



Comprehensive Annual Financial Report

City of Minneapolis, Minnesota
For the year ended December 31, 2013



Minneapolis Finance & Property Services Department

COMPREHENSIVE ANNUAL FINANCIAL REPORT



CITY OF
MINNEAPOLIS, MINNESOTA

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013

FINANCE & PROPERTY SERVICES DEPARTMENT

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Minneapolis
City of Lakes

**Finance & Property Services
Department
Kevin Carpenter
Finance Officer**

**350 South 5th Street - Room 325M
Minneapolis MN 55415-1315**

**Office 612-673-3554
Fax 612-673-2042
TTY 612-673-2157**

June 23, 2014

The Honorable Mayor and Members of the City Council and Citizens of the City of Minneapolis:

TRANSMITTAL

We are pleased to present the Comprehensive Annual Financial Report (CAFR) for the City of Minneapolis (the City) for the year ended December 31, 2013. The purpose of the report is to present the financial position of the City and the results of its operations for the year then ended. The financial statements and supporting schedules have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB), the Government Finance Officers Association of the United States and Canada (GFOA) and other rule-making bodies, and audited in accordance with generally accepted auditing standards by the Office of the State Auditor (OSA).

The City's management is responsible for the accuracy of the financial statements and the completeness and fairness of their presentation in the CAFR. To the best of our knowledge, the CAFR is accurate in all material respects and fairly sets forth the financial position and results of City operations as measured by the financial activity of its various funds. We believe the report contains all disclosures necessary for the reader to understand the City's financial affairs.

This transmittal letter is designed to complement the Management's Discussion and Analysis (MD&A) and should be read in conjunction with it. The MD&A provides a narrative introduction, overview, and analysis to accompany the basic financial statements and can be found immediately following the independent auditor's report.

INDEPENDENT AUDIT

Minnesota law requires that the Office of the State Auditor perform the City's annual audit. The OSA's report on the City's financial statements is based on its audit in accordance with generally accepted auditing standards. The State Auditor issued an unmodified or "clean" opinion on the City's financial statements for the year ended December 31, 2013. The State Auditor's opinion is included as page one through four in the financial section of this report.

The independent audit of the financial statements of the City is part of a broader, federally mandated audit designed to meet the requirements of the federal Single Audit Act and the related U.S. Office of Management and Budget's Circular A-133. The State Auditor is required to report not only on the fair presentation of the financial statements, but also on the City's internal controls over financial



reporting, and compliance with legal requirements, with special emphasis on internal controls and compliance requirements involving the administration of Federal awards. These reports are included in the Office of the State Auditor's separate Management and Compliance Report.

STEWARDSHIP

The City prepares financial reports to promote *accountability*. The City's elected officials are accountable to the citizens and City management is accountable to the elected officials. This report provides citizens and other interested parties one mechanism to assess whether the elected and appointed officials in the City have faithfully carried out their role of being good stewards of the City's resources.

INTERNAL CONTROLS

The City's management is responsible for establishing a comprehensive framework of internal controls. Because the cost of internal controls should not exceed anticipated benefits, and because the costs and benefits of internal controls are subject to estimates and judgments by management, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

We believe that the City's internal controls reasonably safeguard assets, assure that financial transactions are properly recorded and reported, and ensure compliance with applicable federal and state laws and regulations.

To ensure independence, the Office of the State Auditor has full and free access to meet with the City Council to discuss the results of their assessment of the adequacy of internal accounting controls and the quality of the City's financial reporting.

THE REPORTING ENTITY

The City organizes its financial activities into a variety of funds. In accordance with GASB Statement No. 61, the City's financial statements include all funds of the City ("primary government") as well as its component units. The primary government represents all funds under the ultimate control of the Mayor and City Council. Component units are separate legal entities. While legally separate, component units are in substance a part of City government. The City's financial statements would be misleading without incorporating component unit information. Some component units are reported in a separate column of the City's financial statement set apart from the rest of the primary government. These component units are discretely presented in the financial statements because, while the City is financially accountable for them, they do not meet the criteria for a blended component unit. The Minneapolis Park and Recreation Board, the Municipal Building Commission (MBC), and Meet Minneapolis are discretely presented component units in the City's financial statements.

THE CITY AND ITS SERVICES

City Profile

The City of Minneapolis is located in Hennepin County. It is the largest city in Minnesota and serves as the center of finance, industry, trade, and transportation for the Upper Midwest region of the United States.

Minneapolis encompasses 59 square miles, including five square miles of inland water. The City rests along the banks of the nation's largest river, the Mississippi. Minneapolis is known as "The City of

Lakes,” featuring 22 lakes and 170 city parks. The Minneapolis Park System is one of the City’s most prized assets and considered one of the premier park systems in the United States. The Minneapolis Parks & Recreation Board’s properties total nearly 6,732 acres of land and water and include full-service neighborhood recreation centers.

There are 81 residential neighborhoods within the City offering a broad range of housing to more than 177,000 households. The City is well known for its concerned and active citizenry which has engaged in partnerships with government and business to improve neighborhoods and create economic opportunities. Minneapolis is second only to New York City in per capita attendance at theater and arts events. Minneapolis has more than thirty theaters; the Guthrie Theater and the Children’s Theatre Company are recognized as two of the country’s best. The City boasts two world-class art museums and is home to the internationally acclaimed Minnesota Orchestra.

Minneapolis is home to an estimated 393,000 people. The population within the City grew by just over 5,000 people from 2010 to 2011, after a decade of static population growth. Males and females each make up a approximately 50% of the population. Children and youth under 18 make up 20% of the population. Seniors aged 65 and above, are 8% of the population. African Americans comprise 19% of the population, with Hispanics making up 11% of the population. People of Asian ethnicity make up 6% of the population and people of American Indian and Alaska Native descent comprise 2% of the population. People of another race, or those of two or more races, make up approximately 4% of the population.

As the major city within the larger metropolitan area, Minneapolis enjoys a strong and highly diverse business foundation of companies involved in manufacturing supercomputers, electronics, medical instruments, milling, machine manufacturing, food processing and graphic arts. In addition, with seven hospitals and the University of Minnesota, Minneapolis is a nationally known medical center that produces many high technology medical products.

Most of the preceding, and additional information, is available from *Minneapolis Fast Facts*, a publication of the City’s Community Planning and Economic Development Department. *Minneapolis Fast Facts* can be accessed from the City’s web site at www.minneapolismn.gov.

Form of Government and Organization

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

City Council

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

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

Mayor

The Mayor is responsible for a variety of leadership duties, including: appointing representatives to a variety of agencies and commissions, nominating department head candidates for Executive Committee and Council approval, proposing the annual operating and capital budgets, and reviewing, approving, or vetoing all Council actions. However, the Mayor does not vote on Council actions.

Departments

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

FINANCIAL POLICES

Each year during the budget process, the Council adopts a comprehensive set of financial policies. Of particular relevance to the City budget process is the policy to maintain an unassigned fund balance in the General Fund that is 15% of the following year's General Fund revenue budget. This balance is to be used for cash flow purposes, unanticipated expenditures of a non-recurring nature, or to meet unexpected increases in service delivery costs. The unassigned fund balance of the General Fund at December, 31, 2013, was \$ 97.0 million, which is \$30 million more than policy requires. Additional information regarding the 2013 fund balance in the General Fund is available in the MD&A.

Effective with the 2014 budget, the policy was changed to maintain an unrestricted fund balance in the General Fund that is 17% of the following year's General Fund budgeted expenditures amount.

Separate from the unallocated general fund reserve balance, the City also has a policy to budget an operating budget contingency in the General Fund of not less than 1% of all budgeted general fund expenditures in each of the applicable years planned for in the City's Five-Year Financial Direction. The contingency reserve was \$3.9 million in 2013 and is \$4.0 million in 2014.

ECONOMIC CONDITION AND OUTLOOK

A detailed discussion and analysis of the City's overall financial condition during the fiscal year ended 2013 is included as part of the MD&A.

LONG-TERM FINANCIAL PLANNING

The City takes a pro-active, long-term perspective in planning for the future. The City's approach and policies regarding long-term financial planning are discussed in detail in the MD&A section of this report.

DEBT MANAGEMENT

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

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

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (“GFOA”) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its CAFR for the fiscal year ended December 31, 2012. A Certificate of Achievement is valid for a period of one year only. The City has received this prestigious award for 44 years.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR, the contents of which conform to program standards. The report must satisfy both generally accepted accounting principles and applicable legal requirements. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA for review.

The City also received the GFOA's Distinguished Budget Presentation Award for its 2013 annual budget document. To qualify for the distinguished Budget Presentation Award, the City's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the entire staff of the City's Finance & Property Services Department. In addition, we would like to thank the Office of the State Auditor for its thoroughness and professionalism in conducting the City's audit. Finally, we would like to thank the Mayor, members of the City Council, and the City Coordinator, Paul Aasen, for their interest in conducting the financial operations of this City in a responsible and progressive manner.

Respectfully submitted,



Kevin D. Carpenter
Finance Officer



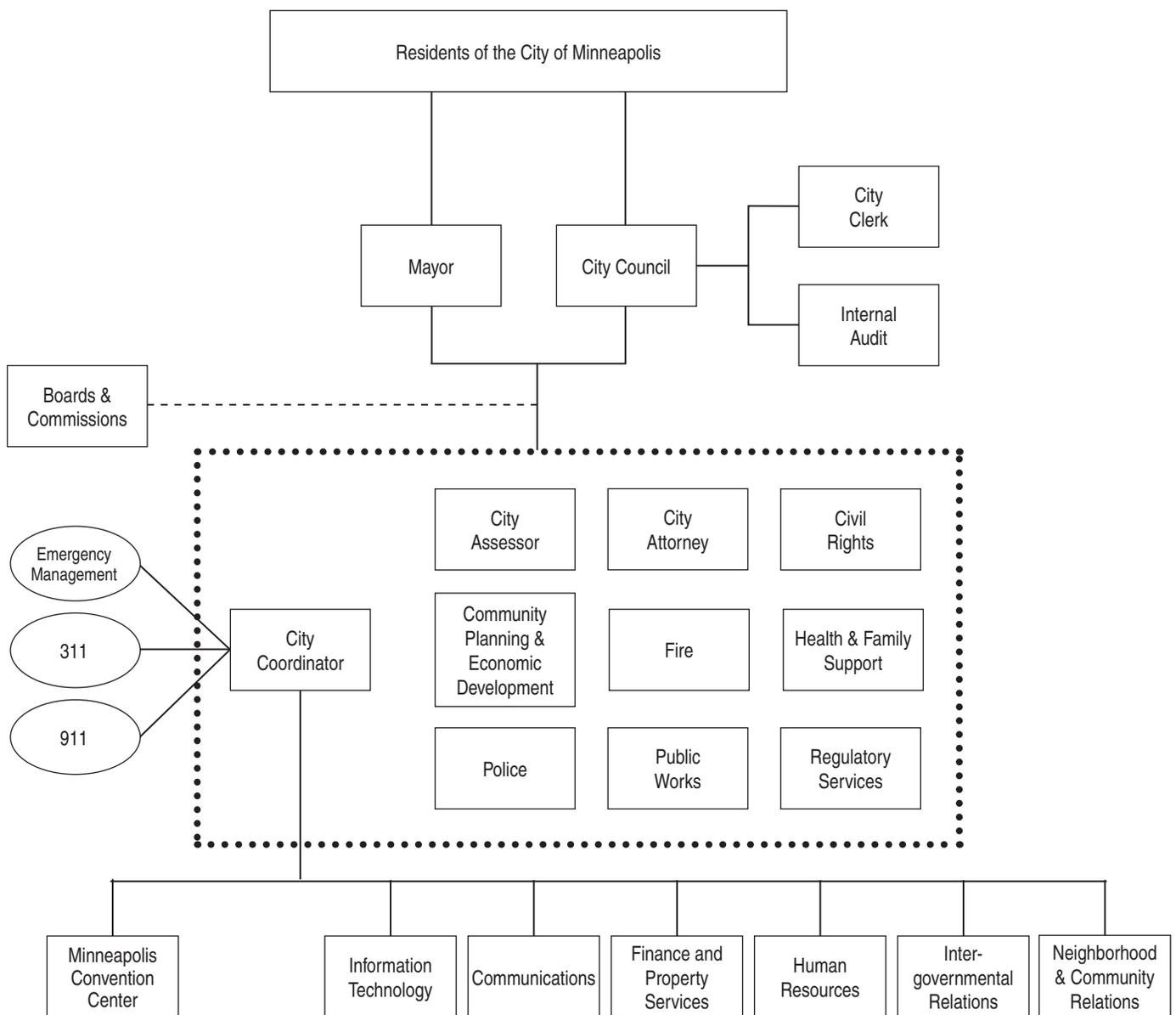
Sandra Christensen
Deputy Finance Officer



