds, which are used to account for assets held by the City as an agent for individuals, private organizations, other governments, and/or other funds, are reported using the economic resources measurement focus and the accrual basis of accounting. Agency funds assets, liabilities, and net assets are included in the fiduciary statement of net assets.

**The Minneapolis Agency** - Used to account for collection and remittance of funds to other governments and agencies.

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

**C – BUDGETS**

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

The 2005 process for the 2006 budget involved the following:

- January - March      City department heads presented annual work plans and accomplishments to Executive Committee; referred then to relevant Policy Committee for review and file.  
Finance Department presented preliminary year-end budget status report to Ways and Means/Budget Committee.
- March - April        Capital Improvement Budget Development – Capital improvement proposals were reviewed by the Budget Coordination Unit, the City Planning Commission and the Capital Long-Range Improvement Committee (CLIC).
- April - June          Operating Budget Development – Departments prepared department operating budget requests; “Current Service Level Budgets” reflected current year costs of providing the same level of service as provided in the prior year, and proposals which describe policy and organizational changes with financial implications.

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

**C – BUDGETS (continued)**

June - August	The Mayor held departmental hearings to review operating budgets and met with representatives from CLIC in preparation of finalizing the capital budget recommendation. The Mayor prepared and submitted a budget framework to the City Council no later than August 15, including a recommendation on annual property tax levy amounts.
September – October	The Board of Estimate and Taxation set the maximum property tax levy for the City, Municipal Building Commission, Public Housing Authority, Library Board and Park Board by September 15, as required by state law.
November - December	“Truth in Taxation” property tax statements mailed by the County to property owners indicating the maximum amount of property taxes that the owner will be required to pay.
December	“Truth in Taxation” public hearings held. The City Council adopted a final budget and tax levy.

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

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

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

	Expenditure Budget at beginning of year	Changes during year	Expenditure Budget at end of year
General Fund	\$ 282,955	\$ 8,638	\$ 291,593
Grants – Federal	25,338	12,032	37,370
CDBG	22,251	2,067	24,318
Grants - Other	8,744	20,562	29,306
Convention Center	35,946	1,368	37,314
Employee Retirement	10,343	18,593	28,936
Board of Estimate and Taxation	330	-	330
Police	2,268	674	2,942
Community Planning and Economic Development	37,722	133,266	170,988
<b>TOTAL</b>	<b>\$ 425,897</b>	<b>\$ 197,200</b>	<b>\$ 623,097</b>

**D – NON-CURRENT GOVERNMENTAL ASSETS/LIABILITIES**

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

For the fiscal year ended December 31, 2006

(Dollar Amounts Expressed in Thousands)

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****E - DEPOSITS AND INVESTMENTS**

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

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

**F - INVENTORIES OF MATERIALS AND SUPPLIES**

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

**G - LOANS RECEIVABLE**

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

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

**H - CAPITAL ASSETS**

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

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

**H – CAPITAL ASSETS (Continued)**

The estimated useful lives are as follows:

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

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

**I – COMPENSATED ABSENCES**

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

**J – INTERFUND TRANSACTIONS**

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

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

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

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

**L - DEBT SERVICE AND REQUIREMENTS**

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

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

**M – ESTIMATES**

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

**N – RECLASSIFICATIONS**

A re-examination of the components of net assets for the governmental activities found that at January 1, 2006, net assets invested in capital assets, net of related debt was understated and unrestricted net assets was overstated. As a result, the components of the net asset balance at January 1, 2006 for the governmental activities have been reclassified as follows:

	<u>Amounts Prior To Reclassification</u>	<u>Reclassification</u>	<u>Amounts Reclassified</u>
<u>Net Assets January 1, 2006:</u>			
Invested in capital assets, net of related debt	\$ 319,954	\$ 100,925	\$ 420,879
Restricted – Debt service	42,667	-	42,667
Unrestricted	<u>(107,885)</u>	<u>(100,925)</u>	<u>(208,810)</u>
Total	<u>\$ 254,736</u>	<u>\$ -</u>	<u>\$ 254,736</u>

**O – PRIOR PERIOD ADJUSTMENT**

Net assets at January 1, 2006 have been adjusted to recognize a capital lease arrangement between the City and the Minneapolis Library Board (a component unit). This required a restatement of fund balance and a lease receivable in the City's governmental activities at the government-wide level, as follows:

	<u>City</u>	<u>Library</u>	<u>Total</u>
Adjustment to recognize capital lease	\$ 10,100	\$ (10,100)	\$ -
Net Assets, December 31, 2005	<u>254,736</u>	<u>180,898</u>	<u>435,633</u>
Adjusted Net Assets, January 1, 2006	<u>\$ 264,836</u>	<u>\$ 170,798</u>	<u>\$ 435,633</u>

**NOTE 2 - DEPOSITS AND INVESTMENTS**

Deposits	\$ 7,730
Investments	440,576
Imprest cash held by City	231
Total	<u>\$ 448,537</u>
Primary Government:	
Cash and cash equivalents	\$ 342,546
Cash in Agency Funds	897
Fund investments	25,610
Investment with trustees	44,411
Total primary government	<u>413,464</u>
Discretely Presented Component Units:	
Park and Recreation Board:	
Cash and cash equivalents	<u>13,235</u>
Library Board:	
Cash and cash equivalents	14,762
Fund investments	6,026
Total Library Board	<u>20,788</u>
Municipal Building Commission:	
Cash and cash equivalents	<u>1,050</u>
Total	<u>\$ 448,537</u>

A. Deposits

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the City's deposits may not be returned to it. The City does not have a specific deposit policy for custodial credit risk. However, the City complies with Minnesota Statutes in establishing authorized collateral for its deposits. At December 31, 2006, the City was not exposed to custodial credit risk.

B. Investments

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

The City and its investment management firms will exercise extreme caution in the use of derivative instruments, keeping abreast of future information on risk management issues and will consider derivatives only when a

**NOTE 2 - DEPOSITS AND INVESTMENTS**

B. Investments (Continued)

sufficient understanding of the products and expertise to manage them has been developed and analyzed. Any derivatives will also be required to pass the stress testing requirements of Minnesota Statutes Chapter 118A.

Interest Rate Risk

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

The following table presents the City of Minneapolis’ investment balances at December 31, 2006, and information relating to interest rate risks:

Investment Type	Weighted Average Maturity (Years)	Carrying (Fair) Value
U.S. Federal Agency obligations	0.9	\$ 125,470
U.S. Treasury obligations	1.3	84,924
Municipal bonds	3.0	31,354
Commercial paper	0.1	146,793
Guaranteed investment contracts	1.0	1,422
Mutual funds	N/A	50,160
Negotiable certificates of deposit	1.8	453
Total investments		\$ 440,576
Deposits		7,730
Imprest cash		231
Total cash and investments		\$ 448,537

Credit Risk

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

“INVESTMENTS.

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

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

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

**NOTE 2 - DEPOSITS AND INVESTMENTS**

Credit Risk (continued)

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

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

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

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

At December 31, 2006, the City's investments were rated by Moody's and Standard & Poor's as follows:

Investment Type	Standard & Poor's		Moody's	
U.S. Federal agency obligations	AAA	\$ 74,140	Aaa	\$ 72,338
	AA	1,024	Aa2	1,024
		-	A	2,000
	Not available	50,186	Not available	49,988
	Not rated	120	Not rated	120
Total U.S. Federal agency obligations		\$ 125,470		\$ 125,470
U.S. Treasury obligations	Not rated	\$ 84,924	Not rated	\$ 84,924
Municipal bonds	AAA	\$ 22,312	Aaa	\$ 20,991
	AA+	2,691	Aa1	2,857
	AA	981	Aa2	5,992
	AA-	586	Aa3	939
		-	A1	297
	Not rated	4,784	Not rated	278
Total municipal bonds		\$ 31,354		\$ 31,354
Guaranteed investment contracts	Not rated	\$ 1,422	Not rated	\$ 1,422
Commercial paper	A-1+	\$ 32,471	P-1	\$ 51,409
	A-1	16,305		-
	Not available	98,017	Not available	95,384
Total Commercial paper		\$ 146,793		\$ 146,793
Negotiable certificates of deposit	Not rated	\$ 453	Not rated	\$ 453
Mutual funds	AAAm	\$ 12,860	Aaa	\$ 14,440
	AAAm-G	1,580		-
	Not rated	35,720	Not rated	35,720
Total mutual funds		\$ 50,160		\$ 50,160
Total		\$ 440,576		\$ 440,576

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

Custodial Credit Risk

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

Concentration of Credit Risk

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

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

Issuer	Reported Amount
U.S. Federal Agency obligations	
Federal National Mortgage Association	\$ 34,465
Federal Home Loan Bank	48,531
Federal Home Loan Mortgage Corporation	41,858
U.S. Department of the Treasury	84,924

**NOTE 3 – RECEIVABLES**

Receivables at year-end for the City’s major individual governmental and enterprise funds and non-major and internal service funds in the aggregate, including applicable allowances for uncollectible amounts are as follows:

	General		Convention	Permanent	Non-major	Internal	Total
Governmental Activities	Fund	CPED	Center	Improvement	Governmental	Service	Governmental
					Funds	Funds	Activities
Accounts	\$ 5,493	\$ 364	\$ 5,895	\$ 1,004	\$ 1,009	\$ 433	\$ 14,198
Taxes	3,557	598	-	73	1,047	-	5,275
Special assessments	528	-	-	3,090	29,848	-	33,466
Loans	-	5,815	7,748	-	3,826	-	17,389
Interest	104	805	109	176	239	-	1,433
Intergovernmental	1,013	1,614	-	-	10,608	196	13,431
Gross receivables	10,695	9,196	13,752	4,343	46,577	629	71,761
Add: Interest receivable on loans	-	-	-	-	489	-	489
Less: Allowance for uncollectibles	(949)	-	(284)	(152)	(369)	(62)	(1,816)
Total receivables (due within one year)	<u>\$ 9,746</u>	<u>\$ 9,196</u>	<u>\$ 13,468</u>	<u>\$ 4,191</u>	<u>\$ 46,697</u>	<u>\$ 567</u>	<u>\$ 70,434</u>
Long-term portion of loans and notes receivable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,748</u>	<u>\$ -</u>	<u>\$ 3,390</u>	<u>\$ -</u>	<u>\$ 11,138</u>

**NOTE 3 – RECEIVABLES (Continued)**

Business-type Activities	Sanitary		Water Works	Municipal Parking	Solid Waste and Recycling	CPED	Total Business-type Activities
	Sewer	Stormwater					
Accounts	\$ 2,736	\$ 4,027	\$ 5,173	\$ 1,415	\$ 2,840	\$ 17	\$ 16,208
Special assessments	4	170	882	10,874	23	-	11,949
Loans	-	-	-	-	-	679	679
Notes	-	-	-	-	-	650	650
Interest	-	5	-	-	-	145	150
Intergovernmental	2	13	13	-	-	-	28
Gross receivables	2,742	4,215	6,068	12,289	2,863	1,491	29,668
Less: Allowance for uncollectibles	-	(3)	(294)	(18)	-	-	(315)
Total receivables (due within one year)	\$ 2,742	\$ 4,212	\$ 5,774	\$ 12,271	\$ 2,863	\$ 1,491	\$ 29,353
Long-term portion of loans and notes receivable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,882	\$ 4,882

**Governmental activities:**

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

The annual lease payments approximate the principal and interest requirements on the outstanding bonds. The leases are capitalized in an amount equal to the principal of the related bonds. The lease agreement includes a bargain purchase option exercisable at the end of the lease term.

The future payment requirements for these agreements are as follows:

	Capitalized Lease
Scheduled Lease Payments:	
2007	\$ 457
2008	557
2009	594
2010	599
2011	624
2012 and thereafter	14,543
Subtotal	17,374
Less: Interest over lease term	(7,274)
Total Principal	10,100
Less: Current Portion	-
Noncurrent Portion	\$ 10,100

**Business-type activities:**

According to the Basic Resolution and Indenture of the General Agency Reserve Fund System (GARFS) within the CPED Enterprise Fund, agreements are to be formed with developers receiving funds for construction. Such agreements are in the form of capitalized leases or notes receivable.

For the fiscal year ended December 31, 2006

(Dollar Amounts Expressed in Thousands)

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

The annual lease and loan payments approximate the principal and interest requirements on the outstanding bonds. The leases are capitalized in an amount equal to the principal of the related bonds, net of any unexpended construction fund proceeds. Each lease agreement includes a bargain purchase option exercisable at the end of the lease term. In addition, the leased property may be purchased at various anniversaries during the lease term at amounts at least equal to the outstanding principal amount of the underlying bonds. In the event developers are unable to continue with lease and loan payments, the City takes possession of the developed property.

The future payment requirements for these agreements are as follows:

	Capitalized Leases	Notes Receivable
Scheduled Lease Payments:		
2007	\$ 5,241	\$ 835
2008	5,909	836
2009	5,827	839
2010	5,706	840
2011	5,721	417
2012 and thereafter	76,684	-
Subtotal	<u>105,088</u>	<u>3,767</u>
Less: Interest over lease term	<u>(50,363)</u>	<u>(507)</u>
 Total Principal	 54,725	 3,260
Less: Unexpended construction funds	 <u>(794)</u>	 <u>-</u>
 Net Capitalized Leases and Notes receivable	 53,931	 3,260
Less: Current Portion	<u>(2,015)</u>	<u>(650)</u>
 Noncurrent Portion	 <u>\$ 51,916</u>	 <u>\$ 2,610</u>

For the fiscal year ended December 31, 2006

(Dollar Amounts Expressed in Thousands)

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2006 was as follows:

	Balance January 1, 2006	Additions	Retirements	Balance December 31, 2006
<b>Governmental activities</b>				
<i>Capital assets, not being depreciated</i>				
Land and easements	\$ 111,632	\$ -	\$ -	\$ 111,632
Construction in progress	201,433	50,879	(1,320)	250,992
Total capital assets, not being depreciated	313,065	50,879	(1,320)	362,624
<i>Capital assets, being depreciated</i>				
Infrastructure	405,533	-	-	405,533
Structures and improvements	539,880	290	-	540,170
Equipment	151,546	8,901	(3,613)	156,834
Total capital assets, being depreciated	1,096,959	9,191	(3,613)	1,102,537
Less accumulated depreciation for:				
Infrastructure	(277,679)	(12,240)	-	(289,919)
Structures and improvements	(122,387)	(10,465)	-	(132,852)
Equipment	(86,783)	(11,279)	3,594	(94,467)
Total accumulated depreciation	(486,849)	(33,984)	3,594	(517,238)
Total capital assets, being depreciated, net	610,110	(24,793)	(19)	585,299
Governmental activities capital assets, net	\$ 923,175	\$ 26,086	\$ (1,339)	\$ 947,923
<b>Business-type activities</b>				
<i>Capital assets, not being depreciated</i>				
Land and easements	\$ 135,076	\$ -	\$ -	\$ 135,076
Construction in progress	85,780	21,092	(18,449)	88,423
Total capital assets, not being depreciated	220,856	21,092	(18,449)	223,499
<i>Capital assets, being depreciated</i>				
Infrastructure	382,547	-	-	382,547
Structures and improvements	650,542	19,695	(1,342)	668,895
Equipment	24,433	2,653	(2,026)	25,060
Total capital assets, being depreciated	1,057,522	22,348	(3,368)	1,076,502
Less accumulated depreciation for:				
Infrastructure	(125,910)	(4,402)	-	(130,312)
Structures and improvements	(198,840)	(13,915)	352	(212,403)
Equipment	(17,036)	(1,906)	1,260	(17,682)
Total accumulated depreciation	(341,786)	(20,223)	1,612	(360,397)
Total capital assets, being depreciated, net	715,736	2,125	(1,756)	716,105
Business-type activities capital assets, net	\$ 936,592	\$ 23,217	\$ (20,205)	\$ 939,604

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

Depreciation expense was charged to governmental functions as follows:

General government	\$ 149
Public Safety	1,245
Public Works	12,434
Health and Welfare	18
Community Development	9,396
Depreciation on capital assets held in the City’s internal service fund is charged to the various functions based on their usage of assets.	<u>10,742</u>
Total depreciation expense – governmental functions	<u>\$ 33,984</u>

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

Sanitary Sewer	\$ 1,216
Stormwater	3,652
Water Works	6,846
Municipal Parking	7,045
Solid Waste and Recycling	1,034
Economic Development	<u>430</u>
Total depreciation expense – business-type functions	<u>\$20,223</u>

Construction in Progress

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

Property Services	\$19,442
Convention Center	2,911
Street Lighting	6,920
Street Signage	997
Traffic Signals	11,189
Bicycle Trail	4,321
Street Construction	103,739
Bridge Construction	21,964
Heritage Park	57,359
Equipment	601
Business Information Services	<u>21,549</u>
Total CIP for Governmental Activities	<u>\$250,992</u>

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

Sewers - Sanitary	\$ 363
Sewers – Stormwater	67,002
Water	20,656
Parking	<u>402</u>
Total CIP for Business-type Activities	<u>\$88,423</u>

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

Capital Project Commitments

At December 31, 2006, the City’s capital project commitments are as follows:

Property Services	\$9,335
Sewer Construction	15,180
Street Construction	17,669
Bridge Construction	200
Sidewalk Construction	2,360
Street Lighting	415
Traffic Signals	7,496
Bicycle Trails	40
Non-Departmental	4,358
Information Technology	4,460
Water	17,500
Parking	<u>1,700</u>
Total Capital Project Commitments	<u>\$80,713</u>

**NOTE 5 - LONG-TERM DEBT**

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

Property Tax Supported General Obligation Bonds

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

Self- Supporting General Obligation Bonds

Self-supporting bonds issued by the City are recorded in the Enterprise Funds, Internal Service Funds or Governmental Funds. While these bonds are backed by the full faith and credit of the City, they are payable from revenue derived from the function for which they were issued.

General Obligation Improvement Bonds

Improvement bonds are recorded in the Governmental Funds and are payable from special assessments levied and collected for local improvements and are backed by the full faith and credit of the City. The general credit of the City is obligated only to the extent that liens foreclosed against properties involved in special assessment districts are insufficient to retire outstanding bonds.

Tax Increment General Obligation Bonds

Tax increment bonds are payable primarily from the increase in property taxes resulting from replacing older improvements with new or remodeled improvements. These bonds are recorded in the Governmental Funds and are also backed by the full faith and credit of the City.

Revenue Bonds and Notes

Revenue bonds and notes are recorded in the Enterprise Funds or Governmental Funds. These bonds and notes are payable solely from revenues of the respective Enterprise Funds or tax increment districts. In addition, the City has pledged one-half percent of tax capacity to secure payment of bond principal and interest on all bonds issued after May 22, 1987, for the General Agency Reserve Fund System (GARFS) bonds within the Community Planning and Economic Development Agency Enterprise Fund.

For the fiscal year ended December 31, 2006

(Dollar Amounts Expressed in Thousands)

**NOTE 5 - LONG-TERM DEBT (Continued)**Sinking Fund Provisions

Sinking fund provisions on certain general obligation bonds require sufficient deposits on or before October 1<sup>st</sup> of each year to pay all principal and interest amounts coming due on such bonds for the remainder of the current year, and during all of the following year. If this provision is not met, a general tax levy will be made for the balance required.

Minnesota State Laws generally require initial tax levies for general obligation bonds to be at least five percent in excess of the bond and interest maturities less estimated pledged assessments and revenues. The initial tax levies cannot be repealed and can only be modified as they relate to current levies and then only upon certification to the Director of Property Taxation that funds are available to pay current maturities in whole or in part.

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

2006 Bond Sales and Refunding Transactions

In 2006, the City of Minneapolis issued bonds and notes totaling \$64,676. Of this amount, \$18,945 was issued to refund existing debt. Below are details of the 2006 debt issuances.

2006 Bond Issues

In June 2006, the City issued \$3,980 of General Obligation Library Bonds, Series 2006 for construction of improvements to several community libraries. These bonds were issued as part of a voter approved referendum in November of 2000 which authorized \$110,000 for the new Central Library and \$30,000 for community library capital improvements. The 2006 Series, Library Bonds were issued in variable rate mode and had a starting interest rate of 3.82% and a final maturity date of December 1, 2009.