Connie L. Griffith
Controller

City of Minneapolis

Organizational Chart



MAYOR AND COUNCIL

CITY OF MINNEAPOLIS, MINNESOTA

2013

Mayor R.T. RYBAK

CITY COUNCIL

Ward 1 KEVIN REICH
Ward 2 CAM GORDON
Ward 3 DIANE HOFSTEDE
Ward 4 President BARBARA JOHNSON
Ward 5 DON SAMUELS
Ward 6 Vice-President ROBERT LILLIGREN
Ward 7 LISA GOODMAN
Ward 8 ELIZABETH GLIDDEN
Ward 9 GARY SCHIFF
Ward 10 MARGARET TUTHILL
Ward 11 JOHN QUINCY
Ward 12 SANDRA COLVIN ROY
Ward 13 BETSY HODGES

In 2014, the following changes occurred:

Mayor BETSY HODGES

Ward 3 JACOB FREY
Ward 5 BLONG YANG
Ward 6 ABDI WARSAME
Ward 9 ALONDRA CANO
Ward 10 LISA BENDER
Ward 12 ANDREW JOHNSON
Ward 13 LINEA PALMISANO



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Minneapolis
Minnesota**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2012

Executive Director/CEO



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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

SUITE 500
525 PARK STREET
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)
(651) 296-4755 (Fax)
state.auditor@state.mn.us (E-mail)
1-800-627-3529 (Relay Service)

INDEPENDENT AUDITOR'S REPORT

The Honorable Betsy Hodges, Mayor
and Members of the City Council
City of Minneapolis, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Minneapolis, Minnesota, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Meet Minneapolis, which is a component unit and less than 1 percent, a negative 1 percent, and 9 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Meet Minneapolis component unit, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of Meet Minneapolis were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Minneapolis as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2013 the City adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*, and Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which represent changes in accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Required Supplementary Information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Minneapolis' basic financial statements. The introductory section, the other supplementary information, and the statistical section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

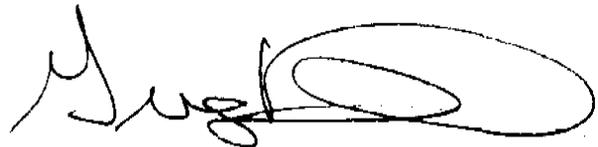
The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2014, on our consideration of City of Minneapolis' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Minneapolis' internal control over financial reporting and compliance. It does not include Meet Minneapolis which was audited by other auditors.



REBECCA OTTO
STATE AUDITOR



GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

June 23, 2014



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**CITY OF MINNEAPOLIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**

This section of the City of Minneapolis' comprehensive annual financial report presents a discussion and analysis of the City's financial performance during the fiscal year ended December 31, 2013. Please read it in conjunction with the transmittal letter at the front of this report and the City's basic financial statements following this section. **All dollar amounts are expressed in thousands unless otherwise indicated.**

FINANCIAL HIGHLIGHTS

- At the close of the 2013 fiscal year, assets of the City of Minneapolis exceeded liabilities by \$2,087,945 (net position). Of this amount, \$1,577,010 is the City's net investment in capital assets and \$231,780 is restricted for specific purposes (restricted net position) leaving \$279,155 in unrestricted net position.
- The City's total net position increased by \$140,642 in 2013. Governmental activities increased the City's net position by \$102,793 and the business-type activities increased the net position by \$37,489.
- As of December 31, 2013, total fund balance in the general fund was \$96,970, all of which was unassigned.
- The City's total long-term bond and note liability decreased by \$29,095 from the prior year. Total bonds and notes issued in 2013 was \$89,601 including \$18,430 of refunding transactions. Total debt retirement was \$118,696, including refunding transactions. Major new debt issuances included bonds of \$37,680 for various infrastructure improvements in the five-year capital plan and \$13,035 for special assessment projects.
- Subsequent to year end, in February 2014, the City issued \$61,905 of Taxable General Obligation Bonds (Downtown East Project), Series 2014. The Downtown East Project is a mixed-use project which includes two office towers, a public parking ramp, market rate multifamily housing, retail space, skyway connections and an urban green space park.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements include three components: 1) Government-wide financial statements; 2) Fund financial statements; and 3) Notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements—Government-wide financial statements are designed to provide readers with a broad overview of City finances, in a manner similar to a private-sector business.

The statement of net position presents information on all City assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

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

The government-wide financial statements can be found on pages 29-30 of this report.

Fund Financial Statements—A fund is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate finance-related legal compliance. All of the funds in the City can be divided into three categories - governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds—These funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented in governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental fund balance sheet and the statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Minneapolis maintains 18 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Community planning & economic development Special Revenue Fund, the Convention Center Special Revenue Fund, the Permanent Improvement Capital Projects Fund, and the Special Assessment Debt Service Fund, all of which are considered to be major funds. Data from the other 13 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The governmental funds' financial statements can be found on pages 31-34 of this report.

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

The proprietary funds' financial statements can be found on pages 35-38 of this report.

Fiduciary Funds—Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the programs of the City.

The fiduciary fund financial statements can be found on page 39 of this report.

Notes to the Financial Statements—The notes to the financial statements provide additional information that is essential to a full understanding of the information provided in the government-wide financial statements.

The notes to the financial statements can be found on pages 43-86 of this report.

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

The required supplementary information can be found on pages 87-90 of this report.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position

The City's assets exceeded liabilities by \$2,087,945 at the close of the fiscal year ending December 31, 2013 compared to \$1,947,303 at the end of the previous year.

Statement of Net Position December 31, 2013

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 768,613	\$ 697,552	\$ 265,043	\$ 248,531	\$ 1,033,656	\$ 946,083
Capital assets	1,173,250	1,137,779	976,846	966,531	2,150,096	2,104,310
Total assets	<u>\$1,941,863</u>	<u>\$ 1,835,331</u>	<u>\$ 1,241,889</u>	<u>\$ 1,215,062</u>	<u>\$ 3,183,752</u>	<u>\$ 3,050,393</u>
Current and other liabilities	\$ 169,597	\$ 136,048	\$ 59,302	\$ 61,020	\$ 228,899	\$ 197,068
Long-term liabilities	538,359	568,169	328,549	337,853	866,908	906,022
Total liabilities	<u>707,956</u>	<u>704,217</u>	<u>387,851</u>	<u>398,873</u>	<u>1,095,807</u>	<u>1,103,090</u>
Net position:						
Net investment in capital assets	845,638	798,704	731,372	694,243	1,577,010	1,492,947
Restricted net position	198,251	193,107	33,529	33,616	231,780	226,723
Unrestricted net position	190,018	139,303	89,137	88,330	279,155	227,633
Total net position	<u>1,233,907</u>	<u>1,131,114</u>	<u>854,038</u>	<u>816,189</u>	<u>2,087,945</u>	<u>1,947,303</u>
Total liabilities and net position	<u>\$1,941,863</u>	<u>\$ 1,835,331</u>	<u>\$ 1,241,889</u>	<u>\$ 1,215,062</u>	<u>\$ 3,183,752</u>	<u>\$ 3,050,393</u>

The largest portion of the City's net position reflects its \$1,577,010 investment in capital assets (e.g. land, buildings, infrastructure, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City continues to invest significantly in its infrastructure assets, which is reflected in the \$84,063 increase in this portion of the City's net position. The City uses these capital assets to provide services to citizens. As a result, these assets are not available for future spending. Although the City's investments in capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net position increased to \$231,780 in 2013 largely due to the \$8,625 increase in debt service offset by the \$4,098 decrease in the Community planning & economic development programs. Net position is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants),

grantors, contributors, or laws or regulations of other governments or are imposed by law through constitutional provisions or enabling legislation (City ordinances).

The remaining \$279,155 represents the unrestricted portion of the City's net position. The unrestricted net position has remained positive each of the last five years continuing to improve each year.

Statement of Activities

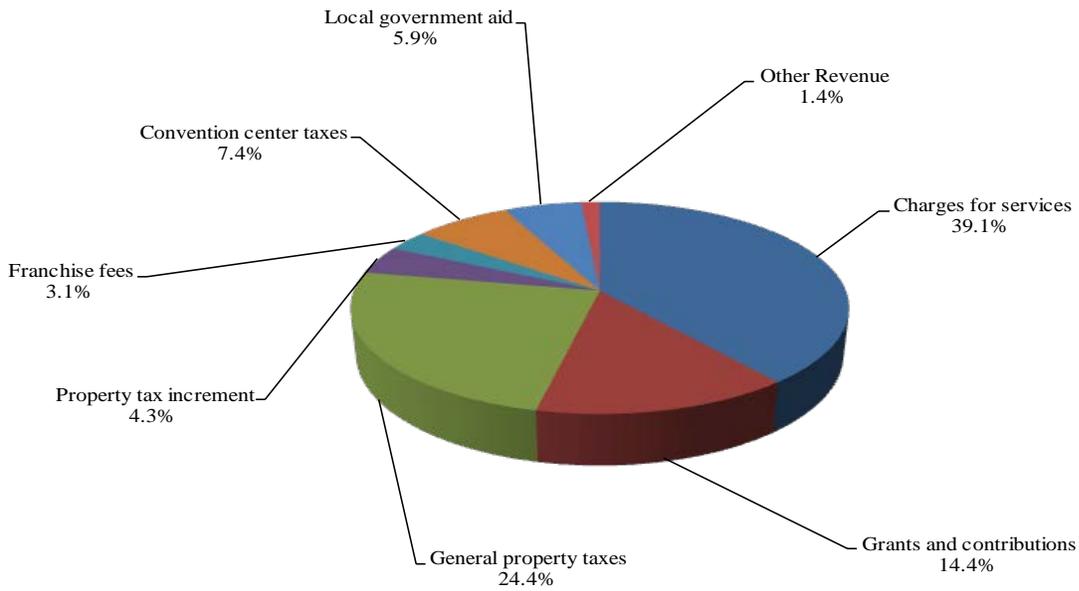
The following table presents the changes in net position for governmental and business-type activities:

Statement of Activities						
For the Year Ended December 31, 2013						
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues						
Program revenues:						
Charges for services	\$ 125,661	\$ 138,658	\$ 247,988	\$ 261,899	\$ 373,649	\$ 400,557
Operating grants and contributions	115,838	128,205	3,435	4,552	119,273	132,757
Capital grants and contributions	15,466	25,230	2,972	1,808	18,438	27,038
General revenues:						
Property taxes	232,979	230,719	-	-	232,979	230,719
Property tax increment	41,159	52,679	-	-	41,159	52,679
Franchise fees	29,620	26,120	-	-	29,620	26,120
Convention center taxes	70,634	56,349	-	-	70,634	56,349
Other taxes	165	13,079	-	-	165	13,079
Local government aid	56,379	56,404	-	-	56,379	56,404
Unrestricted interest and investment earnings	(593)	4,248	5,072	5,286	4,479	9,534
Other	8,793	4,548	244	56	9,037	4,604
Gain on sale of capital assets	340	-	25	54	365	54
Total revenues	696,441	736,239	259,736	273,655	956,177	1,009,894
Expenses						
General government	83,726	98,546	-	-	83,726	98,546
Public safety	225,332	248,333	-	-	225,332	248,333
Public works	86,795	71,736	-	-	86,795	71,736
Culture and recreation	11,993	5,528	-	-	11,993	5,528
Health and welfare	18,442	13,709	-	-	18,442	13,709
Community planning & economic development	153,877	139,190	7,862	7,875	161,739	147,065
Interest on long-term debt	16,549	16,503	-	-	16,549	16,503
Sanitary sewer	-	-	44,868	51,564	44,868	51,564
Stormwater	-	-	27,816	25,998	27,816	25,998
Solid waste and recycling	-	-	34,446	31,158	34,446	31,158
Water treatment and distribution services	-	-	57,961	59,940	57,961	59,940
Municipal parking	-	-	45,868	49,706	45,868	49,706
Total expenses	596,714	593,545	218,821	226,241	815,535	819,786
Excess (deficiency) before transfers	99,727	142,694	40,915	47,414	140,642	190,108
Transfers	3,066	10,889	(3,066)	(10,889)	-	-
Change in net position	102,793	153,583	37,849	36,525	140,642	190,108
Net position - January 1,	1,131,114	977,531	816,189	779,664	1,947,303	1,757,195
Net position - December 31, 2012	\$ 1,233,907	\$ 1,131,114	\$ 854,038	\$ 816,189	\$ 2,087,945	\$ 1,947,303

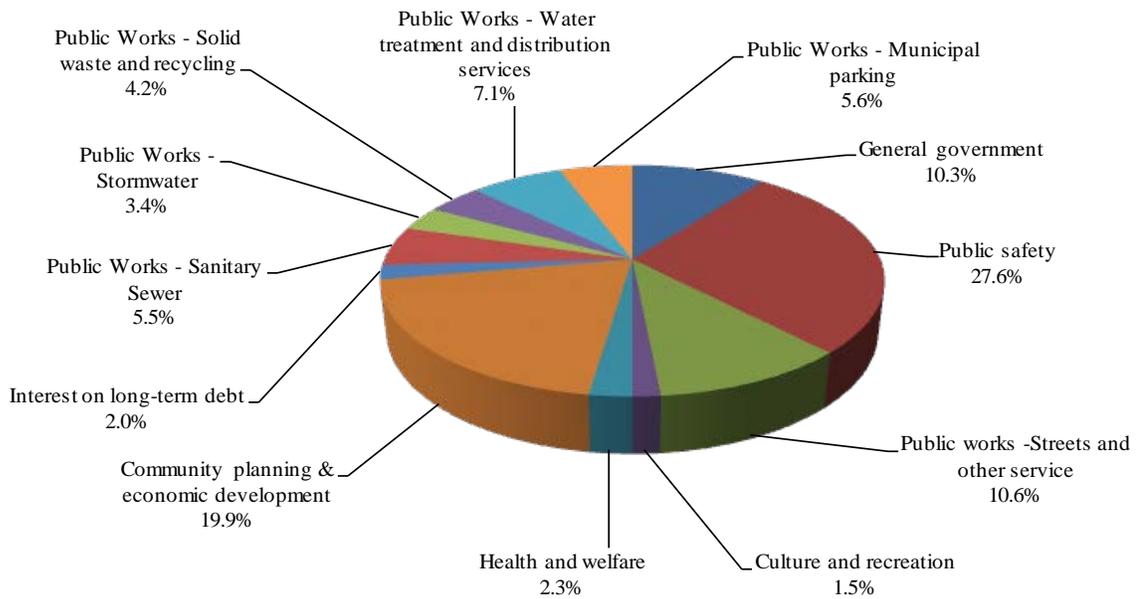
Governmental Activities—Governmental activities increased the City's net position by \$102,793 compared to an increase of \$153,583 in 2012. Governmental activities are supported by charges for services, grants, and contributions. Additionally, general revenues cover any net expense after program specific revenues are applied. In 2013, the City relied primarily on taxes, various charges for services, and grants for funding governmental activities. Specifically, property tax increment revenues supported economic development activities.

A significant expense in the statement of activities, compared to fund statements, is depreciation. Current year depreciation for governmental activities was \$54,657.

Government-wide Revenues



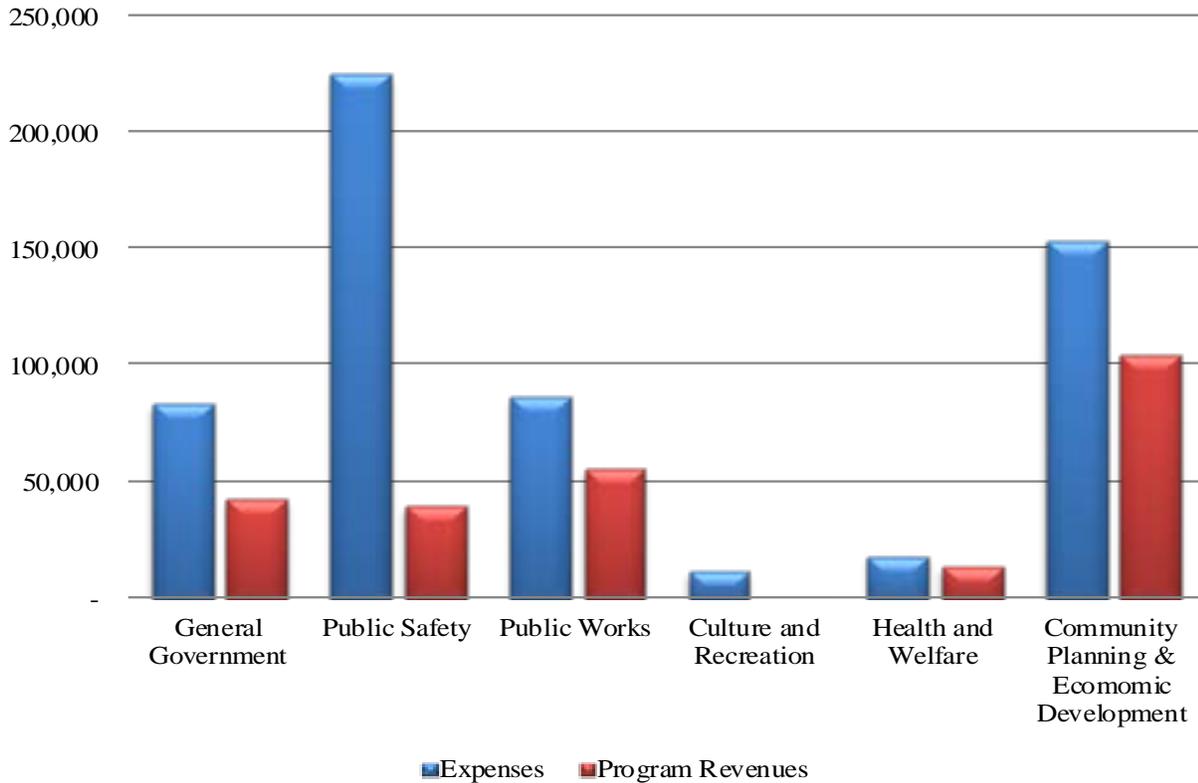
Government-wide Expenses



Summary of expenses and program revenues - Governmental Activities
For the Year ended December 31, 2013

Functions/Programs	Expenses	Program revenues	Net (Expense) Revenue by Program
General government	\$ 83,726	\$ 42,580	\$ (41,146)
Public safety	225,332	39,941	(185,391)
Public works	86,795	55,838	(30,957)
Culture and recreation	11,993	-	(11,993)
Health and welfare	18,442	13,830	(4,612)
Community planning & economic development	153,877	104,776	(49,101)
Interest on long-term debt	16,549	-	(16,549)
	<u>\$ 596,714</u>	<u>\$ 256,965</u>	\$ (339,749)
General revenues and transfers supporting governmental activities			<u>442,542</u>
Change in net position			102,793
Net position - January 1, 2013			<u>1,131,114</u>
Net position - December 31, 2013			<u>\$ 1,233,907</u>

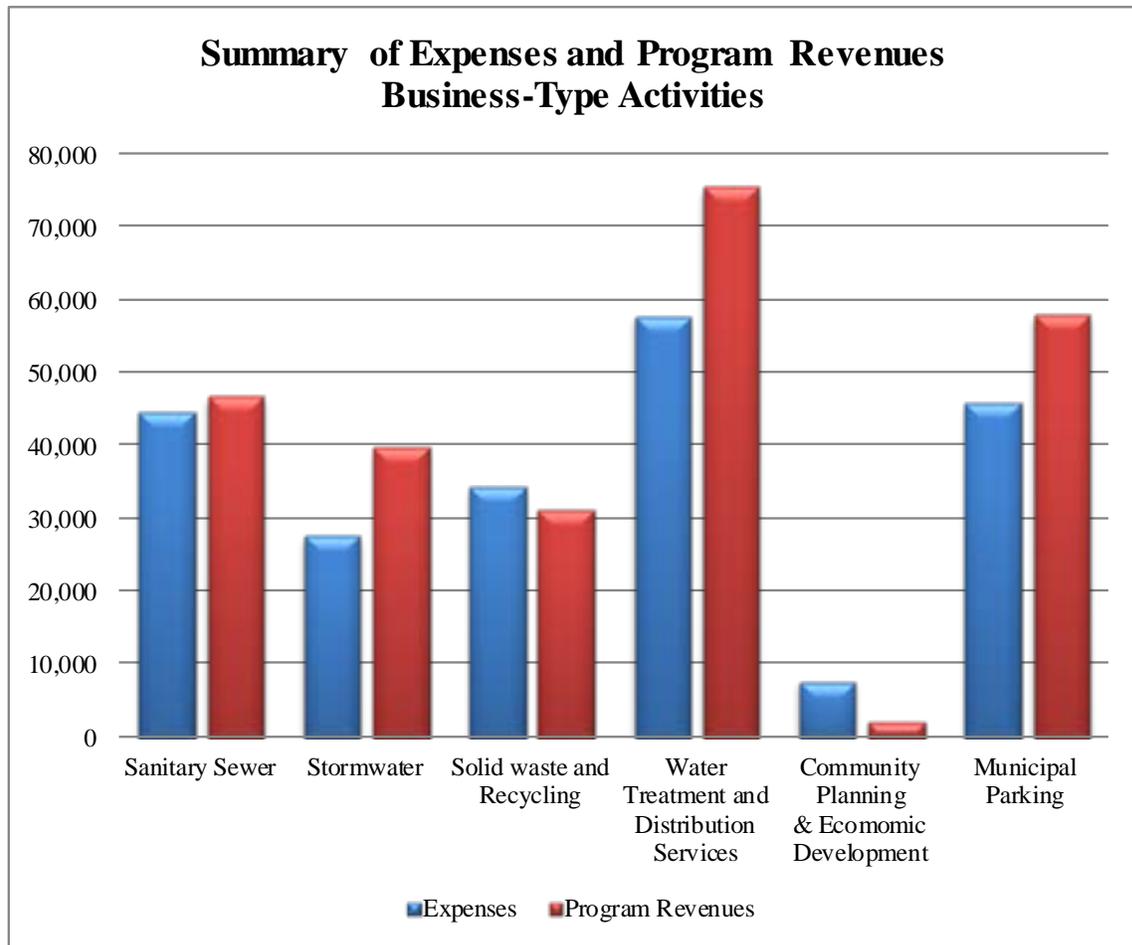
Summary of Expenses and Program Revenues
Governmental Activities



Business-Type Activities—Business-type activities increased the City’s net position by \$37,849 compared with an increase of \$36,525 in 2012.