In June 2006, the City issued \$31,715 of General Obligation Various Purpose Bonds, Series 2006 to support the five-year capital plan. These bonds were issued for a variety of public works infrastructure improvements, park, library, municipal building commission and technology improvements. The 2006 Series, Various Purpose Bonds, were issued in variable rate mode and had a starting interest rate of 3.82% and a final maturity date of December 1, 2013.

In September 2006, the City issued \$10,545 of Tax Increment Refunding Revenue Bonds (Grant Park Project) Series 2006 to refund the \$9,825 outstanding principal of the Taxable Tax Increment Revenue Notes issued in 2002 for this project and to pay the associated bond issuance costs. The original notes were issued for financing certain "Public Redevelopment Costs" associated with the Grant Park project which consisted of redeveloping land for a twenty-seven story residential tower with 284 for-sale condominium units, an adjacent above-grade parking structure with 533 spaces and 43 for-sale residential units located next to the tower and parking structure. These bonds have interest rates ranging from 5.0% to 5.35% and a final maturity date of February 1, 2030.

In November 2006, the City issued \$3,780 of General Obligation Improvement Bonds, Series 2006 for construction of various special assessment projects. The Improvement Bonds have interest rates ranging from 4.00% to 4.50% and a final maturity date of December 1, 2026.

In December 2006, the Community Planning & Economic Development Department, through the General Agency Reserve Fund System (GARFS) enterprise fund, issued revenue refunding bonds in the amount of \$8,400. The bonds were issued to refund the existing balance of bonds (\$2,465) for Ambassador Press as well as to provide Ambassador Press with additional funding for economic development in the City. These bonds have interest rates ranging from 5.875% to 6.5% and a final maturity date of December 1, 2026.

For the fiscal year ended December 31, 2006

(Dollar Amounts Expressed in Thousands)

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

2006 Notes Issued

In December 2006, the City issued a \$13,500 General Obligation Water Revenue Note to the Minnesota Public Facilities Authority as part of a federally sponsored below market financing program related to the Safe Drinking Water Act. The subsidized interest rate is 2.60% and the final maturity date is August 20, 2026. Proceeds of this fourth note will be used for constructing the Fridley Water Ultrafiltration Plant. As of December 31, 2006, the City had received total note proceeds of \$2,331 to reimburse preliminary design expenses from this fourth note. During 2006, the City also received additional proceeds of \$3,935 from the third note of this program. The combined outstanding balance from the four notes in this program at December 31, 2006 is \$63,789.

Discrete Component Unit Debt

Due to current debt issuance policies, the City issues debt on behalf of the Park & Recreation Board, the Library Board and the Municipal Building Commission. As of December 31, 2006, \$146,832 of the outstanding governmental debt is related to activities of these discretely presented component units and is reported within the debt balances of the primary government. The capital assets purchased with the funds obtained from these debt issuances are held by the respective discrete component units and are reported with their capital assets on the Statement of Net Assets.

Long-term liabilities at December 31, 2006) are detailed below.

	Balance			Amounts	
	1/1/2006	Additions	Retirements	Balance 12/31/2006	Due Within One Year
<b>Governmental activities:</b>					
<u>Bonds and Notes</u>					
Property Tax Supported GO Bonds	\$ 270,980	\$ 22,555	\$ 32,720	\$ 260,815	\$ 22,285
Self Supporting GO Bonds	258,340	-	7,995	250,345	7,945
GO Improvement Bonds	45,406	4,280	5,115	44,571	5,436
Tax Increment GO Bonds	189,360	-	11,035	178,325	12,115
Revenue Bonds	67,085	10,545	11,874	65,756	11,200
Revenue Notes	41,252	-	14,543	26,709	2,024
Internal Service Fund Related GO Bonds	100,925	1,525	18,735	83,715	9,130
<b>Total Governmental Bonds and Notes</b>	<b>973,348</b>	<b>38,905</b>	<b>102,017</b>	<b>910,236</b>	<b>70,135</b>
<u>Other Long-term Liabilities</u>					
Operating Lease Payable	182	5	29	158	35
Contracts Payable	162	-	34	128	37
Unamortized Premium (Discount)	15,958	49	1,575	14,432	-
Compensated Absences	24,098	16,613	15,318	25,393	13,003
<b>Total Other Long-term Liabilities</b>	<b>40,400</b>	<b>16,667</b>	<b>16,956</b>	<b>40,111</b>	<b>13,075</b>
<b>Total Long-term Liabilities Governmental</b>	<b>1,013,748</b>	<b>55,572</b>	<b>118,973</b>	<b>950,347</b>	<b>83,210</b>
<b>Business-type activities:</b>					
<u>Bonds and Notes</u>					
Sewer Fund Related GO Bonds	36,526	7,572	8,432	35,666	7,810
Water Fund GO Bonds	34,165	1,843	7,819	28,189	6,927
Water Fund GO Note	58,373	6,256	840	63,789	1,000
Municipal Parking Fund GO Bonds	280,849	1,700	14,174	268,375	16,044
CPED GO Bonds	350	-	350	-	-
CPED Related Non GO Fund					
General Agency Reserve Fund System	61,240	8,400	11,655	57,985	2,665
Mortgage Revenue Bonds	391	-	391	-	-
Revenue Notes	1,056	-	106	950	112
<b>Total Bonds and Notes</b>	<b>472,950</b>	<b>25,771</b>	<b>43,767</b>	<b>454,954</b>	<b>34,558</b>

For the fiscal year ended December 31, 2006

(Dollar Amounts Expressed in Thousands)

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

Other Long-term Liabilities

Unamortized Premium (Discount)	(639)	-	244	( 883)	-
Compensated Absences	2,263	2,376	2,427	2,212	664
Total Other Long-term Liabilities	1,624	2,376	2,671	1,329	664
Total Long-term Liabilities Business-type	474,574	28,147	46,438	456,283	35,222
Total Long-term Liabilities	\$1,488,322	\$83,719	\$165,411	\$1,406,630	\$118,432

For governmental activities, debt service is generally paid from the Debt Service Funds, claims and judgments are generally liquidated by the General Fund or the Self-Insurance Internal Service Fund and compensated absences are generally liquidated by the General Fund or Community Planning and Economic Development Special Revenue Fund, Convention Center Special Revenue Fund, Permanent Improvement Capital Project Fund, and other Non-major Governmental funds.

**Amortization of Outstanding Governmental City Debt**

As of December 31, 2006, annual debt service requirements for Governmental activities to maturity are as follows:

Governmental Activities – Non-Proprietary

Year Ending	Bonds		Notes	
	Principal	Interest	Principal	Interest
Dec 31:				
2007	\$ 58,981	\$ 62,822	\$ 2,024	\$ 823
2008	50,600	61,355	473	707
2009	43,528	59,271	495	624
2010	35,371	31,662	572	598
2011	35,231	30,051	3,112	519
2012 – 2016	180,865	124,868	2,916	1,806
2017 - 2021	214,691	76,983	3,281	1,134
2022 - 2026	133,240	31,097	2,995	398
2027 - 2031	44,580	6,409	10,841	102
2032	2,725	136	-	-
	799,812	484,654	26,709	6,711

Year Ending	Internal Service Fund Bonds		Total Governmental Activity Bonds & Notes	
	Principal	Interest	Principal	Interest
Dec 31:				
2007	9,130	3,826	70,135	67,471
2008	4,895	3,451	55,968	65,513
2009	10,775	3,241	54,798	63,136
2010	10,775	2,749	46,718	35,009
2011	10,970	2,249	49,313	32,819

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

Year Ending Dec 31:	Internal Service Fund Bonds		Total Governmental Activity Bonds & Notes	
	Principal	Interest	Principal	Interest
2012 - 2016	23,035	5,826	206,816	132,500
2017 - 2021	13,985	1,979	231,957	80,096
2022 - 2026	150	8	136,385	31,503
2027 - 2031	-	-	55,421	6,511
2032	-	-	2,725	136
	<u>\$ 83,715</u>	<u>\$ 23,329</u>	<u>\$ 910,236</u>	<u>\$ 514,694</u>

**Amortization of Outstanding Business-type City Debt**

As of December 31, 2006, annual debt service requirements for Business-type activities to maturity are as follows:

Year Ending Dec 31:	Bonds		Notes		Total		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 33,446	\$ 22,171	\$ 1,112	\$ 1,812	\$ 34,558	\$ 23,983		
2008	32,265	20,967	1,421	1,806	33,686	22,773		
2009	30,105	17,981	2,052	1,734	32,157	19,715		
2010	26,769	16,702	2,161	1,672	28,930	18,374		
2011	25,430	15,570	3,418	3,419	28,848	18,989		
2012 – 2016	93,927	62,393	15,216	6,692	109,143	69,085		
2017 – 2021	54,433	34,244	27,259	3,994	81,692	38,238		
2022 – 2026	57,050	20,438	12,100	510	69,150	20,948		
2027 – 2031	25,100	6,851	-	-	25,100	6,851		
2032 - 2035	11,690	1,344	-	-	11,690	1,344		
Total	<u>\$ 390,215</u>	<u>\$ 218,661</u>	<u>\$ 64,739</u>	<u>\$ 21,639</u>	<u>\$ 454,954</u>	<u>\$ 240,300</u>		

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

As of December 31, 2006, outstanding industrial, commercial, and housing revenue bonds and notes approximated \$2,044 million. The bonds are payable solely from revenues of the respective enterprises and do not constitute an indebtedness of the City. They are not a charge against the City’s general credit or taxing power.

**NOTE 7 – PRIOR YEAR DEFEASANCE**

In prior years, the City defeased certain general obligation bonds and self supporting revenue bonds by placing the proceeds of the refunding issues with a trustee who maintains special escrow accounts invested in securities of the U.S. Government and its Agencies. The maturities of these investments coincide with the principal and interest payment dates of the refunded bonds and have been certified to be sufficient to pay all principal and interest on the bonds when due as required by applicable laws. Accordingly, the original refunded bonds have been eliminated and the new advance refunding bonds added to the appropriate financial statements. The City remains contingently liable to pay the refunded bonds. The outstanding balance of the extinguished debt as of December 31, 2006 is \$43,842.

**NOTE 8 – DEMAND BONDS**

General Obligation Demand Bonds

The City has issued General Obligation demand bonds maturing serially through December 1, 2033, in the original issue amounts of \$88,400, \$80,000, \$8,800, \$10,610, \$57,000, \$15,985, \$16,100, \$19,170, \$16,400, \$4,250, \$31,715 and \$3,980. The bonds were issued pursuant to resolutions adopted by the City Council and the proceeds were used to finance a portion of the cost of constructing certain local improvements.

The remaining redemption schedule for these bonds is as follows:

Year	Amount
2007	15,705
2008	9,715
2009	9,975
2010	7,640
2011	8,525
2012	5,560
2013	6,085
2014	4,315
2015	21,520
2016	21,825
2017	22,140
2018	22,190
2019	1,590
2020	1,360
2021	1,750
2022	2,095
2023	1,920
2024	1,700
2025	4,675
2026	11,135
2027	11,020
2028	11,790
2029	10,445
2030	9,490
2031	8,335
2032	5,935
2033	3,100
Total	\$ 241,535

The bonds are subject to purchase on demand of the holder at a price equal to principal plus accrued interest on delivery to the City's Remarketing agent. The Remarketing agent is authorized to use their best effort to sell the repurchased bonds at a price equal to 100 percent of the principal amount by adjusting the interest rate. These demand bonds are backed by the full faith, credit and taxing power of the City and are included in long-term debt. Under irrevocable Standby Bond Purchase Agreements issued by Dexia Credit Local, acting through its New York branch, the trustee is entitled to draw an amount sufficient to pay the purchase price of bonds delivered to it. The letters of credit are for the original sale amount and are subject to extension with the agreement of the Bank. They carry a rate equal to the Federal Funds rate plus one-half of one percent per annum with respect to amounts advanced. The expiration dates for the Standby Bond Purchase Agreements are October 31, 2012. The City is required to pay Dexia Credit Local an annual commitment fee of 10.50 basis points on the outstanding principal amount of the bonds and on the maximum interest payments of these issues. The Remarketing Agent receives an annual fee of 10 basis points on the outstanding principal amount of bonds held by the public. The City has the option to convert all of the bonds from a variable interest rate to a fixed interest rate by giving written notice to Dexia, the

**NOTE 8 – DEMAND BONDS**

General Obligation Demand Bonds (continued)

Tender Agent, the Remarketing Agent and the Trustee. The conversion date must be on a business day not less than 15 days from the date of the written notice.

**NOTE 9 – LEASES**

**Operating Leases**

The City of Minneapolis leases office space, equipment and right of ways for its operations. The lease for office space expires in the year 2016 and the office space lease payments were \$1,119 in 2006. The equipment lease expired at the end of 2006.

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

Year ending December 31	Government Activity <u>Amount</u>	Business Type Activity <u>Amount</u>
2007	\$ 545	\$ -
2008	536	-
2009	536	-
2010	518	-
2011	604	-
2012 – 2016	3,623	-
2017 – 2019	5	-
Total minimum lease payments \$	<u>6,367</u>	<u>\$ -</u>

**Operating leases with scheduled rent increases**

The City leases office space for various operations. The leases contain scheduled rent increases with terms varying from three to seventeen years. The operating lease transactions are measured on a straight-line basis over the lease term per GASB Statement No. 13-Accounting for Operating Leases with Scheduled Rent Increases. Application of the straight-line basis to the total lease expenditures of \$7,715 over the lease terms results in a total annual lease amount of \$393.

For 2006 the amount of lease expenditures is as follows:

Operating leases	<u>Amount</u> \$ 393
Additional Straight Line Basis	<u>(17)</u>
Total expenditures	<u>\$ 376</u>

**NOTE 9 – LEASES**

**Operating leases with scheduled rent increases (continued)**

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

<u>Year</u>	Government Activity <u>Amount</u>	Business Type Activity <u>Amount</u>
2007	\$ 341	\$ 69
2008	333	70
2009	307	70
2010	35	71
2011	27	72
2012 -2016	-	371
2017 - 2019	-	233
Total minimum lease payments	<u>\$ 1,043</u>	<u>\$ 956</u>

**NOTE 10 – INTERFUND TRANSACTIONS**

**Interfund Receivables/Payables**

The composition of interfund balances as of December 31, 2006 are as follows:

**Due to/from other funds:**

General Fund	Convention Center Special Revenue Fund	\$ 1,175
	Nonmajor Governmental Funds	1
CPED Special Revenue Fund	Nonmajor Governmental Funds	1,247
Convention Center Special Revenue Fund	Nonmajor Governmental Funds	98
Permanent Improvement Fund	Nonmajor Governmental Funds	254
Internal Service Funds	CPED Special Revenue Fund	283
	Permanent Improvement Fund	1,332
	Internal Service Funds	2,540
Sanitary Sewer Enterprise Fund	Permanent Improvement Fund	549
Stormwater Enterprise Fund	Permanent Improvement Fund	8,397
	Nonmajor Governmental Funds	24

**NOTE 10 – INTERFUND TRANSACTIONS**

**Interfund Receivables/Payables**

**Due to/from other funds (continued):**

Water Works Enterprise Fund	Permanent Improvement Fund	1,379
Municipal Parking Enterprise Fund	Permanent Improvement Fund	4,267
Solid Waste and Recycling Enterprise Fund	Stormwater Enterprise Fund	11,900
	Municipal Parking Enterprise Fund	1,400
CPED Enterprise Fund	Nonmajor Governmental Funds	675
Nonmajor Governmental Funds	Nonmajor Governmental Funds	2,406
	Total	<u>\$ 37,927</u>

Interfund balances are either due to timing differences or to the elimination of negative cash balances within the various funds. All interfund balances are expected to be repaid within one year.

**Advances to/from other funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Community Development Agency Special Revenue Fund	Community Development Agency Enterprise Fund	\$ 10
Convention Center General Fund	Internal Service Internal Service	12,800 1,671
	Total	<u>\$ 14,481</u>

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

**Transfers**

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

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Total Transfers In</u>	
<b>Governmental Funds:</b>			
General Fund	Convention Center	\$ 8,657	
	CPED Special Revenue Fund	10	
	Non-Major Governmental Funds	1,009	
	Municipal Parking	10,618	
	Solid Waste & Recycling	700	20,994
CPED Special Revenue Fund	General Fund	49	
	Non-Major Governmental Funds	13,741	
	CPED Enterprise Fund	600	14,390
Convention Center	Non-Major Governmental Funds	3,129	3,129
Permanent Improvement	CPED Special Revenue Fund	25	
	Municipal Parking	189	
	Non-Major Governmental Funds	255	469

**NOTE 10 – INTERFUND TRANSACTIONS**

**Transfers (continued)**

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Total Transfers In</u>
<b>Governmental Funds (continued):</b>		
Non-Major Governmental Funds	General Fund	16,228
	CPED Special Revenue Fund	68,778
	Convention Center	20,019
	Permanent Improvement	6,757
	Non-Major Governmental Funds	3,382
	Internal Service Funds	286
	Stormwater	241
	Water Works	306
	Municipal Parking	2,147
	Solid Waste & Recycling	35
		118,179
	<b>Total Governmental Funds</b>	<b>\$ 157,161</b>
 <b>Proprietary Funds:</b>		
<b>Business Type Activities</b>		
Stormwater	Non-Major Governmental Funds	\$ 24
	Permanent Improvement	280
		304
Municipal Parking	CPED Special Revenue Fund	8,642
	Convention Center	9,566
		18,208
Solid Waste & Recycling	General Fund	360
	Municipal Parking	146
		506
	<b>Total Business Type Activities</b>	<b>\$ 19,018</b>
 <b>Governmental Type Activities</b>		
Internal Service Funds	General Fund	22,545
	CPED Special Revenue Fund	283
	Non-Major Governmental Funds	1,837
		24,665
	<b>Total Governmental Type Activities</b>	<b>\$ 24,665</b>

Transfers are made throughout the year between various funds. The majority of the transfers are funding the repayment of debt in the Development Debt and the General Debt Service Funds, transfers to Internal Service Funds for intergovernmental services and transfers to pass through grant resources between funds. Other significant transfers are to support economic development projects and capital projects.

**NOTE 11 – NET ASSETS/FUND BALANCES**

The government-wide and business-type activities fund financial statements use a net asset presentation. Net assets are categorized as invested in capital assets (net of related debt), restricted and unrestricted.

- Invested in capital assets, net of related debt – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

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

- Restricted net assets – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net assets – This category represents net assets of the City, not restricted for any project or other purpose.

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

As of December 31, 2006, reservations of fund balance are described below:

**Reservations**

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

**NOTE 12 – RESTRICTED NET ASSETS – GOVERNMENTAL ACTIVITIES**

Certain net assets are classified on the statement of net assets as restricted because their use is limited. The Governmental activities report restricted net assets for amounts that are not available for operations or are legally restricted by outside parties for use for a specific purpose. As of December 31, 2006, the Governmental activities restricted net assets are as follows:

Debt service	\$ <u>47,526</u>
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**NOTE 13 – RESTRICTED NET ASSETS – BUSINESS TYPE ACTIVITIES**

Certain net assets are classified on the balance sheet as restricted because their use is limited. The Business-type activities report restricted net assets for amounts that are not available for operations or are legally restricted by outside parties for use for a specific purpose. As of December 31, 2006, the Business-type restricted net assets are as follows:

Debt service	\$ <u>33,222</u>
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**NOTE 14 - DEFICIT NET ASSETS**

The following funds had deficit net assets as of December 31, 2006:

Internal Service Funds:	
Intergovernmental Services	\$(23,764)
Self Insurance	\$(30,102)

The City has developed strategies to control costs and increase annual financial resources and eliminate the net asset deficits, over several years, in the Intergovernmental Services Internal Service Fund. In September of 2000, the City adopted a workout plan for this fund. As a result of the plan, the 2006 net assets increased \$10,492 from the 2005 balance of (\$34,256).

For the fiscal year ended December 31, 2006

(Dollar Amounts Expressed in Thousands)

**NOTE 14 - DEFICIT NET ASSETS (Continued)**

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. The net assets in the Self-Insurance Fund increased \$5,938 from the 2005 balance of (\$36,040).

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

All firefighters and police officers hired after June 15, 1980, and other full-time and certain part-time employees of the City hired after June 30, 1978, except employees covered under the CPED Defined Contribution Plan, are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). The PERA administers the Public Employees Retirement Fund (PERF) and the Public Employees Police and Fire Fund (PEPFF), which are cost sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minnesota Statutes chapters 353 and 356.

The police officers and firefighters are covered by the PEPFF. All other full-time and certain part-time employees covered by the defined benefit pension plans administered by the PERA are members of the PERF. PERF members of the City belong to the Coordinated Plan and are covered by Social Security.

The PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefits are established by State Statute and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each remaining year. For a Coordinated Plan member, the annuity accrual rate is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each remaining year. Using Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For the Public Employees Police and Fire Fund members, the annuity accrual rate is 3 percent for each year of service.

For all Public Employees Police and Fire Fund members and Public Employees Retirement Fund members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. A reduced retirement annuity is also available to eligible members seeking early retirement.

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

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

**Funding Policy**

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. Public Employees Retirement Fund Coordinated Plan members were

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

**Funding Policy (continued)**

required to contribute 5.10 percent of their annual covered salary in 2006. Contribution rates in the Coordinated Plan increased in 2007 to 5.75 percent. Public Employees Police and Fire Fund members were required to contribute 7.00 percent of their annual covered salary in 2006. That rate increased to 7.80 percent in 2007.

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

Public Employees Retirement Fund	<u>2006</u>	<u>2007</u>
Coordinated Plan members	6.00%	6.25%
Public Employees Police and Fire Fund	10.50%	11.70%

The City contributions for the years ending December 31, 2004, 2005, and 2006 for the Public Employees Retirement Fund and the Public Employees Police and Fire Fund were:

	<u>PERF</u>	<u>PEPFF</u>
2004	\$6,253	\$6,704
2005	\$6,508	\$7,293
2006	\$7,328	\$8,740

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

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

**Plan Description**

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

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

The MERF provides a number of retirement options from which the member may choose. The maximum benefit one may receive is a retirement allowance payable throughout life. Participants may receive lesser retirement allowances if they choose payments for a guaranteed number of years, request a certain percent or dollar amount of their retirement allowances to go to a beneficiary or if they chose to provide for a certain amount to be paid out upon death. The benefit amount for all options, except the money purchase plan, is calculated based on the average of the highest five years salary within the last ten years of employment and years of creditable service at the date of retirement. The member will receive a benefit amount equal to 2 percent of that average salary for each of the first ten years of service, and 2.5 percent of that salary for each year over ten years of service.

A monthly retirement benefit is available to employees who have under three years of service in the MERF, but only when these years, combined with service in other Minnesota statewide retirement systems, total three or more years. A monthly

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

**Plan Description (continued)**

retirement benefit is also available to employees who have less than three years of combined allowable service in any of the qualifying funds, provided the employee works until age 65.

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

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

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

**Funding Policy**

Minnesota Statutes Chapter 422A sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. Employees contribute 9.25% of salary into the Deposit Accumulation Reserve and .50% of salary (subject to annual adjustment) into the Survivor Benefits Reserve. Employers, including the City contribute any excess of normal cost contributions of 9.75% of salary. The unfunded actuarial liability is funded partially by payments each year of 2.68% of salary plus \$3,900 from all employers. MERF has a target date of June 30, 2020 to fully amortize the unfunded liability. The City levies taxes to finance the employer’s share of pension costs for the General Fund.

The City's contributions for the years ended June 30, 2004, 2005, and 2006 for the MERF were:

2004	\$28,974
2005	\$5,227
2006	\$13,375

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

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

**Plan Description**

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

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

**Plan Description (Continued)**

Each member who is at least 50 years of age and has five years of service with the Minneapolis Fire Department or the Minneapolis Police Department is eligible to receive a service pension, monthly, for the remainder of the member's life. All benefits are based on a plan of a number of units. A unit is 1/80th of the maximum current monthly salary of a first grade firefighter (MFRA) or a first grade patrol officer (MPRA). Pensions are based on current Minneapolis Fire Department payroll or Minneapolis Police Department payroll and are fully escalated for all persons receiving a pension benefit. Each vested MFRA member also receives a lump sum amount, at the time of separation, from the MFRA's General Fund based on the number of years the member has belonged to the MFRA.

A member is entitled to disability benefits in conformity with the provisions applicable to the association and the circumstances of the disability, not to exceed 41 units (MFRA) or 34 units (MPRA). Death benefits for a beneficiary or surviving spouse are also available.

The MFRA issues a publicly available financial report that includes financial statements and required supplementary information for the MFRA. The most recent report, dated December 31, 2005, may be obtained by writing to the Minneapolis Firefighter's Relief Association at 2021 East Hennepin Avenue, Suite 360, Minneapolis, Minnesota 55413. The MPRA issues a publicly available financial report that includes financial statements and required supplementary information for the MPRA. The most recent report, dated December 31, 2005, may be obtained by writing to the Minneapolis Police Relief Association, 10 - Second Street Northeast, Suite 103, Minneapolis, Minnesota, 55413.

**Funding Policy**

Authority for contributions to the MFRA and the MPRA pension plans is established by Minnesota Statutes, section 69.77 and may be amended only by the Minnesota State Legislature. The MFRA and the MPRA funding policies provide for contributions from the City, the State of Minnesota, and active plan members. City contributions are actuarially determined and requires full funding of the MFRA's accrued liability with a 15-year amortization of any unfunded liabilities and full funding of the MPRA's accrued liability by the year 2020. The City contributed \$6,651 to MFRA and \$31,550 to MPRA for the fiscal year ended December 31, 2005. Employees under these plans contribute annually an amount equal to eight percent of the maximum first grade firefighter's salary or eight percent of the maximum top grade patrol officer's salary from which pension benefits are determined. The State of Minnesota annually contributes two percent fire premium insurance aid and the amortization state aid to the MFRA and two percent peace officers' state aid to the MPRA. The City's annual pension cost for the fiscal year ended December 31, 2005, and related information for each plan is as follows:

	<u>MFRA</u>	<u>MPRA</u>
Annual pension cost	\$2,150	\$27,890
Contributions made	\$6,651	\$31,550
Actuarial valuation date	12/31/2005	12/31/2005
Actuarial cost method	Entry Age Normal Cost	Entry Age Normal Cost
Amortization method	Level Percentage of Payroll	Level Percentage of Payroll
Remaining amortization period	14 years, closed	14 years, closed
Asset valuation method	Book value plus the average unrealized gain for the last three years minus excess investment income as defined by state law.	Book value plus the average unrealized gain for the last three years minus excess investment income as defined by state law.
Actuarial assumptions:		
Investment rate of return	6% per annum	6% per annum
Projected salary increases:	4% per annum	4% per annum
Inflation	NA	NA
Cost-of-living adjustments	NA	NA

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

**Funding Policy (continued)**

**Three-Year Trend Information:**

	<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed (%)</u>	<u>Net Pension Obligation</u>
MFRA	2003	\$1,333	100	-
	2004	\$2,150	100	-
	2005	\$6,651	100	-
MPRA	2003	\$19,420	100	-
	2004	\$27,890	100	-
	2005	\$31,550	100	-

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

**Schedules of Funding Progress:**

**MFRA:**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Plan Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) --Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b - a)</u>	<u>Funded Ratio (%) (a/b)</u>	<u>Annual Covered Payroll (Previous Fiscal Year) (c)</u>	<u>UAAL as a Percentage of Covered Payroll (%) (b - a)/c</u>
2003	\$ 236,991	\$ 293,955	\$ 56,964	80.6	\$ 4,397	1295.5
2004	\$ 248,546	\$ 275,513	\$ 26,967	90.2	\$ 3,142	858.3
2005	\$ 269,426	\$ 312,563	\$ 43,137	86.2	\$ 2,933	1470.7

**MPRA:**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Plan Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) --Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b - a)</u>	<u>Funded Ratio (%) (a/b)</u>	<u>Annual Covered Payroll (Previous Fiscal Year) (c)</u>	<u>UAAL as a Percentage of Covered Payroll (%) (b - a)/c</u>
2003	\$ 300,154	\$ 465,276	\$ 165,122	64.5	\$ 1,860	8877.5
2004	\$ 322,278	\$ 455,753	\$ 133,474	70.7	\$ 1,429	9340.4
2005	\$ 359,032	\$ 464,222	\$ 105,190	77.3	\$ 1,403	7497.5

For the fiscal year ended December 31, 2006

(Dollar Amounts Expressed in Thousands)

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

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

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

The payroll for employees covered by the CPED's defined contribution plan for the year ended December 31, 2006, was \$1,580 and the CPED's total payroll was \$8,715.

**Contributions Required and Made**

The City of Minneapolis and CPED employee participants are each required to contribute five percent of the participants' annual compensation to an investment fund administered by Union Central Life Insurance Company, which will provide retirement benefits under a Money Purchase Plan. Participants are vested at the rate of 20 percent per year, for the employer's share of the contribution, and are 100 percent vested immediately for their individual contribution.

The City and CPED employee participants contributed \$87 and \$81 respectively to the plan during the year, which amounts represented 5.53% and 5.1% respectively of the covered payroll.

**NOTE 19 - POST EMPLOYMENT BENEFITS**

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

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

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

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

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

**NOTE 21 - RISK MANAGEMENT & CLAIMS**

The City is self insured and exposed to a variety of risks related to liability claims; theft of, damage to, and destruction of assets, bodily injuries, and accidents. The City is self-insured for workers' compensation, general liability, and re-employment. Tort claims under \$25,000 and unrepresented are handled by Risk Management & Claims. Represented claims over \$25,000 and lawsuits are handled by the City Attorneys' Office. The workers' compensation program includes the BET,

**NOTE 21 - RISK MANAGEMENT & CLAIMS (Continued)**

the MBC, and all City departments. The Library Board and the Park Board maintain their own workers' compensation programs. The City, CPED, and the BET are self-insured for general liability. The MBC, Library Board and the Park Board maintain their separate liability programs. The City, including all discrete and blended component units of government, also maintain a self-funded dental plan for covered employees. The claims liability of \$32.2 million is reported in the Self-Insurance Internal Service Fund at December 31, 2006, is based on the requirements of GASB Statement No. 10-Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, and covers the exposures of workers' compensation, liability, dental and re-employment.

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

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

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

Changes in the tort claims liabilities during fiscal 2006 and 2005 were:

	2006	2005
Liability balance – January 1	\$ 31,101	\$ 28,386
Current year claims and changes in estimates	11,618	11,280
Claim payments	<u>(10,473)</u>	<u>(8,565)</u>
Liability balance – December 31	\$ <u>32,246</u>	\$ <u>31,101</u>

**NOTE 22 – OTHER COMMITMENTS AND CONTINGENCIES**

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

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

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

A lawsuit has been filed by a Minneapolis police officer against the City and fellow officers, as a result of a friendly fire incident in which the plaintiff was shot and permanently injured.

The City is involved in a dispute with one of its parking ramp operators and the operator's indemnity company. The City is claiming that the parking ramp operator breached its contract to guarantee payment of operating costs and debt service, and failed to pay over the security bond for these costs. A counterclaim has been filed by the operator.

For the fiscal year ended December 31, 2006

(Dollar Amounts Expressed in Thousands)

**NOTE 22 – OTHER COMMITMENTS AND CONTINGENCIES (Continued)**

A class action suit has been filed against the city for return on fine money and other relief arising from the City's red light camera program that has been struck down by the courts.

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

**NOTE 23 – RELATED PARTY TRANSACTION**

The City has issued a loan to a nonprofit organization, Meet Minneapolis, which provides marketing services for the City's convention center. The loan contains a cap of \$10 million, with interest at 5% per annum. Repayment of the loan is to begin in 2009, with the final repayment being made in 2017. At December 31, 2006, the outstanding loan balance was \$7,748. The loan is recorded in the Convention Center Special Revenue Fund.

**NOTE 24 – SUBSEQUENT EVENTS**

In October 2006, discussions began to merge the Minneapolis Public Library and Hennepin County Library systems. By April 2007, the Minneapolis Library Board, Minneapolis City Council, and Hennepin County Board of Commissioners had approved the merger. In May 2007, the Minnesota State Legislature also approved the merger, leaving only final approval of the legislative action by the aforementioned local government bodies for the merger to occur.

The City is presently exploring the sale of eight parking of the parking ramps that it owns, which are recorded in the Municipal Parking Enterprise Fund. Proceeds from the sale are estimated at \$ 88,000. The sale of the ramps would involve their privatization and would generate property taxes for the City. The City Council is expected to decide on the sale in the coming weeks.



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**GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended December 31, 2006**

**CITY OF MINNEAPOLIS, MINNESOTA**

**(In Thousands)**

	2006					2005 Actual
	Budgeted Amounts		Actual	Variance		
	Original	Final				
<b>REVENUES:</b>						
Taxes	\$ 134,999	\$ 130,801	\$ 137,889	\$ 7,088		\$ 125,203
Licenses and permits	24,864	24,864	24,938	74		25,044
Intergovernmental revenues	87,201	91,619	91,614	(5)		80,290
Charges for services and sales	36,499	36,558	38,169	1,611		33,976
Fines and forfeits	10,385	10,385	8,598	(1,787)		10,016
Special assessments	2,763	2,763	3,008	245		2,839
Interest	1,860	1,860	907	(953)		1,952
Miscellaneous revenues	1,053	1,160	1,446	286		693
Total revenues	<u>299,624</u>	<u>300,010</u>	<u>306,569</u>	<u>6,559</u>		<u>280,013</u>
<b>CURRENT EXPENDITURES:</b>						
<b>Current:</b>						
<b>General government:</b>						
Mayor	1,146	1,171	1,081	90		1,076
Council	2,940	3,095	2,945	150		2,715
Assessor	3,177	3,316	3,316	-		2,967
Attorney	5,954	5,954	5,900	54		5,055
Civil rights	2,494	2,531	2,025	506		2,110
Clerk	2,158	2,219	2,218	1		1,928
Clerk-Elections and registration	995	997	997	-		1,019
Coordinator	546	1,051	936	115		704
Coordinator-Communications	2,349	2,472	2,347	125		2,237
Coordinator-Finance	17,996	17,780	17,757	23		17,409
Coordinator-Grants and special projects	262	210	153	57		179
Coordinator-Human resources	5,915	5,915	5,912	3		5,827
Coordinator-Intergovernmental relations	845	845	793	52		759
Contingency	2,279	1,179	105	1,074		165
Miscellaneous	-	-	376	(376)		86
Total general government	<u>49,056</u>	<u>48,735</u>	<u>46,861</u>	<u>1,874</u>		<u>44,236</u>
<b>Public safety:</b>						
Coordinator-Regulatory services	\$ 23,850	24,338	23,169	1,169		20,353
Corrections	836	836	715	121		686
Emergency communications	9,755	9,655	9,655	-		6,800
Fire	47,162	47,724	47,663	61		47,186
Police	107,526	112,653	112,611	42		95,977
Total public safety	<u>189,129</u>	<u>195,206</u>	<u>193,813</u>	<u>1,393</u>		<u>171,002</u>
<b>Public works:</b>						
Administration	2,833	3,244	3,011	233		2,507
Engineering design	1,152	1,152	984	168		885
Field services	22,423	23,854	23,146	708		24,591
Transportation and special projects	10,882	11,922	11,593	329		10,771
Total public works	<u>37,290</u>	<u>40,172</u>	<u>38,734</u>	<u>1,438</u>		<u>38,754</u>
<b>Culture and recreation - Library</b>	<u>200</u>	<u>200</u>	<u>200</u>	<u>-</u>		<u>-</u>
<b>Health and welfare - Health and family support</b>	<u>3,701</u>	<u>3,701</u>	<u>3,693</u>	<u>8</u>		<u>3,649</u>
<b>Community &amp; economic development</b>	<u>3,579</u>	<u>3,579</u>	<u>3,530</u>	<u>49</u>		<u>3,366</u>
Total expenditures	<u>282,955</u>	<u>291,593</u>	<u>286,831</u>	<u>4,762</u>		<u>261,007</u>
Excess (deficiency) of revenues over (under) expenditures	<u>16,669</u>	<u>8,417</u>	<u>19,738</u>	<u>11,321</u>		<u>19,006</u>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers from other funds	18,850	18,850	20,994	2,144		17,981
Transfers (to) other funds	(35,417)	(39,148)	(39,182)	(34)		(44,777)
Total other financing sources (uses)	<u>(16,567)</u>	<u>(20,298)</u>	<u>(18,188)</u>	<u>2,110</u>		<u>(26,796)</u>
Net change in fund balance	102	(11,881)	1,550	13,431		(7,790)
Fund balance - January 1	\$ 53,562	53,562	53,562	-		61,352
<b>Fund balance - December 31</b>	<u>\$ 53,664</u>	<u>\$ 41,681</u>	<u>\$ 55,112</u>	<u>\$ 13,431</u>		<u>\$ 53,562</u>

**COMMUNITY PLANNING AND ECONOMIC DEVELOPMENT CITY OF MINNEAPOLIS, MINNESOTA**  
**SPECIAL REVENUE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**For the Fiscal Year Ended December 31, 2006** **(In Thousands)**

	<b>2006</b>				<b>2005 Actual</b>
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance</b>	
	<b>Original</b>	<b>Final</b>			
<b>REVENUES:</b>					
Taxes:					
General property tax	\$ -	\$ -	\$ 312	\$ 312	\$ 774
Property tax increment	67,657	69,887	70,849	962	63,402
<b>Total taxes</b>	<b>67,657</b>	<b>69,887</b>	<b>71,161</b>	<b>1,274</b>	<b>64,176</b>
Intergovernmental revenues:					
Federal grantor agencies	925	1,325	233	(1,092)	159
State grants and shared revenues	-	2,500	5,555	3,055	13,892
County grants	-	-	364	364	5,568
Other local grants	-	-	1,856	1,856	571
<b>Total intergovernmental revenues</b>	<b>925</b>	<b>3,825</b>	<b>8,008</b>	<b>4,183</b>	<b>20,190</b>
Charges for services and sales	4,765	8,792	6,950	(1,842)	7,109
Interest	24	24	7,657	7,633	6,234
Miscellaneous revenues:					
Rents and commissions	4,046	4,046	4,150	104	4,177
Sale of land	-	-	2,610	2,610	6,639
Loan recapture	-	-	4,254	4,254	5,032
Other	3,550	3,822	1,355	(2,467)	826
<b>Total miscellaneous revenues</b>	<b>7,596</b>	<b>7,868</b>	<b>12,369</b>	<b>4,501</b>	<b>16,674</b>
<b>Total revenues</b>	<b>80,967</b>	<b>90,396</b>	<b>106,145</b>	<b>15,749</b>	<b>114,383</b>
<b>CURRENT EXPENDITURES:</b>					
Community & economic development	37,722	170,988	54,852	116,136	74,504
Excess (deficiency) of revenues over (under) expenditures	43,245	(80,592)	51,293	131,885	39,879
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers from other funds	3,910	3,910	14,390	10,480	14,502
Transfers (to) other funds	(75,181)	(100,869)	(77,738)	23,131	(71,232)
Notes issued	-	-	-	-	4,935
<b>Total other financing sources (uses)</b>	<b>(71,271)</b>	<b>(96,959)</b>	<b>(63,348)</b>	<b>33,611</b>	<b>(51,795)</b>
<b>Net change in fund balance</b>	<b>(28,026)</b>	<b>(177,551)</b>	<b>(12,055)</b>	<b>165,496</b>	<b>(11,916)</b>
Fund balance - January 1	236,593	236,593	236,593	-	248,509
<b>Fund balance - December 31</b>	<b>\$ 208,567</b>	<b>\$ 59,042</b>	<b>\$ 224,538</b>	<b>\$ 165,496</b>	<b>\$ 236,593</b>