Summary of expenses and program revenues - Business-Type Activities
For the Year ended December 31, 2013

Functions/Programs	Expenses	Program revenues	Net (Expense) Revenue by Program
Sanitary sewer	\$ 44,868	\$ 46,943	\$ 2,075
Stormwater	27,816	39,940	12,124
Solid waste and recycling	34,446	31,442	(3,004)
Water treatment and distribution services	57,961	75,590	17,629
Community planning & economic development	7,862	2,350	(5,512)
Municipal parking	45,868	58,130	12,262
	<u>\$ 218,821</u>	<u>\$ 254,395</u>	<u>\$ 35,574</u>
General revenues and transfers supporting business-type activities			2,275
Change in net position			<u>37,849</u>
Net position - January 1, 2013			<u>816,189</u>
Net position - December 31, 2013			<u>\$ 854,038</u>



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City of Minneapolis uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds—The general government functions are contained in the General, Special Revenue, Debt Service, and Capital Project Funds. The focus of the City's governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financial requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

For 2013, five governmental funds, including the General Fund, are presented as major funds. These funds include two Special Revenue Funds (the Community Planning & Economic Development Fund and the Convention Center Fund), the Permanent Improvement Capital Project Fund, and the Special Assessment Debt Service Fund. At December 31, 2013, the City's governmental funds reported a combined ending fund balance of \$469,133, an increase of \$25,750 compared with the prior year. Approximately 21% of this total amount (\$96,801) constitutes unassigned fund balance, which is available for spending at the City's discretion.

The remainder of the fund balance is classified as follows: nonspendable (\$45,871) for land development; restricted (\$198,251) for debt service, community planning & economic development, capital improvements, grants, and law enforcement legal requirements; committed (\$125) to accelerated infrastructure projects; and assigned (\$128,085) for specific purposes not meeting a more restricted criteria for community planning & economic development programs, neighborhood and community relations, public safety programs, pension obligations, and capital improvements.

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

Revenues by Source					
Governmental Funds					
Revenue by Source	FY 2013		FY 2012		Increase/ (Decrease)
	Amount	Percent of Total	Amount	Percent of Total	Amount
Taxes	\$ 375,006	52.76 %	\$ 379,519	51.03 %	\$ (4,513)
Licenses and permits	40,735	5.73	37,663	5.06	3,072
Intergovernmental revenues	155,756	21.91	186,550	25.09	(30,794)
Charges for services and sales	63,028	8.87	68,158	9.17	(5,130)
Fines and forfeits	8,014	1.13	8,603	1.16	(589)
Special assessments	24,379	3.43	23,834	3.20	545
Investment earnings	(645)	(0.09)	4,603	0.62	(5,248)
Miscellaneous revenue	44,466	6.26	34,733	4.67	9,733
Total	\$ 710,739	100.00 %	\$ 743,663	100.00 %	\$ (32,924)

**Expenditures by Function
Governmental Funds**

Expenditures by Function	FY 2013		FY 2012		Increase/ (Decrease)
	Amount	Percent of Total	Amount	Percent of Total	Amount
General government	\$ 97,469	13.88 %	\$ 95,970	12.75 %	\$ 1,499
Public safety	232,311	33.08	244,297	32.45	(11,986)
Public works	54,915	7.82	49,759	6.61	5,156
Culture and recreation	4,106	0.59	5,528	0.73	(1,422)
Health and welfare	17,993	2.56	13,179	1.75	4,814
Community planning & economic development	148,082	21.08	136,076	18.08	12,006
Capital outlay	63,414	9.03	77,864	10.34	(14,450)
Intergovernmental					
General government	898	0.13	-	-	898
Public safety	169	0.02	-	-	169
Culture and recreation	7,887	1.12	-	-	7,887
Debt service - principal retirement	58,386	8.31	108,042	14.35	(49,656)
Debt service - interest and fiscal charges	16,712	2.38	22,152	2.94	(5,440)
Total	\$ 702,342	100.00 %	\$ 752,867	100.00 %	\$ (50,525)

General Fund—The General Fund is the general operating fund of the City. In 2012 certain activity was reported in the General Fund that was budgeted and accounted for separately in the City’s financial system. This activity is the Tax Increment funded portion of the Coordinator - Neighborhood and Community Relations department. In 2013 this activity was separated into the Neighborhood and Community Relations Special Revenue fund, and is included with the other non-major special revenue funds. The assigned fund balance in the General Fund in 2012 was related to this activity. As of December 31, 2013, unassigned fund balance in the General Fund was \$96,970. The fund balance of the City’s General Fund increased by \$11,613 during 2013.

The following table provides changes in revenues by source from 2012 to 2013. Amounts for 2012 have been reduced by the Neighborhood and Community Relations activity that was accounted for in a separate special revenue fund in 2013:

Revenues by Source	General Fund Revenues By Source				Increase/ (Decrease)
	2013		2012		Amount
	Amount	Percent of Total	Amount	Percent of Total	
Taxes	\$ 218,215	55.04 %	\$ 220,527	56.12 %	\$ (2,312)
Licenses and permits	39,227	9.90	36,089	9.18	3,138
Intergovernmental revenues	70,531	17.79	68,698	17.48	1,833
Charges for services and sales	42,530	10.73	44,653	11.36	(2,123)
Fines and forfeits	7,668	1.93	8,243	2.10	(575)
Special assessments	3,482	0.88	3,009	0.08	473
Investment earnings	(607)	(0.15)	1,649	0.42	(2,256)
Miscellaneous revenues	1,497	0.38	1,287	0.34	210
Total revenues	\$ 382,543	96.50	\$ 384,155	97.77	\$ (1,612)
Transfers in	13,868	3.50	8,768	2.23	5,100
Total revenues and other financing sources	\$ 396,411	100.00 %	\$ 392,923	100.00 %	\$ 3,488

In 2013, General Fund revenues and transfers increased by about 1% from the previous year. Some highlights include:

- Tax collections were lower. Delinquent tax collections and excess tax increment financing (TIF) collections were larger in 2012.
- Licenses and permit revenue is higher as building permits issued continue to rise.
- The City installed new parking meters that will accept credit and debit cards. This resulted in a continued decrease in parking fines, as people found it easier to pay for parking.
- Investment earnings were negative due to the unrealized loss on investments booked at year-end.

The following table provides the changes in expenditures by function from 2012 to 2013. Amounts for 2012 have been reduced by the Neighborhood and Community relations activity that was accounted for in a separate special revenue fund in 2013:

General Fund Expenditures by Function					
Expenditures by Function	2013		2012		Increase/ (Decrease)
	Amount	Percent of Total	Amount	Percent of Total	Amount
General government	\$ 64,210	16.69 %	\$ 57,001	15.11 %	\$ 7,209
Public safety	207,882	54.02	220,387	58.41	(12,505)
Public works	51,364	13.35	47,321	12.54	4,043
Culture and recreation	4,106	1.06	4,982	1.32	(876)
Health and welfare	6,975	1.81	2,432	0.64	4,543
Community planning & economic development	19,645	5.11	3,547	0.94	16,098
Total expenditures	354,182	92.04	335,670	88.96	18,512
Transfers out	30,616	7.96	41,658	11.04	(11,042)
Total expenditures and other financing uses	<u>\$ 384,798</u>	<u>100.00 %</u>	<u>\$ 377,328</u>	<u>100.00 %</u>	<u>\$ 7,470</u>

Overall, general fund expenditures increased by 2% from the previous year, although appropriations were underspent by more than \$4,000.

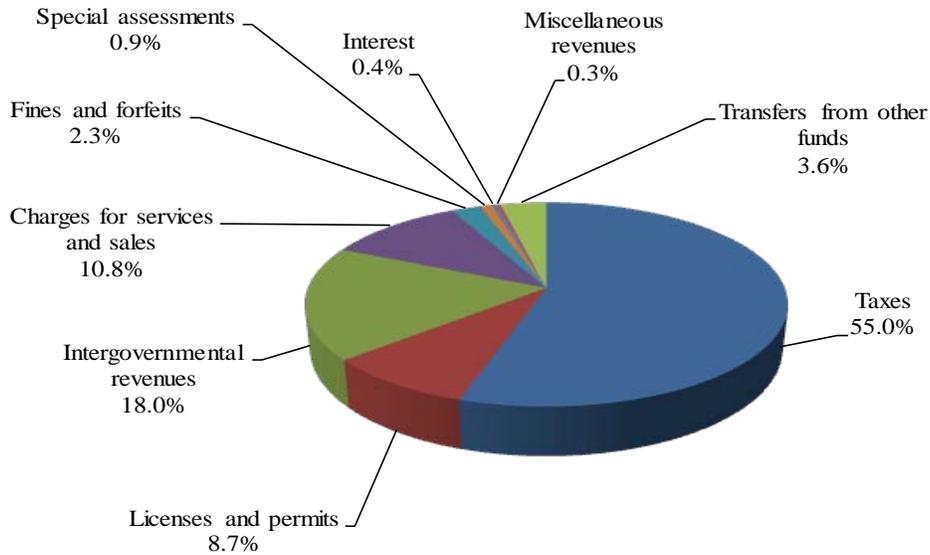
General Fund Budgetary Highlights—The final budget for the City’s General Fund represents the original budget plus any previously appropriated funds set aside for the purpose of honoring legally incurred obligations (prior year encumbrances and commitments), and any additional supplemental appropriations that may occur during the fiscal year. In 2013, the following were significant budget actions:

- The original General Fund appropriation for fiscal year 2013 was \$382,565, which included projected transfers out of \$30,828. The final appropriation was \$389,352. General revenues and other resources were originally estimated at \$382,565, which included projected transfers of \$13,933. The final revenue estimate was \$387,173 including transfers of \$13,933.
- Significant budgetary variances between the final amended budget and the actual results include:
 - 1) The Police Department had appropriation savings of \$423 due primarily to the receipt of contingency funds in December. The Police Department anticipated higher than expected equipment costs, but was able to manage its budget and did not have to spend any of the additional appropriation.
 - 2) The Fire Department ended the year with \$200 in budget savings, also due to the receipt of contingency funds at the end of the year.
 - 3) The City Coordinator ended the year with appropriation savings of \$1,051, primarily due to salary savings in Human Resources.

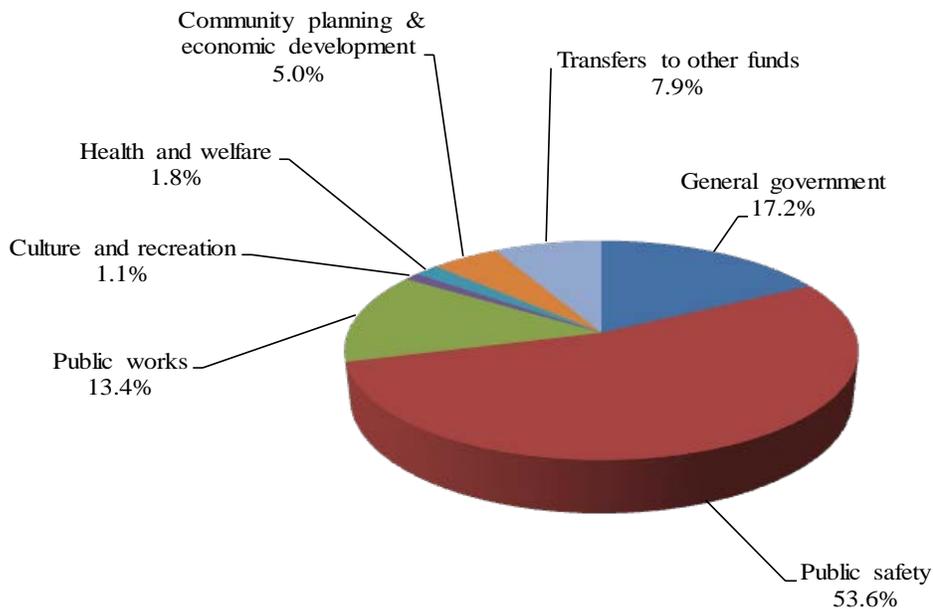
- 4) In the Public Works Department, the excess of expenditures over budget in Field Services is a result of the extended winter and significant, frequent snowfall. Snow and ice control expenditures were substantially over budget. Increased revenues from utility cut work helped to offset a portion of the additional costs incurred.
- 5) The Assessor's and Attorney's offices reflect surpluses due to salary savings, as does the City Council and City Clerk Department, which ended the year with an appropriation savings in spite of higher than budgeted election costs.

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

General Fund Revenue Budget by Major Category



General Fund Expenditure Budget by Function



The Community Planning & Economic Development (CPED) Special Revenue Fund—The Community Planning & Economic Development (CPED) Special Revenue Fund accounts for governmental fund proceeds that are legally restricted to expenditures for specific purposes in a series of housing and economic development programs. The range of programs operated within this fund are created to increase the City’s economic competitiveness, to ensure an array of attractive housing choices, to support strong and diverse neighborhoods, and to preserve the City’s historic structures. These programs are financed primarily through state and local grants, tax increment financing, and administrative fees collected from the issuance of housing and economic revenue bonds. A development account program provides loans and grants to outside organizations within the City to assist commercial and housing development. The program is capitalized with residual equities from development projects and The Urban Development Action Grant (UDAG) repayments.

The total revenues of the CPED Special Revenue fund in 2013 were \$67,424, an 11% decrease from the prior year. 55% of the fund’s revenue was derived from property tax increment revenue which continues to decline as TIF districts mature and are decertified. Two large districts, South Nicollet Mall and the Conservatory, were decertified in 2013. The decrease in property tax increment revenue was partially offset by revenue from the sale of the City’s interest in Gaviidae Common, and the Grain Belt Office Building. 12% of the fund’s revenue was generated from the repayment of loans made for the housing and redevelopment activities of the City. The remaining revenue was derived from a variety of miscellaneous sources. The expenditures for the fund in 2013 were \$39,055. The fund’s expenditures are primarily for contractual services for the housing and economic programs operated within the fund and for the staff costs to monitor and deliver these programs. The level of current fund expenditures in 2013 was comparable to the prior year.

The fund’s transfers to other funds of \$31,202 were primarily to provide resources for the debt service obligations issued by the City for community development programs and to provide a \$1,305 operating transfer for the City’s accelerated infrastructure program. The CPED Special Revenue Fund also transferred \$1,200 to the City’s Neighborhood and Community Relations Special Revenue Fund to support ongoing activities.

At year-end, the fund balance in the CPED Special Revenue Fund was \$205,663. This included \$37,258 in a nonspendable form, primarily for the inventory of properties held for resale; \$142,616 restricted for specific programs by State law; \$125 committed to the City’s accelerated infrastructure program; and the remaining \$25,664 assigned to provide for community planning & economic development activities.

Minneapolis Convention Center Special Revenue Fund—Operations of the Minneapolis Convention Center are reported as a Special Revenue Fund in the fund statements. The Convention Center activity is funded from local taxes and Convention Center operating revenues. Local Taxes from the Convention Center include:

- 0.5% citywide sales tax
- 3.0% food and liquor tax applied to core downtown establishments
- 2.6% citywide lodging tax for motels and hotels with 50 units or more

Local tax proceeds for the Convention Center in 2013 were 2% above 2012 levels and nearly 1% over budget.

Minneapolis Convention Center Tax Revenues

Taxes	2013 Budget	2013 Actual	2012 Actual
Sales and Use	\$ 31,500	\$ 32,598	\$ 31,731
Food	12,000	11,873	11,465
Liquor	5,700	5,087	5,426
Lodging	6,800	6,749	6,432
	<u>\$ 56,000</u>	<u>\$ 56,307</u>	<u>\$ 55,054</u>

The total 2013 Convention Center revenue was \$72,952 which was 2% or \$1,659 over 2012 and 2% or \$1,704 over budget. Both the increase over 2012 and the increase over budget can be attributed to better than expected operating revenues and local tax revenues.

For 2013, total expenditures finished the year 4% or \$1,776 under 2012 levels and 14% or \$6,463 under budget with Ongoing Equipment and Improvement seeing the largest decrease from budget. There was \$3,905 expended in 2012 for dome capital improvements which also contributed to the decrease from 2012. The Convention Center continues working on energy efficiency and 'no waste' initiatives which include goals to increase recycling and reduce energy and water use.

During 2013, the Convention Center transferred \$5,250 to the General Fund for economic development and mounted patrol. The Convention Center also transferred \$4,729 to the Municipal Parking Enterprise Fund, which was \$851 less than the 2012 level. In addition, the Convention Center transferred \$17,351 to pay off debt service which was \$2,483 lower than 2012.

The 2013 fund balance ended the year at \$65,528, which was \$8,361 higher than budgeted, and \$6,903 higher than 2012. The 2013 change can be attributed to better than expected increases in operating and local tax revenue, in addition to lower than expected expenditures.

Permanent Improvement Capital Project Fund—Funding for the Permanent Improvement Capital Project Fund is primarily from three sources: bonds that are sold by the City for capital projects; the State of Minnesota; and federal funds. State and federal revenues are primarily used for capital assets including bridges, streets, street lighting and traffic signals.

The Permanent Improvement Capital Project Fund is used to build infrastructure for the City including bridges, streets, traffic signals, street lights, and to fund other capital projects. During 2013, \$63,038 of capital outlay occurred which was a \$10,921 or 15% decrease over 2012.

The key assets constructed with these funds include:

- Bridges - \$7,254
- Streets - \$28,047
- Traffic Signals & Street Lighting - \$14,716
- Bike Trails - \$1,703
- Van White Bridge/Heritage Park (Near North) project - \$2,686
- Property Service - \$1,850

The fund balance increased from \$23,094 in 2012 to \$27,696 in 2013. The increase was primarily due to an increase in bond proceeds. Additionally, revenues for the fund decreased from \$43,060 in 2012 to \$27,559 in 2013 due to decreased funding from state, federal, and local sources for capital projects.

Special Assessment Debt Service Fund—The City uses the Special Assessment Debt Service Fund to collect special assessments from residents and businesses for public improvements that are wholly or partially paid by the taxpayers. Special assessments are levied and collected each year via Hennepin County property tax statements as well as through voluntary prepayments and title company remittances upon sale of properties. These improvements are typically related to infrastructure items such as roadway, streetscape and street lighting projects, and diseased tree removal on private property.

At the end of 2013, the City had \$53,774 of debt outstanding for special assessment improvements, including \$12,535 of new and \$500 of refunding bonds issued during the year. During 2013, the City received debt related assessment collections and interest earnings of \$9,882 and paid total debt service of \$9,661 on special assessment bonds, including \$9,161 of bond principal and \$500 of bond refunding principal.

Enterprise Funds—The City operates six enterprise funds: Sanitary Sewer, Stormwater, Water Treatment and Distribution Services, Municipal Parking, Solid Waste and Recycling, and Community planning & economic development (CPED).

Overall, the enterprise funds had a positive net position of \$874,480 at December 31, 2013, an increase of \$38,704 over 2012.

The following table summarizes the total assets, total liabilities, operating income, changes in net position, and net positions for each of the enterprise funds, from 2012 to 2013:

**Key Balance Sheet Account Balances and Operating Activities
December 31, 2013**

	Sanitary Sewer	Stormwater	Water Treatment and Distribution Services	Municipal Parking	Solid Waste and Recycling	CPED	Total	
							2013	2012
Assets	\$ 131,841	\$ 323,354	\$ 324,557	\$ 308,923	\$ 30,285	\$ 143,421	\$ 1,262,381	\$ 1,234,809
Liabilities	17,449	11,635	114,107	136,296	3,411	105,003	387,901	399,033
Operating Income (loss)	8,358	11,322	13,774	13,448	(3,947)	4,324	47,279	54,522
Change in net position	6,930	12,124	13,264	9,871	(3,445)	(40)	38,704	36,586
Net Position	\$ 114,392	\$ 311,719	\$ 210,450	\$ 172,627	\$ 26,874	\$ 38,418	\$ 874,480	\$ 835,776

Sanitary Sewer Fund— The Sanitary Sewer Fund pays 95% of the contractual payments to Metropolitan Council Environmental Services (MCES) for waste water collection and treatment services. This fund also accounts for sanitary sewer maintenance and design work and the related capital programs and debt service payments. Net position as of December 31, 2013 was \$114,392, which is a \$6,930 increase from 2012. In 2013 operating income was \$8,358 offset by transfers to other funds for debt service. Compared to 2012, operating revenues reflected a decrease of \$475 and operating expenses reflected an increase of \$217. Even though Sewer Availability Charge (SAC) revenues for 2013 totaled \$8,800, they were \$2,000 less than the \$10,800 recorded for 2012. Miscellaneous revenues decreased by \$170 mainly due to a reduction in design activities. These decreases were slightly off-set by an increase in the sanitary utility revenues of \$641 due to an increase in variable rates of \$0.09 over 2012. The increase in operating expenses can largely be attributed to an increase in payments to MCES. MCES payments for the year totaled \$33,100 which is \$1,900 more than the 2012 total of \$31,200. MCES rates are set by the Metropolitan Council on a yearly basis and are based on an allocation of overall costs incurred by MCES for waste processing for customer communities. The increase in MCES rates was off-set by a decrease of \$2,200 in SAC expense. Maintenance-related expense increased by \$683 for the year due to equipment and software purchases along with upgrades.