**CONVENTION CENTER SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended December 31, 2006**

**CITY OF MINNEAPOLIS, MINNESOTA**

**(In Thousands)**

	2006					2005 Actual
	Budgeted Amount		Actual	Variance		
	Original	Final				
<b>REVENUES:</b>						
Taxes:						
Sales and use tax	\$ 27,701	\$ 27,701	\$ 27,867	\$ 166	\$ 27,404	
Entertainment tax	9,109	9,109	9,248	139	9,193	
Food tax	9,248	9,248	9,993	745	9,474	
Liquor tax	3,606	3,606	3,627	21	3,487	
Lodging tax	5,147	5,147	5,990	843	5,506	
Total taxes	54,811	54,811	56,725	1,914	55,064	
Charges for services and sales	5,660	5,660	5,155	(505)	6,220	
Interest	422	422	752	330	616	
Miscellaneous revenues:						
Rents and commissions	7,415	7,415	6,768	(647)	6,867	
Private contributions	-	538	538	-	-	
Privileges	2,550	2,550	2,603	53	3,106	
Other	20	20	22	2	15	
Total miscellaneous revenues	9,985	10,523	9,931	(592)	9,988	
Total revenues	70,878	71,416	72,563	1,147	71,888	
<b>CURRENT EXPENDITURES:</b>						
General government	64	64	67	(3)	61	
Community & economic development	35,882	37,250	32,011	5,239	32,901	
Total expenditures	35,946	37,314	32,078	5,236	32,962	
Excess (deficiency) of revenues over (under) expenditures	34,932	34,102	40,485	6,383	38,926	
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers from other funds	-	3,031	3,129	98	2,531	
Transfers (to) other funds	(38,553)	(38,553)	(38,242)	311	(35,531)	
Total other financing sources (uses)	(38,553)	(35,522)	(35,113)	409	(33,000)	
Net change in fund balance	(3,621)	(1,420)	5,372	6,792	5,926	
Fund balance - January 1	35,850	35,850	35,850	-	29,924	
<b>Fund balance - December 31</b>	<b>\$ 32,229</b>	<b>\$ 34,430</b>	<b>\$ 41,222</b>	<b>\$ 6,792</b>	<b>\$ 35,850</b>	

**NOTE 1 – BUDGETS**

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

## Non-Major Special Revenue Funds

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

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

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

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

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

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

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

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

## Non-Major Debt Service Funds

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

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

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

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

**GOVERNMENTAL FUNDS  
BALANCE SHEET - NONMAJOR FUNDS  
December 31, 2006**

**CITY OF MINNEAPOLIS, MINNESOTA**

**(In Thousands)**

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Total Nonmajor Governmental</u>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 22,116	\$ 41,926	64,042
Investments with trustees	-	5,061	5,061
Receivables:			
Accounts - net	608	401	1,009
Taxes	162	885	1,047
Special assessments	-	29,848	29,848
Loans	3,826	-	3,826
Accrued interest	58	181	239
Intergovernmental	10,608	-	10,608
Due from other funds	2,406	-	2,406
<b>Total assets</b>	<b>\$ 39,784</b>	<b>\$ 78,302</b>	<b>\$ 118,086</b>
<b><u>LIABILITIES and FUND BALANCES</u></b>			
<b>Liabilities:</b>			
Salaries payable	\$ 660	\$ -	\$ 660
Accounts payable	2,652	12	2,664
Intergovernmental payable	1	-	1
Due to other funds	4,427	278	4,705
Deferred revenue	14,547	30,486	45,033
<b>Total liabilities</b>	<b>22,287</b>	<b>30,776</b>	<b>53,063</b>
<b>Fund balances:</b>			
Reserved for:			
Encumbrances	8	-	8
Pension liability	8,994	-	8,994
Unreserved			
Designated for debt service	-	47,526	47,526
Unreserved, undesignated	8,495	-	8,495
<b>Total fund balances</b>	<b>17,497</b>	<b>47,526</b>	<b>65,023</b>
<b>Total liabilities and fund balances</b>	<b>\$ 39,784</b>	<b>\$ 78,302</b>	<b>\$ 118,086</b>

**GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - NONMAJOR FUNDS  
For the Fiscal Year Ended December 31, 2006**

**CITY OF MINNEAPOLIS, MINNESOTA**

**(In Thousands)**

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Total Nonmajor Governmental</u>
<b>REVENUES:</b>			
Taxes	\$ 6,525	\$ 26,787	\$ 33,312
Licenses and permits	634	-	634
Intergovernmental revenues	60,422	753	61,175
Charges for services and sales	1,042	-	1,042
Fines and forfeits	651	-	651
Special assessments	-	7,737	7,737
Interest	1,173	1,506	2,679
Miscellaneous revenues	6,743	2,517	9,260
	<u>77,190</u>	<u>39,300</u>	<u>116,490</u>
<b>EXPENDITURES:</b>			
Current:			
General government	19,004	-	19,004
Public safety	26,533	-	26,533
Public works	437	-	437
Health and welfare	10,920	-	10,920
Community & economic development	21,710	-	21,710
Debt Service:			
Principal retirement	-	72,768	72,768
Interest and fiscal charges	-	63,490	63,490
	<u>78,604</u>	<u>136,258</u>	<u>214,862</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,414)</u>	<u>(96,958)</u>	<u>(98,372)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers from other funds	14,509	103,670	118,179
Transfers (to) other funds	(20,968)	(2,409)	(23,377)
Refunding bonds issued	-	10,545	10,545
Payments to escrow agents	-	(9,989)	(9,989)
	<u>(6,459)</u>	<u>101,817</u>	<u>95,358</u>
Net change in fund balance	(7,873)	4,859	(3,014)
Fund balances - January 1	<u>25,370</u>	<u>42,667</u>	<u>68,037</u>
<b>Fund balances - December 31</b>	<u>\$ 17,497</u>	<u>\$ 47,526</u>	<u>\$ 65,023</u>

**SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET - NONMAJOR FUNDS  
December 31, 2006**

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

Non-major Funds																	
Arena Reserve	Board of Estimate and Taxation		Community Development Block Grant		Convention Facilities Reserve		Employee Retirement		Grants-Federal		Grants-Other		Police	2006 Total		2005 Total	
\$ 2,436	\$ 177	\$ 3	\$ 5,000	\$ 9,014	\$ 2,095	\$ 3,192	\$ 199	\$ 22,116	\$ 29,495								
-	-	287	-	-	-	7	314	608	704								
-	6	-	-	156	-	-	-	162	102								
-	-	-	-	-	3,229	597	-	3,826	8,838								
-	-	-	-	58	-	-	-	58	-								
-	-	5,101	-	-	3,236	2,271	-	10,608	8,807								
-	-	-	-	-	-	2,406	-	2,406	343								
-	-	-	-	-	-	-	-	-	1								
\$ 2,436	\$ 183	\$ 5,391	\$ 5,000	\$ 9,228	\$ 8,560	\$ 8,473	\$ 513	\$ 39,784	\$ 48,290								

**ASSETS**

Cash and cash equivalents																	
Receivables:																	
Accounts - net																	
Taxes																	
Loans																	
Accrued Interest																	
Intergovernmental																	
Due from other funds																	
Prepaid items																	
<b>Total assets</b>																	

**LIABILITIES AND FUND BALANCES**

<b>Liabilities:</b>																	
Salaries payable																	
Accounts payable																	
Intergovernmental payable																	
Due to other funds																	
Deferred revenue																	
Total liabilities																	
<b>Fund balances:</b>																	
Reserved for:																	
Encumbrances																	
Prepaid items																	
Pension liability																	
Unreserved:																	
Undesignated																	
Total fund balances																	
<b>Total liabilities and fund balances</b>																	

**CITY OF MINNEAPOLIS, MINNESOTA**

**SPECIAL REVENUE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - NONMAJOR FUNDS  
For the Fiscal Year Ended December 31, 2006**

(In Thousands)

	Non-major Funds										
	Arena Reserve	Board of Estimate and Taxation	Community Development Block Grant	Convention Facilities Reserve	Employee Retirement	Grants-Federal	Grants-Other	Police	2006 Total	2005 Total	
<b>REVENUES:</b>											
Taxes	\$ -	\$ 218	\$ -	\$ -	\$ 6,130	\$ -	\$ 11	\$ 166	\$ 6,525	\$ 3,258	
Licenses and permits	-	-	-	-	-	-	-	634	634	446	
Intergovernmental revenues	-	9	21,638	-	5,820	20,275	12,680	-	60,422	54,856	
Charges for services and sales	-	-	-	-	-	-	189	853	1,042	1,090	
Fines and forfeits	-	-	-	-	122	-	-	529	651	664	
Interest	-	-	-	-	376	14	783	-	1,173	1,024	
Miscellaneous revenues	-	-	-	-	743	-	5,997	3	6,743	3,784	
Total revenues	-	227	21,638	-	13,191	20,289	19,660	2,185	77,190	65,122	
<b>CURRENT EXPENDITURES:</b>											
General government	-	330	2,246	-	15,644	691	93	-	19,004	13,932	
Public safety	-	-	413	-	12,284	8,380	3,220	2,236	26,533	38,451	
Public works	-	-	78	-	-	359	-	-	437	450	
Culture and Recreation	-	-	-	-	-	-	-	-	-	42	
Health and welfare	-	-	2,063	-	-	4,638	4,219	-	10,920	9,609	
Community & economic development	32	-	10,443	-	-	5,495	5,740	-	21,710	17,693	
Total expenditures	32	330	15,243	-	27,928	19,563	13,272	2,236	78,604	80,177	
Excess (deficiency) of revenues over (under) expenditures	(32)	(103)	6,395	-	(14,737)	726	6,388	(51)	(1,414)	(15,055)	
<b>OTHER FINANCING SOURCES (USES):</b>											
Transfers from other funds	3,212	102	-	1,150	10,000	-	45	-	14,509	14,961	
Transfers (to) other funds	(3,480)	-	(6,395)	(3,031)	(1,008)	(726)	(6,328)	-	(20,968)	(20,587)	
Total other financing sources (uses)	(268)	102	(6,395)	(1,881)	8,992	(726)	(6,283)	-	(6,459)	(5,626)	
Net change in fund balances	(300)	(1)	-	(1,881)	(5,745)	-	105	(51)	(7,873)	(20,681)	
Fund balances - January 1	2,638	161	-	6,881	14,739	-	571	380	25,370	46,051	
<b>Fund balances - December 31</b>	\$ 2,338	\$ 160	\$ -	\$ 5,000	\$ 8,994	\$ -	\$ 676	\$ 329	\$ 17,497	\$ 25,370	

**DEBT SERVICE FUNDS  
COMBINING BALANCE SHEET - NONMAJOR FUNDS  
DECEMBER 31, 2006**

**CITY OF MINNEAPOLIS, MINNESOTA**

**(In Thousands)**

	<b>Community Planning and Economic Development</b>	<b>Development</b>	<b>General Debt Service</b>	<b>Special Assessment</b>	<b>2006 Total</b>	<b>2005 Total</b>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 12,777	\$ 241	\$ 18,531	\$ 10,377	41,926	\$ 38,391
Investments with trustees	3,701	1,360	-	-	5,061	3,778
Receivables:						
Accounts - net	-	-	401	-	401	254
Taxes:						
Current	-	-	144	-	144	243
Delinquent	-	-	741	-	741	571
Special assessments:						
Current	-	-	-	104	104	61
Delinquent	-	-	-	348	348	265
Deferred	-	-	30	29,366	29,396	28,672
Accrued Interest	70	1	60	50	181	-
<b>Total assets</b>	<b>16,548</b>	<b>1,602</b>	<b>19,907</b>	<b>40,245</b>	<b>78,302</b>	<b>72,235</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable	-	7	-	5	12	24
Due to other funds	-	-	253	25	278	36
Deferred revenue	-	-	772	29,714	30,486	29,508
<b>Total liabilities</b>	<b>-</b>	<b>7</b>	<b>1,025</b>	<b>29,744</b>	<b>30,776</b>	<b>29,568</b>
<b>Fund balances:</b>						
Unreserved:						
Designated for debt service	16,548	1,595	18,882	10,501	47,526	42,667
<b>Total liabilities and fund balances</b>	<b>\$ 16,548</b>	<b>\$ 1,602</b>	<b>\$ 19,907</b>	<b>\$ 40,245</b>	<b>\$ 78,302</b>	<b>\$ 72,235</b>

**DEBT SERVICE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - NONMAJOR FUNDS**  
**For the Fiscal Year Ended December 31, 2006**

**CITY OF MINNEAPOLIS, MINNESOTA**

**(In Thousands)**

	<b>Community Planning and Economic Development</b>	<b>Development</b>	<b>General Debt Service</b>	<b>Special Assessment</b>	<b>2006 Total</b>	<b>2005 Total</b>
<b>REVENUES:</b>						
Taxes:						
General property tax	\$ -	\$ -	\$ 24,367	\$ -	\$ 24,367	\$ 24,814
Fiscal disparities	-	-	2,420	-	2,420	\$ 3,028
Total taxes	-	-	26,787	-	26,787	27,842
Intergovernmental revenues	-	-	753	-	753	1,001
Special assessments	-	-	-	7,737	7,737	7,310
Interest	512	41	639	314	1,506	1,602
Miscellaneous revenues:						
Rents and commissions	-	302	398	-	700	762
Other	-	-	1,817	-	1,817	1,703
Total miscellaneous revenues	-	302	2,215	-	2,517	2,465
Total revenues	512	343	30,394	8,051	39,300	40,220
<b>EXPENDITURES:</b>						
Principal retirement on bonds	11,874	18,300	33,315	5,251	68,740	90,079
Principal retirement on notes	99	-	3,929	-	4,028	746
Interest and fiscal charges	27,441	19,823	14,242	1,984	63,490	62,456
Total expenditures	39,414	38,123	51,486	7,235	136,258	153,281
Excess (deficiency) of revenues over (under) expenditures	(38,902)	(37,780)	(21,092)	816	(96,958)	(113,061)
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers from other funds	40,225	37,798	25,348	299	103,670	109,520
Transfers (to) other funds	(294)	-	(2,090)	(25)	(2,409)	(833)
Refunding bonds issued	10,545	-	-	-	10,545	69,250
Premium (Discount)	-	-	-	-	-	3,583
Payments to escrow agents	(9,989)	-	-	-	(9,989)	(74,820)
Total other financing sources (uses)	40,487	37,798	23,258	274	101,817	106,700
Net change in fund balances	1,585	18	2,166	1,090	4,859	(6,361)
Fund balances - January 1	14,963	1,577	16,716	9,411	42,667	49,028
<b>Fund balances - December 31</b>	<b>\$ 16,548</b>	<b>\$ 1,595</b>	<b>\$ 18,882</b>	<b>\$ 10,501</b>	<b>\$ 47,526</b>	<b>\$ 42,667</b>



**BOARD OF ESTIMATE AND TAXATION SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended December 31, 2006**

**CITY OF MINNEAPOLIS, MINNESOTA**

**(In Thousands)**

	2006				2005 Actual
	Budgeted Amount		Actual	Variance	
	Original	Final			
<b>REVENUES:</b>					
Taxes:					
General property tax	\$ 225	\$ 225	\$ 190	\$ (35)	\$ 135
Fiscal disparities	-	-	28	28	21
Total taxes	225	225	218	(7)	156
Intergovernmental revenues:					
State grants and shared revenues	-	-	9	9	-
Total revenues	225	225	227	2	156
<b>CURRENT EXPENDITURES:</b>					
General government	330	330	330	-	258
Excess (deficiency) of revenues over (under) expenditures	(105)	(105)	(103)	2	(102)
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers from other funds	-	-	102	102	98
Proceeds from bonds	105	105	-	(105)	-
Total other financing sources (uses)	105	105	102	(3)	98
Net change in fund balance	-	-	(1)	(1)	(4)
Fund balance - January 1	161	161	161	-	165
<b>Fund balance - December 31</b>	<b>\$ 161</b>	<b>\$ 161</b>	<b>\$ 160</b>	<b>\$ (1)</b>	<b>\$ 161</b>

**COMMUNITY DEVELOPMENT BLOCK GRANT  
SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended December 31, 2006**

**CITY OF MINNEAPOLIS, MINNESOTA**

**(In Thousands)**

	<b>2006</b>					<b>2005 Actual</b>
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance</b>		
	<b>Original</b>	<b>Final</b>				
<b>REVENUES:</b>						
Intergovernmental revenues:						
Federal grantor agencies	\$ 20,068	\$ 19,891	\$ 21,638	\$ 1,747	\$ 23,658	\$ -
Charges for services and sales	-	425	-	(425)	-	-
Miscellaneous revenues:						
Loan recapture	600	600	-	(600)	-	-
<b>Total revenues</b>	<b>20,668</b>	<b>20,916</b>	<b>21,638</b>	<b>722</b>	<b>23,658</b>	<b>-</b>
<b>CURRENT EXPENDITURES:</b>						
General government	2,339	2,697	2,246	451	2,330	542
Public safety	300	1,030	413	617	149	42
Public works	97	130	78	52	-	-
Culture and recreation	-	-	-	-	-	-
Health and welfare	1,931	2,959	2,063	896	1,829	7,690
Community & economic development	17,584	17,502	10,443	7,059	12,582	11,076
<b>Total expenditures</b>	<b>22,251</b>	<b>24,318</b>	<b>15,243</b>	<b>9,075</b>	<b>12,582</b>	<b>11,076</b>
Excess (deficiency) of revenues over (under) expenditures	(1,583)	(3,402)	6,395	9,797	11,076	-
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers (to) other funds	(3,909)	(5,280)	(6,395)	(1,115)	(11,076)	-
<b>Net change in fund balance</b>	<b>(5,492)</b>	<b>(8,682)</b>	<b>-</b>	<b>8,682</b>	<b>-</b>	<b>-</b>
Fund balance - January 1	-	-	-	-	-	-
<b>Fund balance - December 31</b>	<b>\$ (5,492)</b>	<b>\$ (8,682)</b>	<b>\$ -</b>	<b>\$ 8,682</b>	<b>\$ -</b>	<b>\$ -</b>

**CONVENTION FACILITIES RESERVE SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended December 31, 2006**

**CITY OF MINNEAPOLIS, MINNESOTA**

**(In Thousands)**

	<b>2006</b>				<b>2005 Actual</b>
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance</b>	
	<b>Original</b>	<b>Final</b>			
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers from other funds	\$ 1,150	\$ 1,150	\$ 1,150	\$ -	\$ 1,150
Transfers (to) other funds	(3,031)	(3,031)	(3,031)	-	(2,531)
Total other financing sources (uses)	(1,881)	(1,881)	(1,881)	-	(1,381)
Net change in fund balance	(1,881)	(1,881)	(1,881)	-	(1,381)
Fund balance - January 1	6,881	6,881	6,881	-	8,262
<b>Fund balance - December 31</b>	<b>\$ 5,000</b>	<b>\$ 5,000</b>	<b>\$ 5,000</b>	<b>\$ -</b>	<b>\$ 6,881</b>

**EMPLOYEE RETIREMENT SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended December 31, 2006**

**CITY OF MINNEAPOLIS, MINNESOTA**

**(In Thousands)**

	<b>2006</b>				<b>2005 Actual</b>
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance</b>	
	<b>Original</b>	<b>Final</b>			
<b>REVENUES:</b>					
Taxes:					
General property tax	\$ 6,346	\$ 6,346	\$ 5,326	\$ (1,020)	\$ 2,477
Property tax increment	-	-	12	12	6
Fiscal disparities	-	-	792	792	400
<b>Total taxes</b>	<b>6,346</b>	<b>6,346</b>	<b>6,130</b>	<b>(216)</b>	<b>2,883</b>
Intergovernmental revenues:					
State grants and shared revenues	15,613	15,613	5,820	(9,793)	8,687
Fines and forfeits	-	-	122	122	210
Interest	-	-	376	376	850
Miscellaneous revenues:					
Other	21,443	-	743	743	791
<b>Total revenues</b>	<b>43,402</b>	<b>21,959</b>	<b>13,191</b>	<b>(8,768)</b>	<b>13,421</b>
<b>CURRENT EXPENDITURES:</b>					
General government	3,009	16,142	15,644	498	10,265
Public safety	7,334	12,794	12,284	510	29,138
<b>Total expenditures</b>	<b>10,343</b>	<b>28,936</b>	<b>27,928</b>	<b>1,008</b>	<b>39,403</b>
Excess (deficiency) of revenues over (under) expenditures	33,059	(6,977)	(14,737)	(7,760)	(25,982)
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers from other funds	-	10,000	10,000	-	10,000
Transfers (to) other funds	-	(1,008)	(1,008)	-	(1,806)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>8,992</b>	<b>8,992</b>	<b>-</b>	<b>8,194</b>
<b>Net change in fund balance</b>	<b>33,059</b>	<b>2,015</b>	<b>(5,745)</b>	<b>(7,760)</b>	<b>(17,788)</b>
Fund balance - January 1	14,739	14,739	14,739	-	32,527
<b>Fund balance - December 31</b>	<b>\$ 47,798</b>	<b>\$ 16,754</b>	<b>\$ 8,994</b>	<b>\$ (7,760)</b>	<b>\$ 14,739</b>

**GRANTS - FEDERAL SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended December 31, 2006**

**CITY OF MINNEAPOLIS, MINNESOTA**

**(In Thousands)**

	2006					2005 Actual
	Budgeted Amounts		Actual	Variance		
	Original	Final				
<b>REVENUES:</b>						
Intergovernmental revenues:						
Federal grantor agencies	\$ 25,339	\$ 33,778	\$ 20,275	\$ (13,503)		\$ 16,607
Interest	-	-	14	14		75
Miscellaneous revenues:						
Other	43	43	-	(43)		2,382
Total revenues	<u>25,382</u>	<u>33,821</u>	<u>20,289</u>	<u>(13,532)</u>		<u>19,064</u>
<b>CURRENT EXPENDITURES:</b>						
General government	480	1,136	691	445		986
Public safety	12,355	18,664	8,380	10,284		5,965
Public works	-	3,579	359	3,220		301
Culture and recreation	-	-	-	-		-
Health and welfare	3,499	4,987	4,638	349		4,163
Community & economic development	9,004	9,004	5,495	3,509		7,624
Total expenditures	<u>25,338</u>	<u>37,370</u>	<u>19,563</u>	<u>17,807</u>		<u>19,039</u>
Excess (deficiency) of revenues over (under) expenditures	<u>44</u>	<u>(3,549)</u>	<u>726</u>	<u>4,275</u>		<u>25</u>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers (to) other funds	<u>(50)</u>	<u>(50)</u>	<u>(726)</u>	<u>(676)</u>		<u>(25)</u>
Net change in fund balance	(6)	(3,599)	-	3,599		-
Fund balance - January 1	-	-	-	-		-
<b>Fund balance - December 31</b>	<u>\$ (6)</u>	<u>\$ (3,599)</u>	<u>\$ -</u>	<u>\$ 3,599</u>		<u>\$ -</u>

**GRANTS - OTHER SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended December 31, 2006**

**CITY OF MINNEAPOLIS, MINNESOTA**

**(In Thousands)**

	<b>2006</b>				<b>2005 Actual</b>
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance</b>	
	<b>Original</b>	<b>Final</b>			
<b>REVENUES:</b>					
Taxes:					
Other taxes	\$ 46	\$ 46	\$ 11	\$ (35)	\$ 13
Intergovernmental revenues:					
State grants and shared revenues	5,969	19,984	11,709	(8,275)	5,249
Other local grants	206	587	971	384	655
Total intergovernmental revenues	6,175	20,571	12,680	(7,891)	5,904
Charges for services	1,264	1,371	189	(1,182)	189
Interest	10	10	783	773	23
Miscellaneous revenues:					
Loan recapture	44	44	5,590	5,546	2
Private contributions	1,028	1,240	398	(842)	452
Other	175	175	9	(166)	153
Total miscellaneous revenues	1,247	1,459	5,997	4,538	607
Total revenues	8,742	23,457	19,660	(3,797)	6,736
<b>CURRENT EXPENDITURES:</b>					
General government	112	315	93	222	93
Public safety	1,392	4,277	3,220	1,057	597
Public works	-	1,958	-	1,958	-
Health and welfare	3,738	4,582	4,219	363	3,617
Community & economic development	3,502	18,174	5,740	12,434	2,379
Total expenditures	8,744	29,306	13,272	16,034	6,686
Excess (deficiency) of revenues over (under) expenditures	(2)	(5,849)	6,388	12,237	50
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers from other funds	-	-	45	45	87
Transfers (to) other funds	-	(6,328)	(6,328)	-	(119)
Total other financing sources (uses)	-	(6,328)	(6,283)	45	(32)
Net change in fund balance	(2)	(12,177)	105	12,282	18
Fund balance - January 1	571	571	571	-	553
<b>Fund balance - December 31</b>	<b>\$ 569</b>	<b>\$ (11,606)</b>	<b>\$ 676</b>	<b>\$ 12,282</b>	<b>\$ 571</b>

**POLICE SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended December 31, 2006**

**CITY OF MINNEAPOLIS, MINNESOTA**

**(In Thousands)**

	<b>2006</b>				<b>2005 Actual</b>
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance</b>	
	<b>Original</b>	<b>Final</b>			
<b>REVENUES:</b>					
Taxes:					
Lawful gambling	\$ 318	\$ 318	\$ 166	\$ (152)	\$ 206
Licenses and permits	466	466	634	168	446
Charges for services and sales	907	907	853	(54)	901
Fines and forfeits	347	347	529	182	454
Miscellaneous revenues:					
Other	221	221	3	(218)	4
Total revenues	<u>2,259</u>	<u>2,259</u>	<u>2,185</u>	<u>(74)</u>	<u>2,011</u>
<b>CURRENT EXPENDITURES:</b>					
Public safety	<u>2,268</u>	<u>2,942</u>	<u>2,236</u>	<u>706</u>	<u>2,209</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(9)</u>	<u>(683)</u>	<u>(51)</u>	<u>632</u>	<u>(198)</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers from other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>334</u>
Net change in fund balance	(9)	(683)	(51)	632	136
Fund balance - January 1	<u>380</u>	<u>380</u>	<u>380</u>	<u>-</u>	<u>244</u>
<b>Fund balance - December 31</b>	<u><u>\$ 371</u></u>	<u><u>\$ (303)</u></u>	<u><u>\$ 329</u></u>	<u><u>\$ 632</u></u>	<u><u>\$ 380</u></u>

**INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF NET ASSETS  
December 31, 2006**

**CITY OF MINNEAPOLIS, MINNESOTA**

**(In Thousands)**

	Engineering Materials & Testing	Inter- governmental Services	Property Services	Equipment Services	Public Works Stores	Self- Insurance	2006 Total	2005 Total
<b>ASSETS</b>								
Current assets:								
Cash and cash equivalents	\$ 294	\$ 1	\$ 38	\$ 2,036	\$ 1	\$ 5,541	\$ 7,911	\$ 5,820
Receivables:								
Accounts - net	-	2	247	92	25	5	371	335
Intergovernmental	-	7	1	6	-	182	196	182
Due from other funds	-	1,332	-	-	-	2,823	4,155	8,245
Due from component unit	-	-	-	-	-	-	-	157
Inventories	8	-	488	1,192	5,010	-	6,698	4,625
Prepaid items	-	-	-	-	-	-	-	195
<b>Total current assets</b>	<b>302</b>	<b>1,342</b>	<b>774</b>	<b>3,326</b>	<b>5,036</b>	<b>8,551</b>	<b>19,331</b>	<b>19,559</b>
Long-term assets:								
Deferred charges	-	46	10	42	-	-	98	108
Capital assets:								
Land, leaseholds and easements	-	-	21,664	2,186	-	-	23,850	23,850
Construction in progress	-	21,554	-	601	-	-	22,155	13,972
Buildings and structures	-	-	25,671	30,061	-	-	55,732	55,732
Less accumulated depreciation	-	-	(19,127)	(4,240)	-	-	(23,367)	(22,416)
Public improvements	-	-	2,736	330	-	-	3,066	3,066
Less accumulated depreciation	-	-	(2,367)	(134)	-	-	(2,501)	(2,392)
Machinery and equipment	287	1,698	12,185	58,140	132	-	72,442	68,496
Less accumulated depreciation	(204)	(1,439)	(2,314)	(30,280)	(119)	-	(34,356)	(31,170)
Computer equipment	61	42,414	162	37	7	-	42,681	41,252
Less accumulated depreciation	(55)	(36,291)	(147)	(33)	(7)	-	(36,533)	(34,414)
Software	-	14,443	8	-	9	-	14,460	14,459
Less accumulated depreciation	-	(7,359)	(8)	-	(8)	-	(7,375)	(5,620)
Other capital outlay	15	-	21	-	15	-	51	51
Less accumulated depreciation	(15)	-	(17)	-	(13)	-	(45)	(43)
<b>Total long-term assets</b>	<b>89</b>	<b>35,066</b>	<b>38,477</b>	<b>56,710</b>	<b>16</b>	<b>-</b>	<b>130,358</b>	<b>124,931</b>
<b>Total assets</b>	<b>\$ 391</b>	<b>\$ 36,408</b>	<b>\$ 39,251</b>	<b>\$ 60,036</b>	<b>\$ 5,052</b>	<b>\$ 8,551</b>	<b>\$ 149,689</b>	<b>\$ 144,490</b>
<b>LIABILITIES AND NET ASSETS</b>								
Current liabilities:								
Salaries payable	\$ 48	\$ 439	\$ 419	\$ 922	\$ 46	\$ 394	\$ 2,268	\$ 2,352
Accounts payable	37	1,403	932	684	722	4,130	7,908	5,954
Intergovernmental payable	-	-	-	-	3	-	3	-
Due to other funds	-	1,662	-	-	878	-	2,540	1,045
Interest payable	-	137	30	144	-	4	315	375
Unearned revenue	-	5,819	-	37	-	216	6,072	6,474
Bonds payable-current portion	-	2,565	615	5,630	-	320	9,130	15,630
Compensated absences payable current portion	12	106	118	221	10	85	552	549
<b>Total current liabilities</b>	<b>97</b>	<b>12,131</b>	<b>2,114</b>	<b>7,638</b>	<b>1,659</b>	<b>5,149</b>	<b>28,788</b>	<b>32,379</b>
Long-term liabilities:								
Bonds payable	-	33,210	8,070	32,245	-	1,060	74,585	85,525
Unamortized premium (discounts)	-	114	211	1,261	-	-	1,586	1,523
Advances from other funds	-	14,471	-	-	-	-	14,471	14,549
Compensated absences payable	27	246	275	515	23	198	1,284	1,286
Unpaid claims payable	-	-	-	-	-	32,246	32,246	31,101
<b>Total long-term liabilities</b>	<b>27</b>	<b>48,041</b>	<b>8,556</b>	<b>34,021</b>	<b>23</b>	<b>33,504</b>	<b>124,172</b>	<b>133,984</b>
<b>Total liabilities</b>	<b>124</b>	<b>60,172</b>	<b>10,670</b>	<b>41,659</b>	<b>1,682</b>	<b>38,653</b>	<b>152,960</b>	<b>166,363</b>
<b>Net Assets:</b>								
Invested in Capital Assets, net of related debt	89	(869)	29,571	17,532	16	-	46,339	27,541
Unrestricted	178	(22,895)	(990)	845	3,354	(30,102)	(49,610)	(49,414)
<b>Total net assets</b>	<b>267</b>	<b>(23,764)</b>	<b>28,581</b>	<b>18,377</b>	<b>3,370</b>	<b>(30,102)</b>	<b>(3,271)</b>	<b>(21,873)</b>
<b>Total liabilities and net assets</b>	<b>\$ 391</b>	<b>\$ 36,408</b>	<b>\$ 39,251</b>	<b>\$ 60,036</b>	<b>\$ 5,052</b>	<b>\$ 8,551</b>	<b>\$ 149,689</b>	<b>\$ 144,490</b>

**INTERNAL SERVICE FUNDS**  
**CITY OF MINNEAPOLIS, MINNESOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES,**  
**AND CHANGES IN FUND NET ASSETS**  
**For the Fiscal Year Ended December 31, 2006**  
**(In Thousands)**

	Engineering Materials and Testing	Inter- governmental Services	Property Services	Equipment Services	Public Works Stores	Self- Insurance	2006 Total	2005 Total
<b>Operating revenues:</b>								
Charges for services and sales	\$ 4,007	\$ 32,018	\$ 8,364	\$ 11,172	\$ 4,397	\$ 68,303	\$ 128,261	\$ 110,937
Rents and commissions	-	-	7,030	20,830	-	-	27,860	27,692
Total operating revenues	4,007	32,018	15,394	32,002	4,397	68,303	156,121	138,629
<b>Operating expenses:</b>								
Personal services	781	6,688	7,576	14,678	621	8,959	39,303	41,549
Contractual Services	330	12,913	6,485	4,786	229	60,124	84,867	71,589
Materials, supplies, services and other	2,904	6,379	1,593	1,611	88	6,749	19,324	17,786
Rent	55	139	-	964	68	398	1,624	865
Cost of stores issuance	-	-	-	4,166	3,066	-	7,232	7,385
Depreciation	19	3,963	1,243	5,517	-	-	10,742	12,751
Total operating expenses	4,089	30,082	16,897	31,722	4,072	76,230	163,092	151,925
<b>Operating income (loss)</b>	(82)	1,936	(1,503)	280	325	(7,927)	(6,971)	(13,296)
<b>Non-operating revenue (expenses)</b>								
Interest revenue	-	-	-	1	1	-	2	7
Interest expense	-	(1,960)	(364)	(1,844)	-	(105)	(4,273)	(4,538)
Gain (loss) on disposal of capital assets	-	-	30	100	-	-	130	251
Damages/losses recovered	-	-	-	46	-	15	61	257
Other revenues	-	3	-	16	-	5,255	5,274	5,633
Total non-operating revenues (expenses)	-	(1,957)	(334)	(1,681)	1	5,165	1,194	1,610
Income (loss) before operating transfers	(82)	(21)	(1,837)	(1,401)	326	(2,762)	(5,777)	(11,686)
Transfers in (out):								
Transfers from other funds	-	10,570	844	4,506	-	8,745	24,665	19,643
Transfers to other funds	(22)	(57)	(31)	(131)	-	(45)	(286)	(920)
Total transfers	(22)	10,513	813	4,375	-	8,700	24,379	18,723
<b>Change in net assets</b>	(104)	10,492	(1,024)	2,974	326	5,938	18,602	7,037
Net assets - January 1	371	(34,256)	29,605	15,403	3,044	(36,040)	(21,873)	(28,910)
<b>Net assets - December 31</b>	\$ 267	\$ (23,764)	\$ 28,581	\$ 18,377	\$ 3,370	\$ (30,102)	\$ (3,271)	\$ (21,873)

**INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
For the Fiscal Year Ended December 31, 2006**

**CITY OF MINNEAPOLIS, MINNESOTA**

**(In Thousands)**

	Engineering Materials and Testing	Inter- governmental Services	Property Services	Equipment Services	Public Works Stores	Self- Insurance	2006 Total	2005 Total
<b>Cash flows from operating activities:</b>								
Cash received from customers and users	\$ 4,009	\$ 33,149	\$ 15,227	\$ 36,970	\$ 4,396	\$ 71,509	\$ 165,260	\$ 143,010
Payments to suppliers	(3,559)	(18,505)	(9,106)	(11,911)	(3,878)	(64,524)	(111,483)	(101,772)
Payments to employees	(786)	(6,632)	(7,577)	(14,811)	(610)	(7,821)	(38,237)	(38,706)
<b>Net Cash Provided (used) by operating Activities</b>	<b>(336)</b>	<b>8,012</b>	<b>(1,456)</b>	<b>10,248</b>	<b>(92)</b>	<b>(836)</b>	<b>15,540</b>	<b>2,532</b>
<b>Cash flows from non-capital financing activities:</b>								
Transfers from other funds	-	10,570	844	4,506	-	8,745	24,665	19,643
Advances from other funds	-	(78)	-	-	-	-	(78)	1,749
Interfund loans payable	-	-	-	-	-	-	-	(279)
Principal paid on bonds and notes	-	-	-	-	-	(4,015)	(4,015)	(890)
Interest paid on bonds and notes	-	-	-	-	-	(105)	(105)	(142)
Transfers to other funds	(22)	(57)	(31)	(131)	-	(45)	(286)	(921)
<b>Net cash provided (used) by non-capital financing activities</b>	<b>(22)</b>	<b>10,435</b>	<b>813</b>	<b>4,375</b>	<b>-</b>	<b>4,580</b>	<b>20,181</b>	<b>19,160</b>
<b>Cash flows from capital and related financing activities:</b>								
Bonds issued	-	1,525	-	-	-	-	1,525	12,385
Principal paid on bonds	-	(8,325)	(655)	(5,740)	-	-	(14,720)	(11,744)
Interest paid on bonds	-	(2,038)	(383)	(1,950)	-	-	(4,371)	(4,526)
Premium (discount)	-	-	-	-	-	-	-	231
Acquisition and construction of capital assets	-	(9,943)	-	(6,897)	-	-	(16,840)	(16,065)
Bond issuance costs	-	(4)	-	-	-	-	(4)	(61)
Proceeds from sale of capital assets	-	-	30	748	-	-	778	876
<b>Net cash provided (used) by capital and related financing activities</b>	<b>-</b>	<b>(18,785)</b>	<b>(1,008)</b>	<b>(13,839)</b>	<b>-</b>	<b>-</b>	<b>(33,632)</b>	<b>(18,904)</b>
<b>Cash flows from investing activities:</b>								
Interest	-	-	-	1	1	-	2	7
<b>Net cash provided (used) by investing activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>1</b>	<b>-</b>	<b>2</b>	<b>7</b>
Net increase (decrease) in cash and cash equivalents	(358)	(338)	(1,651)	785	(91)	3,744	2,091	2,795
Cash and cash equivalents, beginning of year	652	339	1,689	1,251	92	1,797	5,820	3,025
<b>Cash and cash equivalents, end of year</b>	<b>\$ 294</b>	<b>\$ 1</b>	<b>\$ 38</b>	<b>\$ 2,036</b>	<b>\$ 1</b>	<b>\$ 5,541</b>	<b>\$ 7,911</b>	<b>\$ 5,820</b>
<b>Reconciliation of operating income to net cash provided (used) by operating activities</b>								
Operating income (loss)	\$ (82)	\$ 1,936	\$ (1,503)	\$ 280	\$ 325	\$ (7,927)	\$ (6,971)	\$ (13,298)
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:								
Depreciation	19	3,963	1,243	5,517	-	-	10,742	12,751
Accounts receivable	1	62	(165)	40	(7)	36	(33)	689
Intergovernmental receivable	-	-	(1)	6	-	-	5	(25)
Inventories	1	-	(10)	(151)	(1,914)	-	(2,074)	304
Prepays	-	179	-	-	-	16	195	(106)
Due from other funds	-	1,198	-	5,186	-	(2,277)	4,107	(4,833)
Due from component unit	-	-	-	-	-	133	133	-
Due to other funds	-	1,662	(1,045)	-	878	-	1,495	(4,586)
Salaries payable	(5)	31	(16)	(84)	8	(17)	(83)	282
Accounts payable	(270)	(914)	28	(233)	610	2,730	1,951	266
Interest payable	-	-	-	-	-	(9)	(9)	-
Intergovernmental payable	-	-	(1)	-	6	-	5	(6)
Unearned revenue	-	(131)	-	(326)	-	55	(402)	2,643
Compensated absences payable	-	25	14	(49)	2	9	1	(154)
Unpaid claims	-	-	-	-	-	1,145	1,145	2,715
Damages/Losses recovered	-	-	-	46	-	15	61	257
Other non-operating revenue	-	1	-	16	-	5,255	5,272	5,633
<b>Net cash provided (used) by operating activities</b>	<b>\$ (336)</b>	<b>\$ 8,012</b>	<b>\$ (1,456)</b>	<b>\$ 10,248</b>	<b>\$ (92)</b>	<b>\$ (836)</b>	<b>\$ 15,540</b>	<b>\$ 2,532</b>
<b>Non-cash investing, capital and financing activities:</b>								
(Loss) on disposal of capital assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (305)

**ENGINEERING MATERIALS AND TESTING  
INTERNAL SERVICE FUND  
STATEMENT OF NET ASSETS  
December 31, 2006**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	<u>2006</u>	<u>2005</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 294	\$ 652
Receivables:		
Accounts - net	-	1
Inventories	<u>8</u>	<u>10</u>
Total current assets	<u>302</u>	<u>663</u>
Capital assets:		
Machinery and equipment	287	287
Less accumulated depreciation	(204)	(186)
Computer equipment	61	61
Less accumulated depreciation	(55)	(55)
Other capital outlay	15	15
Less accumulated depreciation	<u>(15)</u>	<u>(14)</u>
Total capital assets	<u>89</u>	<u>108</u>
<b>Total assets</b>	<u><u>\$ 391</u></u>	<u><u>\$ 771</u></u>
<b>LIABILITIES AND FUND EQUITY</b>		
Current liabilities:		
Salaries payable	\$ 48	\$ 53
Accounts payable	37	307
Compensated absences payable-current portion	<u>12</u>	<u>12</u>
Total current liabilities	<u>97</u>	<u>372</u>
Long-term liabilities:		
Compensated absences payable	<u>27</u>	<u>28</u>
Total long-term liabilities	<u>27</u>	<u>28</u>
<b>Total liabilities</b>	<u>124</u>	<u>400</u>
<b>Net Assets</b>		
Invested in net assets, net of related debt	89	109
Unrestricted	<u>178</u>	<u>262</u>
<b>Total net assets</b>	<u>267</u>	<u>371</u>
<b>Total liabilities and net assets</b>	<u><u>\$ 391</u></u>	<u><u>\$ 771</u></u>