Stormwater Fund— The Stormwater Fund pays 5% of the contractual payments to Metropolitan Council Environmental Services (MCES) for waste water collection and treatment services. This fund also accounts for the combined sewer overflow (CSO) program, street cleaning, storm design, storm water maintenance, and the related capital programs and debt service payments. Net position as of December 31, 2013 was \$311,719, which is an increase of \$12,124 from 2012 primarily due to utility revenues exceeding the cost of operations. Compared to 2012, operating revenues reflected a decrease of \$1,942. While the utility revenues increased by \$136 due to utility rates set at \$11.82/ESU (Equivalent Storm Units) which is 12 cents higher than the rate for 2012, design revenues decreased by \$600. An additional \$73 decrease is related to reimbursements from the State of Minnesota for maintenance work done by the Street Cleaning and Storm Maintenance Departments. These reimbursements are based on agreements with the State and Hennepin County. Compared to 2012, operating expenses reflected an increase of \$1,952. Approximately \$1,500 of this increase is due to higher expenses in the storm maintenance cost center for contractual services primarily related to storm tunnel rehabilitation work. An increase in internal transfers relating to government services and overheads, along with a new rate plan for the MCES monthly bill accounted for an additional \$500 of the increased expenses. However, these increases were offset by a reduction of \$245 in storm management and street cleaning expenses. Street cleaning expenses were lower due to extended winter and delayed spring sweeps.

Water Treatment and Distribution Services Fund—The Water Treatment and Distribution Services Fund accounts for the operation and maintenance of a water treatment and delivery system for the City and several suburban city customers. The City sells water directly to the cities of Bloomington, Columbia Heights, Hilltop, Golden Valley, New Hope, Crystal, and Edina. Net position increased by \$13,264 for the year, resulting in a net position at December 31, 2013 of \$210,450. This planned increase allowed for additions to long-term assets in the amount of \$10,500 for improvements to the City's water distribution system and the replacement of the ammonia system at the Fridley Filter Plant, and \$5,900 in decreases in its bond and note related debt in 2013. Operating revenue decreased by \$1,565, when compared to 2012. Overall, water sales volume revenue was down from 2012 in spite of the 2.81 percent increase in the volume rate. During the 2013 summer, sales suffered as a result of the cold, wet weather at the beginning of the season. Although sales rebounded in late summer and early fall, which helped to offset the lack of summer sales, the utility sold 1.8 percent less water to customers than was budgeted for the year. The shortfall was offset by the receipt of \$890 of unbudgeted other operating revenue. The majority of the unbudgeted other operating revenue was from reimbursable projects (\$272), sales of scrap and equipment (\$214), damage claims (\$137), and connection/disconnection fees (\$95). Operating expenses increased by \$3,130 compared to 2012. Expenses were expected to be slightly over budget for the year, due mainly to a 16.1 percent increase in electrical costs and the expense associated with the newly obtained insurance coverage on the Fridley campus buildings.

Municipal Parking Fund—The Municipal Parking Fund accounts for the operation and maintenance of parking ramps, lots, on-street parking meters, the municipal impound lot, and the traffic/parking control system. Net position at December 31, 2013 was \$172,627 which is an increase of \$9,871 from 2012.

There are three reasons for the increase:

- Continued operational efficiencies attained through off-street parking; the largest contributor was a reduction in operator expenses due to the new pay machines in most of the ramps reducing the number of staff hired.
- Use of new multi-space parking meters which continues to provide increased revenues in on-street parking.
- Higher off-street parking revenues due to the heavy snows in December.

Solid Waste and Recycling Fund—The Solid Waste and Recycling Fund accounts for the City's solid waste and recycling collection and disposal, graffiti removal, and a solid waste transfer station that serves 105,000 dwelling units. Pick-up services for trash, yard waste, and recyclables are provided on a weekly and a biweekly basis. City crews provide approximately one-half of the solid waste collection services and the other half of the services are provided through a consortium of companies specializing in waste collections. Also accounted for in this fund are various initiatives such as Clean City neighborhood clean sweeps; city-wide litter and graffiti abatement and removal; and an Organics Pilot Program. Net position through December 31, 2013 totaled \$26,874, which is a decrease of \$3,445 from 2012. Compared to 2012 operating revenues decreased by \$679 including a decrease in utility revenues of \$767. This decrease can be attributed to the implementation of a flat rate charge, and the elimination of recycling credits. An increase in revenues of \$634 in miscellaneous services was offset by an \$821 decrease in revenues from the sale of scrap metals as a result of decreased demand for this product. The Fund also received \$865 in a Hennepin County grant for recycling activities, slightly less than the original estimate of \$880 for the year.

Operating expenses increased by \$3,129 compared to 2012. Expenses in the Recycling Division increased by \$2,500 due to one-time costs related to capital purchases of equipment and carts for the implementation of One-Sort Program. This was a planned expense, and the Recycling Division's 2013 budget was increased to meet this goal. Expenses also increased in Collection, Yard Waste, Problem Material, and Admin Divisions by a total of \$1,500. Additional cart and container purchases, fleet charges, mattress recycling program, software upgrades, facility improvements, and personnel account for this increase. These increases were offset by a \$1,100 decrease in expenses in the Disposal, Transfer Stations, Customer Service, Clean City, and Equipment Divisions. Implementation of the One-Sort program helped reduce disposal costs and, as a result, Disposal Division expenditures came in lower by \$500. As planned, there was less equipment purchased in the Equipment Division in 2013 compared to 2012. This lowered the equipment expenses by \$500.

The Community planning & economic development Enterprise Fund (CPED) —The CPED Enterprise Fund operates a series of business-type activities designed to enhance housing options and economic development within the City. Within this fund there are programs that provide low interest home mortgages financed through the sale of bonds. There is also a program in which revenue bonds are issued to finance economic development. The program obtains lease or loan agreements from developers to meet the debt service requirements of the financing. This fund also operates a river terminal facility. Substantially all operating revenues are derived from fees charged to the users of the services provided. The river terminal accounts for the investment in capital assets of the fund.

Net position decreased by \$40 during the year. There was a revenue bond issue in the amount \$12,595 in the CPED Enterprise fund in 2013 for a development project in the City. There was a corresponding increase in fund assets and liabilities related to this issue. The revenue bonds were issued in the Common Bond Fund, a component of the CPED Enterprise Fund. Another component of the fund is the River Terminal Facility. It is City management's intent to cease operation of the terminal by the end of 2014. At that time, the land will be available for future development along the Mississippi.

Internal Service Funds—The City operates six internal service funds: Engineering Materials and Testing; Intergovernmental Services; Property Services; Equipment Services; Public Works Stores; and Self-Insurance. Internal service funds recover the cost of operations either through an activity-based cost allocation model to charge City departments for services provided or by a direct charge for the goods or services purchased. In addition to recovering the cost of operations, the revenue received must be adequate to maintain a cash balance and net position that meets the minimum balance that is determined by financial policies.

Although the financial condition of the internal service funds reached a low point at year-end 2000 when the combined net position deficit had declined to \$(54,407), the financial condition continues to improve due to key measures taken in 2001. At the end of 2013, the combined net position in the internal service funds had improved to \$131,142. A change in accounting principle and prior period adjustments due to the implementation of GASB Statement No. 34 led to an initial improvement of \$17,555 in 2001. The restatement recognized assets previously unrecorded within the internal service funds. The remaining improvement of \$167,505 can be credited to the deficit reduction plans implemented by the managers of each of the respective funds. Another milestone was reached in 2012 in that all six of the Internal Service Funds had a positive net position. The following table provides a summary of cash balances, total assets, total liabilities, operating income, changes in net position, and the net position for each of the internal service funds:

**Key Balance Sheet Account Balances and Operating Activities
December 31, 2013**

	Eng. Materials & Testing	Intergovern- mental Services	Property Services	Equipment Services	Public Works Stores	Self- Insurance	Total	
							2013	2012
Cash	\$ 2,125	\$ 35,263	\$ 4,248	\$ 18,894	\$ 2	\$ 61,238	\$ 121,770	\$ 84,950
Assets	2,140	61,282	38,842	72,563	4,583	62,022	241,432	209,499
Liabilities	165	23,878	5,783	22,501	494	57,469	110,290	112,341
Operating income (loss)	391	(7,238)	(520)	2,676	397	(1,785)	(6,079)	(4,133)
Change in net position	391	9,994	7,488	12,862	397	2,852	33,984	12,360
Net position	\$ 1,975	\$ 37,404	\$ 33,059	\$ 50,062	\$ 4,089	\$ 4,553	\$ 131,142	\$ 97,158

Engineering Materials and Testing Fund—The Engineering, Materials and Testing Fund records transactions related to City purchases of Hot-Mix Asphalt and Ready-Mix Concrete. This fund also records the transactions associated with the quality control activities for the placement of these materials and assures compliance with State and Federal standards and specifications. The Engineering Laboratory, a component of this fund, provides these quality control activities. In addition, the Engineering Laboratory is responsible for construction inspection and testing services, maintaining a laboratory for testing construction materials, performing geotechnical evaluations, and coordinating related environmental field services.

Beginning in 2009, the fund has consistently achieved positive net operating incomes and increased its net position by \$1,947 from \$28 in 2008 to \$1,975 in 2013. The fund maintains a positive cash balance, increasing the 2012 balance of \$1,745 by \$380 to achieve a 2013 ending balance of \$2,125.

Intergovernmental Services Fund—This fund accounts for operations of Information Technology (IT); the City Clerk's printing and central mailing services; and the Human Resources technology training services. IT is comprised of telecommunications services, network services, application support, internet and intranet services, convenience copier function, broadband wireless, and deployment of software and hardware.

In 2003, the fund's beginning net position was restated by \$7,866 to reflect corrections made to accurately present the fund's capital assets, accumulated depreciation, and related liability amounts. This positive adjustment reduced the beginning net position deficit from \$(40,850) to \$(32,984). The fund has since recorded a total increase in net position of \$70,388 through 2013 after attaining a positive net position for the first time in 2008. The actual cash balance at year-end 2013 is \$35,263, representing an increase of \$19,458 from the 2012 year-end cash balance of \$15,805. The cash balance increase is primarily due to a transfer in from the general fund of \$17,240 as directed in the long-term financial plan. The cash balance also increased due to a payment of \$4,442 on the note receivable. Included in the cash balance are prepayments of \$12,919 for technology projects from other City departments. In 2010, \$4,560 of refunding bonds were issued to retire old debt and achieve a lower interest rate for current debt. In 2013, bonds totaling \$965 were issued as new debt to fund approved capital projects.

Property Services Fund—The Property Services Fund is responsible for the management and maintenance of City-owned buildings including police precinct structures, fire stations, and public works buildings. The fund does not include the Convention Center, or Water facilities and Park Board buildings. The fund is responsible for energy management and internal security. Included in this fund is the Radio Shop, which maintains the City's emergency communications network. Beginning in 2009, the Council approved a City-wide charge for City Hall rent. The Property Services Fund collects the rental charge and remits it to the Municipal Building Commission as payment for maintenance services. In 2011, this fund was transitioned from the Public Works department to the Finance department within the City Coordinator's office. The activities in this fund determined that the fund remain an internal service fund and report to the Chief Financial Officer.

Several of the City's properties are recorded as assets of this fund resulting in an annual depreciation expense. The Property Services Fund does not have rental and maintenance rates sufficient to fully recover depreciation, which has resulted in an operating loss each year and a decrease to net position for years prior to 2013. In 2013, the fund recorded an increase to net position of \$7,488 resulting in a 2013 year-end net position of \$33,059 compared to the 2012 year-end net position of \$25,571. This positive change to net position is primarily the result of a transfer from the General Fund of \$3,282 and a capital contribution of \$4,845 related to building improvements paid for by the Equipment Services Fund. The purpose of the large one-time transfer from the General Fund was to assist with the debt service payments of \$4,412 obligated through 2018. The cash balance increased from \$762 at year-end 2012 to \$4,248 at year-end 2013 primarily due to the \$3,282 received from the General Fund for future debt service payments.