**ENGINEERING MATERIALS AND TESTING  
INTERNAL SERVICE FUND  
STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN NET ASSETS  
For the fiscal year ended December 31, 2006**

**CITY OF MINNEAPOLIS, MINNESOTA**

**(In Thousands)**

	<u>2006</u>	<u>2005</u>
Operating revenues:		
Charges for services and sales	\$ 4,007	\$ 4,181
Operating expenses:		
Personal services	781	797
Contractual services	330	385
Materials, supplies, services and other	2,904	3,111
Rent	55	40
Depreciation	19	15
Total operating expenses	4,089	4,348
<b>Operating income (loss)</b>	<b>(82)</b>	<b>(167)</b>
Non-operating revenues (expenses):		
Gain (loss) on disposal of capital assets	-	(1)
Income (loss) before transfers	(82)	(168)
Transfers to other funds	(22)	(61)
<b>Change in net assets</b>	<b>(104)</b>	<b>(229)</b>
Net assets - January 1	371	600
<b>Net assets - December 31</b>	<b>\$ 267</b>	<b>\$ 371</b>

ENGINEERING MATERIALS AND TESTING  
INTERNAL SERVICE FUND  
STATEMENT OF CASH FLOWS  
For the fiscal year ended December 31, 2006

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	<u>2006</u>	<u>2005</u>
<b>Cash flows from operating activities:</b>		
Cash received from customers and users	\$ 4,009	\$ 4,169
Payments to suppliers	(3,559)	(3,245)
Payments to employees	(786)	(800)
<b>Net Cash Provided (used) by operating activities</b>	<u>(336)</u>	<u>124</u>
<b>Cash flows from non-capital financing activities:</b>		
Transfers to other funds	(22)	(61)
<b>Cash Flows from capital and related financing activities</b>		
Acquisition and construction of capital assets	-	(44)
Net increase (decrease) in cash and cash equivalents	(358)	19
Cash and cash equivalents, beginning of year	652	633
<b>Cash and cash equivalents, end of year</b>	<u>294</u>	<u>652</u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities</b>		
Operating income (loss)	(82)	(167)
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	19	15
Accounts receivable	1	-
Inventories	1	2
Salaries payable	(5)	-
Accounts payable	(270)	288
Intergovernmental payable	-	(11)
Compensated absences payable	-	(3)
<b>Net cash provided (used) by operating activities</b>	<u>\$ (336)</u>	<u>\$ 124</u>
<b>Non-cash investing, capital and financing activities:</b>		
(Loss) on disposal of capital assets	\$ -	\$ (1)

**INTERGOVERNMENTAL SERVICES  
INTERNAL SERVICE FUND  
STATEMENT OF NET ASSETS  
December 31, 2006**

**CITY OF MINNEAPOLIS, MINNESOTA**

**(In Thousands)**

	<u>2006</u>	<u>2005</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1	\$ 339
Receivables:		
Accounts - net	2	64
Intergovernmental	7	-
Due from other funds	1,332	2,513
Due from component unit	-	24
Prepaid expenses	-	179
Total current assets	<u>1,342</u>	<u>3,119</u>
Deferred charges	46	51
Capital assets:		
Construction in progress	21,554	13,040
Machinery and equipment	1,698	1,710
Less accumulated depreciation	(1,439)	(1,361)
Computer equipment	42,414	40,985
Less accumulated depreciation	(36,291)	(34,172)
Software	14,443	14,442
Less accumulated depreciation	(7,359)	(5,604)
Total capital assets	<u>35,020</u>	<u>29,040</u>
<b>Total assets</b>	<u><u>\$ 36,408</u></u>	<u><u>\$ 32,210</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Salaries payable	\$ 439	\$ 408
Accounts payable	1,403	2,317
Due to other funds	1,662	-
Interest payable	137	168
Unearned revenue	5,819	5,950
Bonds payable-current portion	2,565	8,300
Compensated absences payable-current portion	106	98
Total current liabilities	<u>12,131</u>	<u>17,241</u>
Long-term liabilities:		
Bonds payable	33,210	34,275
Unamortized premium (discounts)	114	171
Advances from other funds	14,471	14,549
Compensated absences payable	246	230
Total long-term liabilities	<u>48,041</u>	<u>49,225</u>
<b>Total liabilities</b>	<u>60,172</u>	<u>66,466</u>
<b>Net Assets:</b>		
Invested in capital assets, net of related debt	(869)	(13,706)
Unrestricted	(22,895)	(20,550)
<b>Total net assets</b>	<u>(23,764)</u>	<u>(34,256)</u>
<b>Total liabilities and net assets</b>	<u><u>\$ 36,408</u></u>	<u><u>\$ 32,210</u></u>

**INTERGOVERNMENTAL SERVICES  
INTERNAL SERVICE FUND  
STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN NET ASSETS  
For the fiscal year ended December 31, 2006**

**CITY OF MINNEAPOLIS, MINNESOTA**

**(In Thousands)**

	<u>2006</u>	<u>2005</u>
Operating revenues:		
Charges for services and sales	\$ 32,018	\$ 22,307
Operating expenses:		
Personal services	6,688	6,278
Contractual services	12,913	9,425
Materials, supplies, services and other	6,379	5,343
Rent	139	228
Depreciation	3,963	6,510
Total operating expenses	30,082	27,784
<b>Operating income (loss)</b>	<u>1,936</u>	<u>(5,477)</u>
Non-operating revenues (expenses):		
Interest expense	(1,960)	(2,064)
Gain (loss) on disposal of capital assets	-	(304)
Other revenues	3	514
Total non-operating revenues (expenses)	(1,957)	(1,854)
Income (loss) before transfers	(21)	(7,331)
Transfers in (out):		
Transfers from other funds	10,570	10,781
Transfers to other funds	(57)	(219)
Total transfers	10,513	10,562
<b>Change in net assets</b>	<u>10,492</u>	<u>3,231</u>
Net assets - January 1	(34,256)	(37,487)
<b>Net assets - December 31</b>	<u>\$ (23,764)</u>	<u>\$ (34,256)</u>

INTERGOVERNMENTAL SERVICES  
INTERNAL SERVICE FUND  
STATEMENT OF CASH FLOWS  
For the fiscal year ended December 31, 2006

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	2006	2005
<b>Cash flows from operating activities:</b>		
Cash received from customers and users	\$ 33,149	\$ 24,926
Payments to suppliers	(18,505)	(17,129)
Payments to employees	(6,632)	(6,179)
<b>Net Cash Provided (used) by operating activities</b>	<b>8,012</b>	<b>1,618</b>
<b>Cash flows from non-capital financing activities:</b>		
Transfers from other funds	10,570	10,781
Advances from other funds	(78)	1,749
Transfers to other funds	(57)	(219)
<b>Net cash provided (used) by non-capital financing activities</b>	<b>10,435</b>	<b>12,311</b>
<b>Cash Flows from capital and related financing activities</b>		
Bonds issued	1,525	6,845
Principal paid on bonds	(8,325)	(6,670)
Interest paid on bonds	(2,038)	(2,111)
Acquisition and construction of capital assets	(9,943)	(11,711)
Premium (discount)	-	107
Bond issuance costs	(4)	(50)
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(18,785)</b>	<b>(13,590)</b>
Net increase (decrease) in cash and cash equivalents	(338)	339
Cash and cash equivalents, beginning of year	339	-
<b>Cash and cash equivalents, end of year</b>	<b>1</b>	<b>339</b>
<b>Reconciliation of operating income to net cash provided (used) by operating activities</b>		
Operating income (loss)	1,936	(5,477)
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	3,963	6,510
Accounts receivable	62	2
Intergovernmental receivable	-	(25)
Prepays	179	(90)
Due from other funds	1,198	(425)
Due to other funds	1,662	(2,328)
Salaries payable	31	37
Accounts payable	(914)	309
Unearned revenue	(131)	2,529
Compensated absences payable	25	62
Other non-operating revenues	1	514
<b>Net cash provided (used) by operating activities</b>	<b>\$ 8,012</b>	<b>\$ 1,618</b>
<b>Non-cash investing, capital and financing activities:</b>		
(Loss) on disposal of capital assets	\$ -	\$ (304)

**PROPERTY SERVICES  
INTERNAL SERVICE FUND  
STATEMENT OF NET ASSETS  
December 31, 2006**

**CITY OF MINNEAPOLIS, MINNESOTA**

**(In Thousands)**

	<u>2006</u>	<u>2005</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 38	\$ 1,689
Receivables:		
Accounts - net	247	80
Intergovernmental	1	-
Inventories	488	478
Total current assets	<u>774</u>	<u>2,247</u>
Deferred charges	10	11
Capital assets:		
Land, leaseholds and easements	21,664	21,664
Buildings and structures	25,671	25,671
Less accumulated depreciation	(19,127)	(18,777)
Public improvements	2,736	2,736
Less accumulated depreciation	(2,367)	(2,273)
Machinery and equipment	12,185	12,185
Less accumulated depreciation	(2,314)	(1,515)
Computer equipment	162	162
Less accumulated depreciation	(147)	(147)
Software	8	8
Less accumulated depreciation	(8)	(8)
Other capital outlay	21	21
Less accumulated depreciation	(17)	(16)
Total capital assets	<u>38,467</u>	<u>39,711</u>
<b>Total assets</b>	<u><u>\$ 39,251</u></u>	<u><u>\$ 41,969</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Salaries payable	\$ 419	\$ 435
Accounts payable	932	904
Due to other funds	-	1,045
Interest payable	30	32
Bonds payable-current portion	615	655
Compensated absences payable	118	113
Total current liabilities	<u>2,114</u>	<u>3,184</u>
Long-term liabilities:		
Bonds payable	8,070	8,915
Unamortized premium (discounts)	211	-
Compensated absences payable	275	265
Total long-term liabilities	<u>8,556</u>	<u>9,180</u>
<b>Total liabilities</b>	<u>10,670</u>	<u>12,364</u>
<b>Net Assets:</b>		
Invested in capital assets, net of related debt	29,571	30,141
Unrestricted	(990)	(536)
<b>Total net assets</b>	<u>28,581</u>	<u>29,605</u>
<b>Total liabilities and net assets</b>	<u><u>\$ 39,251</u></u>	<u><u>\$ 41,969</u></u>

**PROPERTY SERVICES  
INTERNAL SERVICE FUND  
STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN NET ASSETS  
For the fiscal year ended December 31, 2006**

**CITY OF MINNEAPOLIS, MINNESOTA**

**(In Thousands)**

	<u>2006</u>	<u>2005</u>
Operating revenues:		
Charges for services and sales	\$ 8,364	\$ 8,397
Rents and commissions	7,030	6,368
Total operating revenues	<u>15,394</u>	<u>14,765</u>
Operating expenses:		
Personal services	7,576	7,378
Contractual services	6,485	5,730
Materials, supplies, services and other	1,593	1,472
Depreciation	1,243	1,349
Total operating expenses	<u>16,897</u>	<u>15,929</u>
<b>Operating income (loss)</b>	<u>(1,503)</u>	<u>(1,164)</u>
Non-operating revenues (expenses):		
Interest revenue	-	6
Interest expense	(364)	(389)
Gain (loss) on disposal of capital assets	30	403
Total non-operating revenues (expenses)	<u>(334)</u>	<u>20</u>
Income (loss) before transfers	<u>(1,837)</u>	<u>(1,144)</u>
Transfers in (out):		
Transfers from other funds	844	812
Transfers to other funds	(31)	(139)
Total transfers	<u>813</u>	<u>673</u>
<b>Change in net assets</b>	<u>(1,024)</u>	<u>(471)</u>
Net assets - January 1	<u>29,605</u>	<u>30,076</u>
<b>Net assets - December 31</b>	<u><b>\$ 28,581</b></u>	<u><b>\$ 29,605</b></u>

PROPERTY SERVICES  
INTERNAL SERVICE FUND  
STATEMENT OF CASH FLOWS  
For the fiscal year ended December 31, 2006

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	<u>2006</u>	<u>2005</u>
<b>Cash flows from operating activities:</b>		
Cash received from customers and users	\$ 15,227	\$ 14,875
Payments to suppliers	(9,106)	(6,120)
Payments to employees	(7,577)	(7,263)
<b>Net Cash Provided (used) by operating activities</b>	<u>(1,456)</u>	<u>1,492</u>
<b>Cash flows from non-capital financing activities:</b>		
Transfers from other funds	844	812
Transfers to other funds	(31)	(139)
<b>Net cash provided (used) by non-capital financing activities</b>	<u>813</u>	<u>673</u>
<b>Cash Flows from capital and related financing activities</b>		
Principal paid on bonds	(655)	(659)
Interest paid on bonds	(383)	(390)
Acquisition and construction of capital assets	-	(176)
Proceeds from sale of capital assets	30	402
<b>Net cash provided (used) by capital and related financing activities</b>	<u>(1,008)</u>	<u>(823)</u>
<b>Cash flows from investing activities:</b>		
Interest	-	6
Net increase (decrease) in cash and cash equivalents	(1,651)	1,348
Cash and cash equivalents, beginning of year	1,689	341
<b>Cash and cash equivalents, end of year</b>	<u>38</u>	<u>1,689</u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities</b>		
Operating income (loss)	(1,503)	(1,164)
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	1,243	1,349
Accounts receivable	(165)	110
Intergovernmental receivable	(1)	
Inventories	(10)	(14)
Due to other funds	(1,045)	1,006
Salaries payable	(16)	62
Accounts payable	28	90
Intergovernmental payable	(1)	-
Compensated absences payable	14	53
<b>Net cash provided (used) by operating activities</b>	<u>\$ (1,456)</u>	<u>\$ 1,492</u>

**EQUIPMENT SERVICES  
INTERNAL SERVICE FUND  
STATEMENT OF NET ASSETS  
December 31, 2006**

**CITY OF MINNEAPOLIS, MINNESOTA**

**(In Thousands)**

	<b>2006</b>	<b>2005</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 2,036	\$ 1,251
Receivables:		
Accounts - net	92	132
Intergovernmental	6	-
Due from other funds	-	5,186
Inventories	1,192	1,041
<b>Total current assets</b>	<b>3,326</b>	<b>7,610</b>
Deferred charges	42	46
Capital assets:		
Land, leaseholds and easements	2,186	2,186
Construction in progress	601	932
Buildings and structures	30,061	30,061
Less accumulated depreciation	(4,240)	(3,639)
Public improvements	330	330
Less accumulated depreciation	(134)	(119)
Machinery and equipment	58,140	54,182
Less accumulated depreciation	(30,280)	(27,989)
Computer equipment	37	37
Less accumulated depreciation	(33)	(33)
<b>Total capital assets</b>	<b>56,668</b>	<b>55,948</b>
<b>Total assets</b>	<b>\$ 60,036</b>	<b>\$ 63,604</b>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Salaries payable	\$ 922	\$ 1,007
Accounts payable	684	917
Interest payable	144	162
Unearned revenue	37	363
Bonds payable-current portion	5,630	5,740
Compensated absences payable-current portion	221	235
<b>Total current liabilities</b>	<b>7,638</b>	<b>8,424</b>
Long-term liabilities:		
Bonds payable	32,245	38,075
Unamortized premium (discounts)	1,261	1,352
Compensated absences payable	515	350
<b>Total long-term liabilities</b>	<b>34,021</b>	<b>39,777</b>
<b>Total liabilities</b>	<b>41,659</b>	<b>48,201</b>
<b>Net Assets:</b>		
Invested in capital assets, net of related debt	17,532	10,981
Unrestricted	845	4,422
<b>Total net assets</b>	<b>18,377</b>	<b>15,403</b>
<b>Total liabilities and net assets</b>	<b>\$ 60,036</b>	<b>\$ 63,604</b>

**EQUIPMENT SERVICES  
INTERNAL SERVICE FUND  
STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN NET ASSETS  
For the fiscal year ended December 31, 2006**

**CITY OF MINNEAPOLIS, MINNESOTA**

**(In Thousands)**

	<u>2006</u>	<u>2005</u>
Operating revenues:		
Charges for services and sales	\$ 11,172	\$ 10,015
Rents and commissions	20,830	21,324
Total operating revenues	<u>32,002</u>	<u>31,339</u>
Operating expenses:		
Personal services	14,678	15,688
Contractual services	4,786	4,497
Materials, supplies, services and other	1,611	2,171
Rent	964	580
Cost of stores issuance	4,166	3,637
Depreciation	5,517	4,877
Total operating expenses	<u>31,722</u>	<u>31,450</u>
<b>Operating income (loss)</b>	<u>280</u>	<u>(111)</u>
Non-operating revenues (expenses):		
Interest revenue	1	1
Interest expense	(1,844)	(1,943)
Gain (loss) on disposal of capital assets	100	153
Damages/losses recovered	46	224
Other revenues	16	9
Total non-operating revenues (expenses)	<u>(1,681)</u>	<u>(1,556)</u>
Income (loss) before transfers	<u>(1,401)</u>	<u>(1,667)</u>
Transfers in (out):		
Transfers from other funds	4,506	4,180
Transfers to other funds	(131)	(376)
Total transfers	<u>4,375</u>	<u>3,804</u>
<b>Change in net assets</b>	<u>2,974</u>	<u>2,137</u>
Net assets - January 1	<u>15,403</u>	<u>13,266</u>
<b>Net assets - December 31</b>	<u>\$ 18,377</u>	<u>\$ 15,403</u>

EQUIPMENT SERVICES  
INTERNAL SERVICE FUND  
STATEMENT OF CASH FLOWS  
For the fiscal year ended December 31, 2006

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	<u>2006</u>	<u>2005</u>
<b>Cash flows from operating activities:</b>		
Cash received from customers and users	\$ 36,970	\$ 27,693
Payments to suppliers	(11,911)	(11,709)
Payments to employees	(14,811)	(15,564)
<b>Net Cash Provided (used) by operating activities</b>	<u>10,248</u>	<u>420</u>
<b>Cash flows from non-capital financing activities:</b>		
Transfers from other funds	4,506	4,180
Interfund loans paid	-	(279)
Transfers to other funds	(131)	(376)
<b>Net cash provided (used) by non-capital financing activities</b>	<u>4,375</u>	<u>3,525</u>
<b>Cash Flows from capital and related financing activities</b>		
Bonds issued	-	5,540
Principal paid on bonds	(5,740)	(4,415)
Interest paid on bonds	(1,950)	(2,025)
Premium (discount)	-	124
Acquisition and construction of capital assets	(6,897)	(4,134)
Bond issuance costs	-	(11)
Proceeds from sale of capital assets	748	474
<b>Net cash provided (used) by capital and related financing activities</b>	<u>(13,839)</u>	<u>(4,447)</u>
<b>Cash flows from investing activities:</b>		
Interest	1	1
<b>Net cash provided (used) by investing activities</b>	<u>1</u>	<u>1</u>
Net increase (decrease) in cash and cash equivalents	785	(501)
Cash and cash equivalents, beginning of year	1,251	1,752
<b>Cash and cash equivalents, end of year</b>	<u>2,036</u>	<u>1,251</u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities</b>		
Operating income (loss)	280	(112)
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	5,517	4,877
Accounts receivable	40	22
Intergovernmental receivable	6	-
Inventories	(151)	(248)
Due from other funds	5,186	(3,901)
Salaries payable	(84)	113
Accounts payable	(233)	(575)
Unearned revenue	(326)	-
Compensated absences payable	(49)	11
Damages/Losses recovered	46	224
Other non-operating revenues	16	9
<b>Net cash provided (used) by operating activities</b>	<u>\$ 10,248</u>	<u>\$ 420</u>

**PUBLIC WORKS STORES  
INTERNAL SERVICE FUND  
STATEMENT OF NET ASSETS  
December 31, 2006**

**CITY OF MINNEAPOLIS, MINNESOTA**

**(In Thousands)**

	<u>2006</u>	<u>2005</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1	\$ 92
Receivables:		
Accounts - net	25	17
Inventories	5,010	3,096
Total current assets	<u>5,036</u>	<u>3,205</u>
Capital assets:		
Machinery and equipment	132	132
Less accumulated depreciation	(119)	(119)
Computer equipment	7	7
Less accumulated depreciation	(7)	(7)
Software	9	9
Less accumulated depreciation	(8)	(8)
Other capital outlay	15	15
Less accumulated depreciation	(13)	(13)
Total capital assets	<u>16</u>	<u>16</u>
<b>Total assets</b>	<u><u>\$ 5,052</u></u>	<u><u>\$ 3,221</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Salaries payable	\$ 46	\$ 38
Accounts payable	722	109
Intergovernmental payable	3	-
Due to other funds	878	-
Compensated absences payable-current portion	10	9
Total current liabilities	<u>1,659</u>	<u>156</u>
Long-term liabilities:		
Compensated absences payable	23	21
Total long-term liabilities	<u>23</u>	<u>21</u>
<b>Total liabilities</b>	<u>1,682</u>	<u>177</u>
<b>Net Assets:</b>		
Invested in capital assets, net of related debt	16	16
Unrestricted	3,354	3,028
<b>Total net assets</b>	<u>3,370</u>	<u>3,044</u>
<b>Total liabilities and net assets</b>	<u><u>\$ 5,052</u></u>	<u><u>\$ 3,221</u></u>

**PUBLIC WORKS STORES  
INTERNAL SERVICE FUND  
STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN NET ASSETS  
For the fiscal year ended December 31, 2006**

**CITY OF MINNEAPOLIS, MINNESOTA**

**(In Thousands)**

	<u>2006</u>	<u>2005</u>
Operating revenues:		
Charges for services and sales	\$ 4,397	\$ 4,906
Operating expenses:		
Personal services	621	577
Contractual services	229	216
Materials, supplies, services and other	88	99
Rent	68	65
Cost of stores issuance	3,066	3,520
Total operating expenses	4,072	4,477
<b>Operating income (loss)</b>	<u>325</u>	<u>429</u>
Non-operating revenues (expenses):		
Interest revenue	1	-
<b>Change in net assets</b>	<u>326</u>	<u>429</u>
Net assets - January 1	3,044	2,615
<b>Net assets - December 31</b>	<u>\$ 3,370</u>	<u>\$ 3,044</u>

**PUBLIC WORKS STORES  
INTERNAL SERVICE FUND  
STATEMENT OF CASH FLOWS  
For the fiscal year ended December 31, 2006**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	<u>2006</u>	<u>2005</u>
<b>Cash flows from operating activities:</b>		
Cash received from customers and users	\$ 4,396	\$ 4,896
Payments to suppliers	(3,878)	(4,227)
Payments to employees	(610)	(577)
<b>Net Cash Provided (used) by operating activities</b>	<u>(92)</u>	<u>92</u>
<b>Cash flows from investing activities:</b>		
Interest	1	-
Net increase (decrease) in cash and cash equivalents	(91)	92
Cash and cash equivalents, beginning of year	92	-
<b>Cash and cash equivalents, end of year</b>	<u>1</u>	<u>92</u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>		
Operating income (loss)	325	428
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:		
Accounts receivable	(7)	(10)
Inventories	(1,914)	564
Due to other funds	878	(694)
Salaries payable	8	(1)
Accounts payable	610	(196)
Intergovernmental payable	6	-
Compensated absences payable	2	1
<b>Net cash provided (used) by operating activities</b>	<u>\$ (92)</u>	<u>\$ 92</u>

**SELF-INSURANCE  
INTERNAL SERVICE FUND  
STATEMENT OF NET ASSETS  
December 31, 2006**

**CITY OF MINNEAPOLIS, MINNESOTA**

**(In Thousands)**

	<u>2006</u>	<u>2005</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 5,541	\$ 1,797
Receivables:		
Accounts - net	5	41
Intergovernmental	182	182
Due from other funds	2,823	546
Due from component unit	-	133
Prepaid expense	-	16
Total current assets	<u>8,551</u>	<u>2,715</u>
<b>Total assets</b>	<u>\$ 8,551</u>	<u>\$ 2,715</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Salaries payable	\$ 394	\$ 411
Accounts payable	4,130	1,400
Interest payable	4	13
Unearned revenue	216	161
Bonds payable-current portion	320	935
Compensated absences payable-current portion	85	82
Total current liabilities	<u>5,149</u>	<u>3,002</u>
Long-term liabilities:		
Bonds payable	1,060	4,460
Compensated absences payable	198	192
Unpaid claims payable	32,246	31,101
Total long-term liabilities	<u>33,504</u>	<u>35,753</u>
<b>Total liabilities</b>	<u>38,653</u>	<u>38,755</u>
<b>Net Assets:</b>		
Unrestricted	<u>(30,102)</u>	<u>(36,040)</u>
<b>Total net assets</b>	<u>(30,102)</u>	<u>(36,040)</u>
<b>Total liabilities and net assets</b>	<u>\$ 8,551</u>	<u>\$ 2,715</u>

**SELF-INSURANCE  
INTERNAL SERVICE FUND  
STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN NET ASSETS  
For the fiscal year ended December 31, 2006**

**CITY OF MINNEAPOLIS, MINNESOTA**

**(In Thousands)**

	<u>2006</u>	<u>2005</u>
Operating revenues:		
Charges for services and sales	\$ 68,303	\$ 61,131
Operating expenses:		
Personal services	8,959	10,831
Contractual services	60,124	51,336
Materials, supplies, services and other	6,749	5,590
Rent	398	180
Total operating expenses	<u>76,230</u>	<u>67,937</u>
<b>Operating income (loss)</b>	<u>(7,927)</u>	<u>(6,806)</u>
Non-operating revenues (expenses):		
Interest expense	(105)	(142)
Damages/losses recovered	15	33
Other revenues	<u>5,255</u>	<u>5,110</u>
Total non-operating revenues (expenses)	<u>5,165</u>	<u>5,001</u>
Income (loss) before transfers	<u>(2,762)</u>	<u>(1,805)</u>
Transfers in (out):		
Transfers from other funds	8,745	3,870
Transfers to other funds	<u>(45)</u>	<u>(125)</u>
Total transfers	<u>8,700</u>	<u>3,745</u>
<b>Change in net assets</b>	5,938	1,940
Net assets - January 1	<u>(36,040)</u>	<u>(37,980)</u>
<b>Net assets - December 31</b>	<u>\$ (30,102)</u>	<u>\$ (36,040)</u>

SELF-INSURANCE  
INTERNAL SERVICE FUND  
STATEMENT OF CASH FLOWS  
For the fiscal year ended December 31, 2006

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	<u>2006</u>	<u>2005</u>
<b>Cash flows from operating activities:</b>		
Cash received from customers and users	\$ 71,509	\$ 66,451
Payments to suppliers	(64,524)	(59,342)
Payments to employees	(7,821)	(8,323)
<b>Net Cash Provided (used) by operating Activities</b>	<u>(836)</u>	<u>(1,214)</u>
<b>Cash flows from non-capital financing activities:</b>		
Transfers from other funds	8,745	3,870
Principal paid on bonds and notes	(4,015)	(890)
Interest paid on bonds and notes	(105)	(142)
Transfers to other funds	(45)	(126)
<b>Net cash provided (used) by non-capital financing activities</b>	<u>4,580</u>	<u>2,712</u>
Net increase (decrease) in cash and cash equivalents	3,744	1,498
Cash and cash equivalents, beginning of year	<u>1,797</u>	<u>299</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>5,541</u></u>	<u><u>1,797</u></u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities</b>		
Operating income (loss)	<u>(7,927)</u>	<u>(6,806)</u>
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:		
Accounts receivable	36	565
Prepays	16	(16)
Due from other funds	(2,277)	(507)
Due from component unit	133	-
Due to other funds	-	(2,570)
Salaries payable	(17)	71
Accounts payable	2,730	350
Interest payable	(9)	5
Unearned revenue	55	114
Compensated absences payable	9	(278)
Unpaid claims	1,145	2,715
Damages/Losses Recovered	15	33
Other non-operating revenues	5,255	5,110
<b>Net cash provided (used) by operating activities</b>	<u><u>\$ (836)</u></u>	<u><u>\$ (1,214)</u></u>

**COMBINING STATEMENT OF FIDUCIARY NET ASSETS CITY OF MINNEAPOLIS, MINNESOTA**  
**AGENCY FUNDS**  
**December 31, 2006** **(In Thousands)**

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

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

**CITY OF MINNEAPOLIS, MINNESOTA**

**For the fiscal year ended December 31, 2006**

**(In Thousands)**

	<u>Balance January 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31, 2006</u>
<b>MINNEAPOLIS AGENCY</b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 567	\$ 392,680	\$ 392,472	\$ 775
Receivables:				
Accounts-net	90	32	26	96
Total assets	<u>657</u>	<u>392,712</u>	<u>392,498</u>	<u>871</u>
<b>Liabilities:</b>				
Accounts payable	<u>657</u>	<u>458,607</u>	<u>458,393</u>	<u>871</u>
<b>SKYWAY DEBT SERVICE</b>				
<b>Assets:</b>				
Cash and cash equivalents	<u>224</u>	<u>2</u>	<u>104</u>	<u>122</u>
<b>Liabilities:</b>				
Deposits held for others	<u>224</u>	<u>2</u>	<u>104</u>	<u>122</u>
<b>TOTAL ALL AGENCY FUNDS</b>				
<b>Assets:</b>				
Cash and cash equivalents	791	392,682	392,576	897
Receivables:				
Accounts-net	90	32	26	96
Total assets	<u>881</u>	<u>392,714</u>	<u>392,602</u>	<u>993</u>
<b>Liabilities:</b>				
Accounts payable	657	458,607	458,393	871
Deposits held for others	224	2	104	122
Total liabilities	<u>\$ 881</u>	<u>\$ 458,609</u>	<u>\$ 458,497</u>	<u>\$ 993</u>

SCHEDULE OF GOVERNMENTAL ACTIVITY BONDS AND NOTES

CITY OF MINNEAPOLIS, MINNESOTA

December 31, 2006

(In Thousands)

Issues Outstanding	Interest Rates	Issue Date	Final Maturity Date	Issued	Retired	Outstanding	Principal Due in 2007		Interest Due in 2007
							Principal Due in 2007	Interest Due in 2007	
<u>Property Tax Supported General Obligation Bonds</u>									
General Infrastructure Bonds									
Bridges	2.00% to 4.00%	06/25/03	12/01/06	3,384	3,384	-	-	-	-
	4.00% to 5.00%	06/24/04	12/01/07	1,178	978	200	200	200	10
	Variable	06/01/06	12/01/10	1,645	5	1,640	410	410	82
Libraries	4.00% to 5.00%	06/24/04	12/01/07	930	630	300	300	300	15
	Variable	06/01/06	12/01/07	1,640	40	1,600	1,600	1,600	80
Park Improvements	Variable	06/01/06	12/01/07	1,205	255	950	950	950	48
Parkway Improvements	Variable	06/01/06	12/01/07	375	75	300	300	300	15
Public Buildings	2.00% to 4.00%	06/25/03	12/01/07	9,649	7,711	1,938	1,938	1,938	78
	4.00% to 5.00%	06/24/04	12/01/07	2,690	1,690	1,000	1,000	1,000	50
	Variable	06/01/06	12/01/08	2,615	65	2,550	1,350	1,350	128
Municipal Buildings	2.00% to 4.00%	06/25/03	12/01/07	662	600	62	62	62	2
	Variable	06/01/06	12/01/07	1,260	10	1,250	1,250	1,250	62
Street Improvements	3.00% to 4.00%	07/11/02	12/01/11	9,596	7,496	2,100	400	400	84
	2.00% to 4.00%	06/25/03	12/01/06	9,529	9,529	-	-	-	-
	Variable	10/30/03	12/01/05	3,600	1,500	2,100	300	300	105
	4.00% to 5.00%	06/24/04	12/01/07	6,897	4,497	2,400	2,400	2,400	120
	3.00% to 3.00%	06/30/05	12/01/05	16,349	10,049	6,300	3,000	3,000	252
	Variable	06/01/06	12/01/11	9,423	13	9,410	2,340	2,340	470
	Variable	06/01/06	12/01/06	412	412	-	-	-	-
Public Safety Capital Initiative	3.00% to 4.60%	07/11/02	12/01/19	4,735	810	3,925	185	185	166
	2.00% to 4.25%	06/25/03	12/01/25	9,655	-	9,655	-	-	398
Sub-total General Infrastructure Bonds				97,429	49,749	47,680	17,985	17,985	2,165

SCHEDULE OF GOVERNMENTAL ACTIVITY BONDS AND NOTES

CITY OF MINNEAPOLIS, MINNESOTA  
(continued)

December 31, 2006

Issues Outstanding	Interest Rates	Issue Date	Final Maturity Date	Issued	Retired	Outstanding	(In Thousands)	
							Principal Due in 2007	Interest Due in 2007
Library Referendum Bonds	3.00% to 5.00% Variable	12/19/02 10/30/03	12/01/25 12/01/32	9,500 57,000	- 3,675	9,500 53,325	500 275	405 2,666
	3.00% to 5.00%	12/01/04	12/01/25	28,000	800	27,200	800	1,258
	4.00% to 4.375%	06/30/05	12/01/25	29,915	3,715	26,200	425	1,088
	Variable	06/01/06	12/01/09	3,980	630	3,350	1,100	167
Sub-total Library Referendum Bonds				128,395	8,820	119,575	3,100	5,584
Pension Obligation Bonds								
Pension Bonds (MERF)	5.80% to 5.85%	12/19/02	12/01/26	25,000	-	25,000	-	1,450
	4.70% to 5.00%	06/25/03	12/01/26	36,000	-	36,000	-	1,745
Pension Bonds (MEDRA)	3.00% to 3.625%	12/01/04	12/01/08	4,740	3,140	1,600	800	58
Pension Bonds (MPRA)	2.00% to 4.98% Variable	12/19/02 10/30/03	12/01/14 12/01/13	10,600 17,900	1,640 17,900	8,960 -	400 -	399 -
Sub-total Pension Obligation Bonds	5.00% to 5.30%	12/01/04	12/01/21	24,970	2,970	22,000	-	1,134
				119,210	25,650	93,560	1,200	4,786
Total Property Tax Supported General Obligation Bonds				345,034	84,219	260,815	22,285	12,535
Self-Supporting General Obligation Bonds								
Convention Center	Variable Variable	06/24/99 09/21/00	12/01/18 12/01/18	88,400 80,000	51,400 40,000	37,000 40,000	- -	1,850 2,000
	3.00% to 5.00%	07/11/02	12/01/20	13,180	6,615	6,565	45	328
	3.00% to 5.00%	07/11/02	12/01/20	76,400	-	76,400	-	3,820
	4.00% to 5.00%	11/07/02	12/01/13	48,400	12,730	35,670	3,920	1,784
	5.00%	06/24/04	12/01/14	39,740	6,325	33,415	3,480	1,584
Nicollet Mall Improvement	3.50%	10/20/05	12/01/06	120	120	-	-	-
Park Acquisition	4.00% to 5.00%	08/29/01	12/01/19	11,270	2,075	9,195	500	460
	3.00% to 4.00%	07/11/02	12/01/21	2,200	200	2,000	-	94
Library Parking Ramp	3.25% to 4.75%	12/19/02	12/01/28	10,100	-	10,100	-	457
Total Self-Supporting General Obligation Bonds				369,810	119,465	250,345	7,945	12,377

SCHEDULE OF GOVERNMENTAL ACTIVITY BONDS AND NOTES

CITY OF MINNEAPOLIS, MINNESOTA  
(continued)

December 31, 2006

(In Thousands)

Issues Outstanding	Interest Rates	Issue Date	Final Maturity Date	Issued	Retired	Outstanding	Principal Due in 2007	Interest Due in 2007			
<u>Special Assessment General Obligation Bonds</u>											
Improvements											
	5.10% to 5.70%	06/05/96	12/01/16	2,315	2,115	200	100	11			
	3.50% to 4.50%	11/17/05	12/01/16	815	-	815	-	34			
	4.85% to 5.25%	06/25/97	12/01/17	2,965	2,470	495	165	24			
	3.50% to 4.50%	11/17/05	12/01/17	960	-	960	-	41			
	3.20% to 4.75%	11/01/98	12/01/18	1,500	1,160	340	145	14			
	4.00% to 5.00%	11/01/98	12/01/11	1,955	1,205	750	165	34			
	4.00% to 5.00%	08/29/01	12/01/21	9,245	3,035	6,210	500	277			
	4.00% to 4.10%	11/07/02	12/01/22	5,890	1,555	4,335	355	199			
	2.50% to 4.50%	11/06/03	12/01/23	6,130	1,400	4,730	455	169			
	Variable	10/30/03	12/01/13	1,460	435	1,025	145	51			
	2.50% to 4.375%	12/01/04	12/01/24	9,740	1,360	8,380	665	308			
	3.50% to 4.00%	10/20/05	12/01/10	1,155	225	930	235	33			
	3.50% to 4.00%	10/20/05	12/01/10	860	175	685	175	24			
	4.00% to 4.375%	11/30/05	12/01/25	4,610	400	4,210	365	173			
	4.00% to 4.50%	11/16/06	12/01/26	3,780	-	3,780	270	160			
Nicollet Mall Improvement	3.50% to 5.00%	06/30/05	03/01/10	6,255	1,100	5,155	1,190	228			
Northop Lane Improvement	4.375% to 4.875%	07/01/98	12/01/18	157	121	36	6	2			
	4.00% to 5.00%	11/17/05	12/01/18	35	-	35	-	2			
Park Diseased Trees	4.00% to 5.00%	08/29/01	12/01/06	500	500	-	-	-			
	3.00% to 4.00%	07/11/02	12/01/07	500	400	100	100	4			
	2.00% to 4.00%	06/25/03	12/01/08	500	300	200	100	8			
	4.00% to 5.00%	06/24/04	12/01/09	500	200	300	100	15			
	3.00% to 4.00%	06/30/05	12/01/10	500	100	400	100	16			
	Variable	06/01/06	12/01/11	500	-	500	100	25			
<b>Total Special Assessment General Obligation Bonds</b>							<b>62,827</b>	<b>18,256</b>	<b>44,571</b>	<b>5,436</b>	<b>1,852</b>
<u>Tax Increment General Obligation Bonds</u>											
Laurel Village Tax Increment	2.00% to 4.20%	01/29/03	03/01/16	26,350	3,835	22,515	1,685	793			
Nicollet Mall Tax Increment	3.50% to 5.00%	06/30/05	03/01/10	765	135	630	150	28			

SCHEDULE OF GOVERNMENTAL ACTIVITY BONDS AND NOTES

CITY OF MINNEAPOLIS, MINNESOTA  
(continued)

December 31, 2006

(In Thousands)