Equipment Services Fund—The Equipment Services Fund manages the acquisition, maintenance and disposal of 1,500 units of equipment, primarily the City's fleet of vehicles. In addition, the fund manages the dispatch of City-owned and contractual equipment. The fund also provides technicians to maintain the equipment. Through the end of October 2013, the fund provided the drivers and operators for the equipment that is used in construction and snow removal. Beginning in November 2013, these employees were transitioned out of Fleet Services Fund and reassigned to various Public Works departments. The Fleet Services Division uses an activity based cost recovery model to calculate equipment and labor rates charged to customers based on actual expenses related to the vehicle and the replacement cost of the vehicle.

A long-term financial plan was developed for the fund in 2003. The fund has progressively increased its net position from \$13,266 in 2004 to \$50,062 in 2013. The updated long-term financial plan projected the 2013 net position to be \$43,909. The actual 2013 net position represents an increase of \$12,862, or 34.6 percent, from the 2012 net position of \$37,200. The 2013 ending cash balance is \$18,894, an increase of \$8,657 from the ending balance of \$10,237 in 2012. The increases to both cash balance and net position are largely the result of a substantial transfer from the General Fund of \$8,315. In addition, the fund did not have a 2013 transfer out related to the unfunded MERF pension liability as the final payment of \$2,284 was completed in 2012.

Public Works Stores Fund—This fund accounts for the centralized procurement, warehousing, and distribution of stocked inventory items, and the purchase of special goods and services for City departments. In addition, this fund stores an inventory of traffic signal components for assembly for Public Works-Transportation. At year-end 2013, the fund reported a net position gain of \$397, increasing the net position from \$3,692 in 2012 to \$4,089 in 2013. The fund maintained a cash balance of \$2 for years 2012 and 2013 and experienced a slight increase of \$16 in the amount due to other funds resulting in a 2013 year-end balance of \$181. In 2013, the fund increased the value of inventory by 6.8% resulting in a year-end balance of \$4,581.

Self-Insurance Fund—The Self-Insurance Fund accounts for tort liability, workers’ compensation, employee accrued sick leave benefits, civil attorney services and the related administrative costs. An activity-based cost allocation model determines the charge allocated to City departments to cover the cost of self insurance and related services. The expected payout for claims in future years is determined by an actuarial study.

The net position at year-end 2013 was \$4,553, an increase of \$2,852 from the 2012 net position of \$1,701. A milestone was reached in 2012 when the net position became positive in the Self-Insurance Fund. The cash balance increased from \$56,399 in 2012 to \$61,238 at year-end 2013. In 2003, when the fund’s net position was a deficit of \$(40,983), a long-term financial plan was implemented. The plan was updated in 2012. The performance of the fund compared to the original long-term financial plan shows a net position that is ahead of the plan and a cash balance that is significantly increased over the original forecast.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets—As of December 31, 2013, the City’s investment in capital assets for its governmental and business-type activities was \$2,150,096 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, roads, highways, and bridges. The total increase in the City’s investment in capital assets for the current fiscal year was 2 percent consisting of a 3 percent increase for governmental activities and a 1 percent increase for business-type activities.

The following table summarizes capital assets for governmental and business-type activities for 2013 and 2012:

	Capital Assets (Net of depreciation)					
	Governmental		Business-Type		Total	
	2013	2012	2013	2012	2013	2012
Land and easements	\$ 110,789	\$ 110,789	\$ 128,382	\$ 128,382	\$ 239,171	\$ 239,171
Construction in progress	229,622	209,881	54,343	35,463	283,965	245,344
Infrastructure	384,235	370,964	-	-	384,235	370,964
Buildings and structures	382,939	385,111	317,564	328,872	700,503	713,983
Public improvements	15,070	688	446,064	441,118	461,134	441,806
Machinery and equipment	39,254	39,313	30,481	32,679	69,735	71,992
Computer equipment	4,336	8,140	10	15	4,346	8,155
Software	7,005	12,893	-	-	7,005	12,893
Other capital outlay	-	-	2	2	2	2
Total	<u>\$ 1,173,250</u>	<u>\$ 1,137,779</u>	<u>\$ 976,846</u>	<u>\$ 966,531</u>	<u>\$ 2,150,096</u>	<u>\$ 2,104,310</u>

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

- Numerous improvements to City buildings, including updates to the Emergency Operations Training Facility.
- Significant improvements to the Camden Bridge.
- Over \$19,000 in paving projects.
- The Water Treatment and Distribution Enterprise fund spent over \$23,000 on improvements to the Dewatering Plant.

Additional information on the City’s capital assets can be found in Note 4 on pages 65-68 of this report.

Long-term debt—As of December 31, 2013, the City had total long-term bonds and notes outstanding of \$864,557 compared to \$893,652 in the prior year. Of this amount, \$519,494 related to governmental activities and \$345,063 related to business activities. The City had \$43,100 or approximately 5% of the outstanding long-term debt in variable rate mode at year-end. Long-term notes of \$141,601 are included in the above total, of which \$18,835 is for governmental activities and \$122,766 is for business activities.

The following table shows various classifications of the City’s long-term debt at December 31, 2013 and the amount of principal due in 2014.

Summary of Outstanding Bonds and Notes	Balance 1/1/2013	Additions	Retirements	Balance 12/31/2013	Due in 2014
General Obligation (GO) Bonds and Notes:					
Property Tax Supported GO Bonds	\$ 137,475	\$ 42,140	\$ 43,085	\$ 136,530	\$ 37,075
Self Supporting GO Bonds	167,830	9,800	13,010	164,620	14,755
GO Improvement Bonds	49,140	14,295	9,661	53,774	8,701
Tax Increment GO Bonds	107,100	-	9,555	97,545	5,955
Tax Increment GO Notes	4,820	-	370	4,450	390
Internal Service Fund Related GO Bonds	29,180	965	6,340	23,805	4,400
Enterprise Fund Related GO Bonds	146,122	9,705	27,630	128,197	21,570
Enterprise Fund Related GO Notes	126,668	101	4,044	122,725	3,845
Total General Obligation Bonds and Notes	768,335	77,006	113,695	731,646	96,691
Revenue Bonds and Notes:					
Economic Development Revenue Bonds	25,210	-	825	24,385	885
Other Community Development Related Bonds	85,255	12,595	3,750	94,100	3,805
Revenue Notes	14,852	-	426	14,426	371
Total Outstanding Bonds and Notes	\$ 893,652	\$ 89,601	\$ 118,696	\$ 864,557	\$ 101,752

The City maintained an “AAA” rating from Standard & Poor’s and Fitch Ratings and received an “Aa1” from Moody’s for its general obligation debt in 2013. Additional information on the City’s Long-term debt can be found in Note 5 on page 68 of this report.

HISTORICAL AND LONG-TERM FINANCIAL PLANNING

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

- During the 1990s, due to other external demands, the revenue to support the internal services did not keep pace with the growth in expenses. Significant negative cash balances resulted because annual expenses exceeded revenues. Today, the individual balances are no longer negative. This is a significant improvement over the position of the funds since 2000 when the net position deficit was \$(61.7) million.
- The City adopted long-term financial plans for three of the internal service funds (Intergovernmental Services, Equipment Services, and Self-Insurance) to increase net position and to achieve and maintain a positive cash balance. To meet the goals of the adopted long-term financial plans, transfers from the General Fund to all three funds are necessary. At year-end 2013, all three internal service funds had positive net position and cash balances.
- Like other jurisdictions, employee wages and benefits make up over 50 percent of the City’s General Fund expenses, increases to which are driven by rapid growth in healthcare costs.
- In 2000, Minneapolis voters approved a levy to build a new Central Library and fund improvements to community libraries. Effective January 1, 2008, the Minneapolis Public Library System merged into the Hennepin County Library System. Though the County will be responsible for the operating costs for the libraries in future years, under a financial agreement, the City will continue to issue debt as defined in the City’s adopted capital plan and will be responsible for a declining share of operations through 2017.
- In June of 2009, the Governor exercised his authority to “unallot” or unilaterally reduce various state appropriations. The appropriation directly impacting the City of Minneapolis was Local Government Aid (LGA). The City’s LGA was reduced by \$8.5 million in 2009 and \$21.3 million in 2010 as a result of these actions.

- The City adopts a five-year capital improvement program (CIP) that is updated annually. Each year, City departments and independent boards and commissions prepare new and/or modify existing capital budget requests (CBRs). The CBRs are then reviewed by the Capital Long-Range Improvement Committee (CLIC) which is a citizen advisory committee to the Mayor and City Council.
- The City continues to proactively manage its pension liabilities. The City issued bonds in 2002-04 and used one-time funds to meet its pension obligations during those years. For the first time in five years, the 2014 budget does not project growth in the cost of the closed pension obligations from the prior year.
- Beginning with the 2014 budget cycle, the City implemented the Capital Asset Request System (CARS) to allow departments to submit budget requests for the replacement of capital equipment items greater than five-thousand dollars, such as technology systems, vehicles and construction equipment and/or other large dollar items necessary to provide services. The CARS process uses a five-year planning horizon with the intent of establishing normal replacement cycles for all long-term assets used by the City Departments.

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

The 8-percent tax revenue policy was recommended through 2010, but during the 2010 budgeting process, the Mayor and City Council adopted the following replacement policy:

Those entities receiving Local Government Aid (LGA) will move to an activity-based approach with an annual adjustment after the base year equal to the projected percentage increase in the Current Service Level. The dollars available for the activities will be based on the sum of the LGA, total tax collections, and total General Fund revenues. The activities will exclude dollars transferred to other entities, including the following:

For the Park Board, it will exclude the General Fund Overhead transfer to the City, the General Fund Administration Fee transfer to the City, and the costs of Park Board Capital Improvements funded from the Park Board levy.

For the Municipal Building Commission (MBC), it will exclude the General Fund Overhead transfer to the City.

For the City's General Fund, it will exclude the General Fund Overhead not recovered from the Park Board, MBC, and others. It also excludes transfers to other funds including approved internal service fund workout plans, the Target Center Finance Plan, one-time capital project transfers, transfers to and from the pension management plan, and the transfer to Hennepin County per the Library Agreement.

Under the activity-based approach, the tax revenue percentage change for the City, the Park Board, and MBC may vary from year to year based on adjustments to LGA, total General Fund revenues, and adjustments to those items excluded from activities, as well as adjustments to the projected change in the Current Service Level.

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

In the course of the City's annual business and strategic planning process, City departments review and document the most significant trends and challenges affecting their work. While some of these issues are specific to department business, several enterprise-wide themes emerge including economic downturn and the reliance on tenuous intergovernmental funding; a shrinking workforce and increased demands; workforce turnover; increased demand for technological solutions;

regulatory complexity and unfunded mandates; emergency and security management needs; stadium and hospitality facilities; aging facilities and other capital investments; and appropriate levels of fund reserves versus funding.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Budget Outlook:

The City's future financial outlook is strong. The City has financial policies in place to help address funding pressures including personnel costs, pension obligations, and internal service fund debt. Since 2002, the City has annually adopted a five-year financial direction.