Issues Outstanding	Interest Rates	Issue Date	Final Maturity Date	Issued	Retired	Outstanding	Principal		Interest	
							Due in 2007	Due in 2007	Due in 2007	Due in 2007
<u>Tax Increment General Obligation Bonds (continued)</u>										
Tax Increment	3.50% to 5.00%	06/30/05	03/01/08	36,260	3,655	32,605	4,160	1,580		
	3.50% to 5.00%	06/30/05	03/01/08	5,730	1,775	3,955	1,890	151		
Tax Redevelopment - Arena Acquisition	4.25% to 5.20%	01/15/96	10/01/24	67,555	9,895	57,660	2,480	2,944		
West Side Milling District Tax Increment	4.90% to 6.055%	11/15/01	02/01/26	15,275	-	15,275	75	886		
	4.25% to 5.00%	11/15/01	02/01/26	1,100	-	1,100	-	53		
	2.00% to 3.50%	06/25/03	03/01/15	1,725	-	1,725	75	48		
Block E Development	Variable	10/26/00	03/01/27	10,610	1,190	9,420	160	471		
Block E Development - Taxable	4.60% to 5.30%	10/20/05	03/01/27	14,000	350	13,650	1,150	656		
Milwaukee Depot Development	7.00% to 7.375%	11/29/00	03/01/20	9,300	910	8,390	290	598		
Humboldt Greenway	4.00% to 5.00%	11/15/01	02/01/28	4,500	-	4,500	-	211		
Heritage Park	2.15% to 4.25%	06/25/03	03/01/25	6,900	-	6,900	-	264		
Total Tax Increment General Obligation Bonds				200,070	21,745	178,325	12,115	8,683		
<u>Revenue Bonds</u>										
Arena Acquisition Project Series B	Variable	03/01/95	10/01/24	6,100	1,430	4,670	170	229		
Arena Acquisition Project Series A	5.50%	03/01/95	10/01/24	6,550	1,510	5,040	185	277		
2004 Village at St. Anthony Falls-Tax Exempt	2.35% to 5.75%	03/01/04	03/01/27	7,470	295	7,175	140	382		
2005 Village at St. Anthony Falls-Tax Exempt	4.00% to 5.65%	12/13/05	02/01/27	4,430	-	4,430	100	233		
2005 Ivy Tower	5.10% to 5.70%	12/20/05	02/01/29	4,935	-	4,935	-	274		
2006 Grant Park TI Revenue Refunding	5.00% to 5.350%	09/26/06	02/10/30	10,545	-	10,545	70	465		
Subordinated Development-Tax Increment	7.00% to 7.25%	01/09/90	09/01/09	112,785	83,824	28,961	10,535	25,515		
Total Revenue Bonds				152,815	87,059	65,756	11,200	27,375		
Total General Government Bonds				1,130,556	330,744	799,812	58,981	62,822		

SCHEDULE OF GOVERNMENTAL ACTIVITY BONDS AND NOTES

CITY OF MINNEAPOLIS, MINNESOTA

(continued)  
(In Thousands)

December 31, 2006

Issues Outstanding	Interest Rates	Issue Date	Final Maturity Date	Issued	Retired	Outstanding	Principal		Interest Due in 2007
							Due in 2007	Due in 2007	
Revenue Notes									
Edison Youth Hockey Association	6.18%	10/02/96	07/02/08	1,045	1,045	-	-	-	-
Community Health and Education	5.86%	08/05/97	08/05/12	680	213	467	31	27	27
NSP Energy	0.00%	1996 - 1998	12/31/08	5,973	5,521	452	267	-	-
Tax Increment-									
College of St. Thomas District	6.93%	04/01/91	02/01/16	9,200	-	9,200	-	-	-
Urban Village - 2002B	Variable	11/19/01	12/01/31	3,000	60	2,940	60	46	46
Urban Village - 2002B	Variable	11/19/01	12/01/31	2,000	25	1,975	25	49	49
Grant Park Project	7.25%	08/28/02	08/01/07	9,825	9,825	-	-	-	-
East River Unocal Site	7.00%	09/19/02	08/01/07	1,500	10	1,490	1,490	104	104
Section 108 - Near North	Variable	04/26/01	08/01/20	3,900	3,900	-	-	-	-
Section 108 - Portland Place	7.60%	08/01/00	08/01/17	610	95	515	29	39	39
Section 108 - Green Institute	Variable	02/14/02	08/01/21	3,500	330	3,170	122	181	181
Section 108 - Midtown Exchange	Variable	12/01/04	08/01/24	6,500	-	6,500	-	377	377
Total Revenue Notes				47,733	21,024	26,709	2,024	823	823
Total General Government Bonds and Notes				1,178,289	351,768	826,521	61,005	63,645	63,645
<u>Internal Service Funds</u>									
Equipment Fund General Obligation Bonds									
Currie Facility	4.00% to 5.00%	08/29/01	12/01/22	26,150	6,940	19,210	395	961	961
Equipment Purchases 2002	3.25% to 3.50%	12/19/02	12/01/07	6,100	3,000	3,100	3,100	108	108
Equipment Purchases 2003	2.00% to 4.00%	06/25/03	12/01/18	9,630	2,985	6,645	725	266	266
Equipment Purchases 2004	4.00% to 5.00%	06/24/04	12/01/19	5,450	1,320	4,130	660	206	206
Equipment Purchases 2005	3.00% to 4.00%	06/30/05	12/01/20	5,540	750	4,790	750	192	192
Total Equipment Fund General Obligation Bonds				52,870	14,995	37,875	5,630	1,733	1,733

SCHEDULE OF GOVERNMENTAL ACTIVITY BONDS AND NOTES

CITY OF MINNEAPOLIS, MINNESOTA

(continued)

December 31, 2006

(In Thousands)

Issues Outstanding	Interest Rates	Issue Date	Final Maturity Date	Issued	Retired	Outstanding	Principal		Interest	
							Due in 2007	Due in 2007	Due in 2007	Due in 2007
Property Fund General Obligation Bonds	3.00% to 4.60%	07/11/02	12/01/19	6,425	1,150	5,275	315	221		
	2.00% to 4.00%	06/25/03	12/01/18	4,560	1,150	3,410	300	136		
<b>Total Property Fund General Obligation Bonds</b>				<b>10,985</b>	<b>2,300</b>	<b>8,685</b>	<b>615</b>	<b>357</b>		
Intergovernmental Services Fund - General Obligation Bonds	4.00% to 5.00%	07/01/99	12/01/06	13,600	13,600	-	-	-		
	5.00%	06/29/00	12/01/06	6,556	6,556	-	-	-		
	4.75%	12/13/00	12/01/12	22,820	-	22,820	-	1,084		
	4.00% to 5.00%	08/29/01	12/01/12	5,518	423	5,095	95	255		
	4.00% to 5.00%	06/24/04	12/01/07	2,475	1,375	1,100	1,100	55		
	3.00% to 4.00%	06/30/05	12/01/09	2,475	975	1,500	500	60		
	3.50% to 4.00%	10/20/05	12/01/12	4,370	610	3,760	570	138		
	Variable	06/01/06	12/01/11	1,525	25	1,500	300	75		
<b>Total Intergovernmental Services Fund - General Obligation Bonds</b>				<b>59,339</b>	<b>23,564</b>	<b>35,775</b>	<b>2,565</b>	<b>1,667</b>		
Self-Insurance Fund - General Obligation Bonds (Self-Supporting)	Variable	09/21/00	12/01/10	8,800	7,420	1,380	320	69		
<b>Sub-Total Self-Insurance Fund</b>				<b>8,800</b>	<b>7,420</b>	<b>1,380</b>	<b>320</b>	<b>69</b>		
<b>Total Internal Service Funds</b>				<b>131,994</b>	<b>48,279</b>	<b>83,715</b>	<b>9,130</b>	<b>3,826</b>		
<b>Total General Governmental Activity Bonds and Notes</b>				<b>1,310,283</b>	<b>400,047</b>	<b>910,236</b>	<b>70,135</b>	<b>67,471</b>		

SCHEDULE OF BUSINESS ACTIVITY BONDS AND NOTES

CITY OF MINNEAPOLIS, MINNESOTA

(continued)

December 31, 2006

(In Thousands)

Issues Outstanding	Interest Rates	Issue Date	Final Maturity Date	Issued	Retired	Outstanding	Principal		Interest	
							Due in 2007	Due in 2007	Due in 2007	Due in 2007
<u>Sewer Related General Obligation Bonds</u>										
Stormwater Fund	4.70% to 5.75%	06/01/93	12/01/15	3,856	1,245	2,611	365	448		
	4.25% to 5.05%	05/24/94	12/01/08	4,225	3,025	1,200	800	622		
	4.00% to 5.00%	11/01/98	12/01/17	9,345	2,035	7,310	400	362		
	5.00% to 5.25%	06/29/00	12/01/06	10,110	10,110	-	-	-		
	4.00% to 5.00%	08/29/01	12/01/08	11,102	8,102	3,000	1,500	150		
	2.00% to 4.00%	06/25/03	12/01/10	8,590	4,590	4,000	1,000	160		
	4.00% to 5.00%	06/24/04	12/01/09	7,410	1,850	5,560	1,500	278		
	3.00% to 4.00%	06/30/05	12/01/08	5,079	1,079	4,000	1,000	160		
	3.50% to 4.00%	10/20/05	12/01/09	715	230	485	245	17		
	Variable	06/01/06	12/01/11	6,947	-	6,947	983	347		
Sub-total Stormwater Fund Bonds				67,379	32,266	35,113	7,793	2,544		
<u>Sanitary Sewer Fund</u>										
	Variable	06/01/06	12/01/11	625	72	553	17	28		
Total Sewer Fund Related General Obligation Bonds				68,004	32,338	35,666	7,810	2,572		
<u>Water Fund - General Obligation Bonds</u>										
	4.70% to 5.75%	06/01/93	12/01/15	6,715	3,370	3,345	299	367		
	4.25% to 5.05%	05/24/94	12/01/08	11,775	8,476	3,299	1,698	1,320		
	4.375% to 4.875%	07/01/98	12/01/07	8,960	7,880	1,080	1,080	47		
	4.00% to 5.00%	11/01/98	12/01/17	15,340	2,375	12,965	350	637		
	5.00% to 5.25%	06/29/00	12/01/06	9,160	9,160	-	-	-		
	2.00% to 4.00%	06/25/03	12/01/10	8,350	4,350	4,000	1,000	160		
	4.00% to 5.00%	06/24/04	12/01/06	7,250	7,250	-	-	-		
	3.00% to 4.00%	06/30/05	12/01/08	4,250	2,250	2,000	1,000	80		
	Variable	06/01/06	12/01/07	1,843	343	1,500	1,500	75		
Sub-total Water Fund Bonds				73,643	45,454	28,189	6,927	2,686		
<u>Drinking Water Program - Notes Payable</u>										
	2.82%	12/17/02	08/20/22	27,400	1,900	25,500	500	719		
	2.80%	02/21/04	08/20/23	25,000	550	24,450	350	685		
	2.53%	03/23/05	08/20/19	11,558	50	11,508	50	291		
	2.68%	08/23/06	08/20/26	2,331	-	2,331	100	61		
Sub-total Water Fund Notes				66,289	2,500	63,789	1,000	1,756		
Total Water Fund General Obligation Bonds and Notes				139,932	47,954	91,978	7,927	4,442		

SCHEDULE OF BUSINESS ACTIVITY BONDS AND NOTES

CITY OF MINNEAPOLIS, MINNESOTA

(continued)

December 31, 2006

Issues Outstanding	Interest Rates	Issue Date	Final Maturity Date	Issued	Retired	Outstanding	(In Thousands)	
							Principal Due in 2007	Interest Due in 2007
<u>Municipal Parking Fund General Obligation Bonds</u>								
	4.70% to 5.75%	06/01/93	12/01/15	4,530	1,885	2,645	335	411
	3.50% to 5.00%	06/30/05	03/01/12	12,400	1,395	11,005	1,585	511
	4.375% to 4.875%	07/01/98	12/01/18	2,282	1,597	685	114	30
	4.00% to 5.00%	11/17/05	12/01/18	685	-	685	-	30
	4.00% to 5.00%	11/01/98	12/01/17	30,730	5,845	24,885	1,515	1,209
	4.55% to 4.75%	11/01/98	12/01/26	19,200	-	19,200	-	908
	4.70% to 5.125%	07/01/99	12/01/17	14,000	7,350	6,650	850	322
	3.50% to 5.00%	11/17/05	12/01/17	5,340	-	5,340	-	246
	5.25% to 6.00%	01/12/00	12/01/25	10,800	75	10,725	100	624
	5.00% to 5.125%	08/29/01	12/01/28	15,000	-	15,000	10	761
	3.00% to 5.00%	07/11/02	12/01/12	11,485	4,370	7,115	1,330	328
	3.00% to 5.00%	07/11/02	12/01/12	7,135	2,715	4,420	825	204
	4.00% to 5.00%	11/07/02	12/01/26	25,000	1,090	23,910	160	1,185
	Variable	10/30/03	12/01/18	10,525	-	10,525	-	526
	Variable	12/11/03	12/01/28	16,100	-	16,100	-	805
	Variable	06/12/04	12/01/14	19,170	2,910	16,260	1,705	813
	Variable	03/17/05	12/01/33	16,400	-	16,400	600	820
	3.50% to 4.00%	10/20/05	12/01/09	840	220	620	215	22
	3.50% to 4.00%	10/20/05	12/01/09	1,240	320	920	320	32
	3.50% to 4.00%	10/20/05	12/01/09	2,370	540	1,830	630	64
	Variable	06/01/06	12/01/13	1,700	-	1,700	-	85
Sub-total Parking Fund (user fee only) Bonds				226,932	30,312	196,620	10,294	9,936
<u>Municipal Parking Fund General Obligation/Tax Increment Bonds</u>								
	4.70% to 5.125%	07/01/99	12/01/24	16,150	8,775	7,375	350	369
	3.50% to 5.00%	11/17/05	12/01/21	7,100	-	7,100	-	322
	5.00% to 5.25%	06/29/00	12/01/15	5,000	1,100	3,900	400	205
	5.00% to 5.00%	11/14/00	03/01/26	46,225	20,850	25,375	3,600	1,179
	3.50% to 5.00%	11/17/05	12/01/21	15,355	-	15,355	-	752
	6.3% to 7.00%	11/29/00	03/01/12	15,000	6,600	8,400	1,400	527
	Variable	03/17/05	03/01/32	4,250	-	4,250	-	212
Sub-total Parking Fund (user fee/tax increment) Bonds				109,080	37,325	71,755	5,750	3,566
Total Municipal Parking Fund General Obligation Bonds				336,012	67,637	268,375	16,044	13,502

SCHEDULE OF BUSINESS ACTIVITY BONDS AND NOTES

CITY OF MINNEAPOLIS, MINNESOTA  
(continued)

December 31, 2006

Issues Outstanding	Interest Rates	Issue Date	Final Maturity Date	Issued	Retired	Outstanding	(In Thousands)	
							Principal Due in 2007	Interest Due in 2007
<u>Community Development Agency Fund - General Obligation Bonds (Self-Supporting)</u>								
Home Ownership & Renovation III	4.00% to 5.70%	12/01/93	12/01/23	10,000	10,000	-	-	-
Total Community Development Agency Fund Self-Supporting General Obligation Bonds				10,000	10,000	-	-	-
Total Business Activity General Obligation Bonds and Notes				553,948	157,929	396,019	31,781	20,516
<u>Community Development Agency Fund - General Agency Reserve Fund System Bonds</u>								
Shaw Acquisition Corporation II	10.40%	07-01-87	02-01-07	945	845	100	100	10
Precision Tapes, Inc.	4.70% to 6.50%	11-01-93	06-01-13	2,100	2,100	-	-	-
NICO Properties	5.60% to 6.80%	07-01-95	02-01-24	4,650	1,580	3,070	205	206
Carlson Companies	4.85% to 6.00%	03-01-96	02-01-11	8,370	5,110	3,260	650	185
Halper Box	5.10% to 6.15%	04-01-97	06-01-17	2,400	760	1,640	110	97
Ambassador Press	5.10% to 6.20%	05-01-97	06-01-17	4,600	4,600	-	-	-
Baker Bearing	5.10% to 6.20%	05-01-97	12-01-17	2,900	915	1,985	130	118
Laurel Village Alden Limited Partnership II	4.30% to 5.75%	10-01-97	06-01-27	2,515	365	2,150	55	121
100 East 22nd Associates - A	4.00% to 5.50%	10-01-97	06-01-12	2,820	1,430	1,390	225	73
Cord Sets	4.10% to 5.50%	07-01-98	06-01-18	1,500	425	1,075	65	56
Discount Steel - A	5.00% to 5.25%	12-01-99	06-01-19	1,900	-	1,900	-	-
Discount Steel - B	6.75%	12-01-99	06-01-09	1,000	620	380	120	119
Pajor and Associates	4.75% to 6.75%	03-01-00	12-01-25	1,505	190	1,315	40	87
Resource Inc	4.65% to 6.00%	08-01-00	12-01-20	1,650	330	1,320	65	76
Elmer Enterprises Refunding	3.90% to 5.875%	04-01-01	06-01-19	2,395	485	1,910	110	108
Stimson Building	5.80%	10-01-01	12-01-06	6,000	6,000	-	-	-
Bridgerail Properties (All-Weather Roofing)	4.31 to 7.00%	09-01-02	06-01-22	2,750	345	2,405	95	154
Kristol Properties	2.45 to 5.12%	11-20-03	12-01-23	3,300	655	2,645	235	117
Infinite Graphics	2.25 to 5.50%	07-14-04	12-01-24	2,475	215	2,260	110	113
Theatres Bonds, Series 2005-1	5.23 to 6.30%	12-01-05	12-01-35	21,055	275	20,780	290	1,274
Ambassador Press Refunding	5.875 to 6.50%	12-01-06	12-01-26	8,400	-	8,400	60	497
Total Community Development Agency Fund - General Agency Reserve Fund System Bonds				85,230	27,245	57,985	2,665	3,411

SCHEDULE OF BUSINESS ACTIVITY BONDS AND NOTES

CITY OF MINNEAPOLIS, MINNESOTA  
(continued)

December 31, 2006

Issues Outstanding	Interest Rates	Issue Date	Final Maturity Date	(In Thousands)			
				Issued	Retired	Outstanding	Principal Due in 2007
<u>Community Development Agency Fund - Mortgage Revenue Bonds</u>							
Home Ownership Program							
Mortgage Revenue Bonds	7.00%	10/05/95	10/01/12	4,562	4,562	-	-
Total Community Development Agency Fund - Mortgage Revenue Bonds				4,562	4,562	-	-
<u>Total Community Development Agency Fund Bonds (incl General Obligation Bonds above)</u>							
				99,792	41,807	57,985	2,665
<u>Community Development Agency Fund - Revenue Notes</u>							
Economic Development Program							
Federal Home Loan Note	6.29%	12/14/97	12/14/12	440	214	226	32
Federal Home Loan Note	6.20%	04/01/99	04/01/14	1,200	476	724	80
Total Community Development Agency Fund - Revenue Notes				1,640	690	950	112
<u>Total Business Activity Bonds and Notes</u>							
				645,380	190,426	454,954	34,558
							23,983

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

**CITY OF MINNEAPOLIS, MINNESOTA**

**(In Thousands)**

	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Total</b>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 714	\$ 336	\$ 1,050
Receivables:			
Accounts - net	690	143	833
Taxes			
Current	27	-	27
Delinquent	102	-	102
<b>Total assets</b>	<b>1,533</b>	<b>479</b>	<b>2,012</b>
<b><u>LIABILITIES and FUND BALANCES</u></b>			
<b>Liabilities:</b>			
Salaries payable	249	1	250
Accounts payable	542	220	762
Deferred revenue	102	-	102
<b>Total liabilities</b>	<b>893</b>	<b>221</b>	<b>1,114</b>
<b>Fund balances:</b>			
Reserved for:			
Encumbrances	55	56	111
Unreserved, reported in			
General Fund	585	-	585
Capital Project Fund	-	202	202
<b>Total fund balances</b>	<b>640</b>	<b>258</b>	<b>898</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,533</b>	<b>\$ 479</b>	<b>\$ 2,012</b>

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

**CITY OF MINNEAPOLIS, MINNESOTA**

**For the fiscal year ended December 31, 2006**

**(In Thousands)**

	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Total</b>
<b>REVENUES:</b>			
Taxes	\$ 3,651	\$ -	\$ 3,651
Intergovernmental revenues	428	230	658
Charges for services and sales	3,403	1,242	4,645
Miscellaneous revenues	81	960	1,041
Total revenues	<u>7,563</u>	<u>2,432</u>	<u>9,995</u>
<b>EXPENDITURES:</b>			
Current:			
General government	7,531	-	7,531
Capital outlay	-	2,561	2,561
Total expenditures	<u>7,531</u>	<u>2,561</u>	<u>10,092</u>
Excess (deficiency) of revenues over (under) expenditures	<u>32</u>	<u>(129)</u>	<u>(97)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers from other funds	-	180	180
Transfers (to) other funds	(180)	-	(180)
Total other financing sources (uses)	<u>(180)</u>	<u>180</u>	<u>-</u>
Net change in fund balance	(148)	51	(97)
Fund balances - January 1	<u>788</u>	<u>207</u>	<u>995</u>
<b>Fund balances - December 31</b>	<u><u>\$ 640</u></u>	<u><u>\$ 258</u></u>	<u><u>\$ 898</u></u>