- For 2014, the Council Adopted Budget for all City funds (including the Neighborhood Revitalization Program, Board of Estimate and Taxation, the Municipal Building Commission, and the City's contribution to the Minneapolis Public Housing Authority) of \$1.238 billion which represents a \$41.6 million or 3.5% increase from the 2013 Council Adopted Budget of \$1.196 billion.
- At the same time, the Council adopted a 2014 property tax levy of \$281.7 million, which results in a 1% decrease, or \$2.8 million reduction, from the 2013 adopted property tax levy. Funds that have accumulated in the General Fund, due to a growing economy and fiscal restraint in prior years, coupled with a \$12 million increase in Local Government Aid (LGA), allows for a simultaneous decrease in the property tax levy.
- The 2014 adopted budget maintains current service levels from 2013, despite inflationary and mandated cost increases of \$9.883 million.
- In 2014, City positions grew by 34 FTE and salaries and wages increased by \$14 million. Health insurance costs are budgeted to increase from \$58.3 million to \$64.1 million. This estimate is based on changes and experience related to the current plan design and the competitive procurement processes. The anticipated health premium increase for 2014 is 10%. The five-year financial direction includes an average 9.5% annual health insurance cost increase.
- For 2014, the Council adopted utility rates for Water and Sanitary Sewer fees include both a variable rate component based on water usage and a fixed rate component based on the size of the water meter servicing the property. The variable rate for Sanitary Sewer did not increase in 2014.
- The City's levies for its closed pension funds that merged into the Minnesota State Public Employees' Retirement Association (PERA) remain level at \$27.3 million for 2014. The City estimates total closed fund pension obligations of approximately \$643.1 million through 2028. Due to sound financial management, the City does not anticipate a need to bond for pension costs in 2014.
- At year-end 2013, the City's three internal service funds with long-term financial plans (Intergovernmental Services, Equipment Services, and Self-Insurance) had a combined net position of \$92.0 million, a \$25.7 million increase over 2012. Additionally, each of the three funds had a positive cash balance at 2013 year-end. Due to efforts in recent budget cycles, 2014 will be the final year for General Fund transfers.
- The budget provides for a realignment of City sales and use taxes, as permitted by the legislation that authorized the City's contribution to a new stadium in partnership with the State and the Minnesota Vikings. The local sales and use taxes will now be credited as revenue in the City's General Fund. Funds will then be transferred to the Convention Center and Arena Reserve Funds as necessary to cover certain expenses in those funds. The flexibility gained by eliminating the restrictions on the uses of these funds is a factor in the City's ability to reduce its levy for 2014.
- For 2014 – 2018, the five year capital program totals \$592.7 million including all funding sources. The 2014 portion of the five-year capital program is \$120.5 million which funds accelerated improvements to the City's infrastructure by continuing support for the expanded net debt bond program put in place in 2012.
- In the 2014 budget, approximately \$20.9 million has been dedicated to fund items through the CARS process. The majority of items funded reflect deferred maintenance and replacement costs for existing operating capital.

Economic Outlook and Tax Trends

In 2013 the City of Minneapolis continued to exhibit solid growth in population, jobs, housing, and commercial construction, which collectively strengthened its already strong economic base and contributed to higher than projected building permit fee revenue and tax base growth. Highlights include:

Job Growth

- as of mid-2013 [latest available data*], the City had 302,839 jobs, well above its pre-recession high of 296,000 and the highest quarterly total since 2001
- the City also added jobs at a faster annual rate – 1.9% - than the 7 county metro area and the state
- the average annual unemployment rates for both the City and the 7-county metro area have been lower than those for the state as a whole and for the nation for the last ten years; for 2013, the City’s average annual unemployment rate was 4.9%, about the same as the metro area (4.8%), and below the state (5.1%) and national (7.4%) unemployment rates.
- the City’s labor force and number of employed residents have both seen steady gains in the three years since the recession’s low point of 2010

*Data Source: MN Department of Employment and Economic Development

Population Growth

This growing employment base, as well as demographic trends, has contributed to a population spurt since the 2010 Census. In mid-2013, the Metropolitan Council reported that the City had added 9,430 residents since 2010, for an estimated 2012 population of 392,008, a 2.5% increase. The Council further reported that the City of Minneapolis added more population than any other city in this metro area, and that the two year growth rate of 2.5% was higher than the comparable growth rate of 2.2% for the 25 largest metro areas.

Construction Growth

- Job growth and population growth have combined to fuel an extraordinary residential building boom, as Minneapolis continues to lead the metro area in residential housing units permitted. In 2013 a total of 3,552 new residential units were permitted, the second straight year of 3500+ units. Residential Building Permit Valuation increased from \$309.8 million in 2011 to \$636.3 million in 2012 to \$723.8 in 2013.
- The boom in residential construction has been accompanied by a steady growth in commercial construction as well. Commercial Permit Valuation has steadily increased from \$366.6 million in 2011 to \$453.8 million in 2013.

Together these trends have resulted in the highest level of construction growth in over 10 years. This construction boom has in turn resulted in General Fund budget permit fee revenue that has exceeded budgeted projections for the last three years. The above trends do not yet reflect the new Vikings stadium (approx. \$1 billion) or the adjacent “Downtown East” mixed-use office and housing project (approx. \$400 million), both of which will begin construction in 2014.

Real Estate Trends

Approximately two-thirds of the value of the City’s tax base is comprised of residential property. As a result, real estate prices have a direct and significant impact on the City’s overall estimated market value. In 2013, the median residential sales price as reported by the Realtor’s Association was \$189,000 in 2013, a \$49,000 or 35 percent increase from \$140,000 reported in 2011. Although the median sales prices continue to recover, they are not yet back to their pre-recession level. This recovery in residential value is reflected in the City’s overall market value. The Estimated Market Value (EMV) for residential property in 2014 is \$21.6 billion.

Commercial Tax Base

Minneapolis maintains the highest concentration of commercial office buildings in the State of Minnesota and therefore is the largest contributor of revenue to the state general tax on a per city basis. Minneapolis’s 2013 Commercial/Industrial (C/I)

tax base is estimated at \$7.3 billion dollars, of which \$4.1 billion resides in the Minneapolis Central Business District (CBD).

The City’s commercial tax base which hit a low point in valuation year 2012, grew by 2.9% in 2013, and is projected to recover slowly over the next few years. Notable commercial projects that initiated construction in 2013 include a major renovation of Valspar Corporation’s downtown campus, a new Whole Foods grocery store, the Interchange, a multi-modal transit hub adjacent to Target Field, new headquarters for health care company LifeSource, and several large apartment buildings, including the renovation of the historical Pillsbury A Mill into apartments.

According to a leading office market research and leasing firm, the sale of Class A office buildings at record prices will keep pressure on Class A rental rates, a prime bell weather of downtown commercial values. Here are the major CBD building sales and office vacancy data for 2013:

Major Downtown Building sales in 2013		
Source: Minneapolis City Assessor		
Building	Address	Total Sale Price
IDS	80 8 th Street S.	\$253,486,470
RBC Plaza	60 6 th Street S.	\$126,535,000
International Centre	900 2 nd Avenue S.	\$72,500,000
Tri-Tech	331 2 nd Avenue S.	\$7,250,000
NCB	45 5 th Street S.	\$6,690,000
Neiman Marcus	501 Nicollet Mall	\$5,500,000

Between January 2012 and January 2013 the Minneapolis CBD experienced a modest 3.6% increase in commercial and industrial tax base growth. This is the second consecutive year of positive growth in the CBD market since the market downturn in 2009. Citywide, Minneapolis’s commercial tax base is down 15.5% from its peak of \$7.2 billion dollars in 2008 to \$6.1 billion dollars in 2013. Absorption of vacant Class A office space in the CBD was generally positive in 2012 with the first three quarters and the overall FY 2012 recording positive absorption. This is the third consecutive year the CBD has posted positive absorption and improved vacancy. While these positive indicators are only incremental improvements over 2012, they are indicators the market has stabilized and the outlook for this sector is positive with continued market recovery throughout 2013.

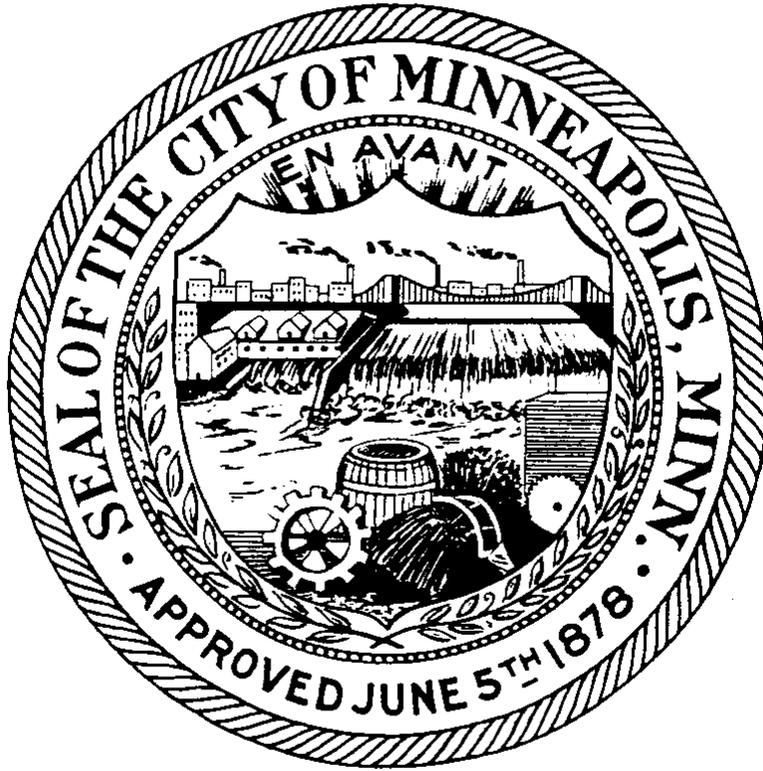
Downtown Office Space—Vacancy Rate:

Because of the importance of real estate taxes as a source of local government revenue, real estate statistics are an important economic gauge for municipalities. Several commercial real estate companies compile and report real estate statistics. CB Richard Ellis reports on local real estate conditions quarterly. CB Richard Ellis’ statistics indicate a slight decrease in vacancy rates in the Minneapolis CBD. Compared to the fourth quarter of 2011, the vacancy rate in the CBD has decreased from 17% to 16.3% in the fourth quarter of 2012.

As noted above, several major downtown projects will begin construction in 2014, including the new Vikings stadium, the adjacent \$400 million office/housing/retail project known as Downtown East, and the renovation of Block E, a struggling downtown entertainment complex that will be re-purposed as a multi-use building anchored by the MN Timberwolves’ practice facility and a sports medicine clinic to be owned by the Mayo Clinic. Additionally, the completion of the of the Target Field multi-modal transportation hub in May and the opening of the new LRT Green Line connecting downtown Minneapolis and St Paul in June are also expected to add vitality to the downtown, drawing new visitors, residents, and employees.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the City of Minneapolis’ finances. Questions concerning any of the information provided in this report or the requests for additional financial information should be addressed to the City’s Finance Officer at The City of Minneapolis, 350 South Fifth Street, Minneapolis, Minnesota, 55415. The annual financial report is also available online at www.minneapolismn.gov



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STATEMENT OF NET POSITION
December 31, 2013

CITY OF MINNEAPOLIS, MINNESOTA
(In Thousands)

	Primary Government			Discrete Component Units	Total
	Governmental Activities	Business-type Activities	Total		
ASSETS					
Cash and cash equivalents	\$ 544,320	\$ 111,744	\$ 656,064	\$ 27,950	\$ 684,014
Investments with trustees	3,197	56,616	59,813	-	59,813
Receivables (net)	109,362	29,416	138,778	7,883	146,661
Loans receivable from component unit	2,020	-	2,020	-	2,020
Due from other governmental agencies	33,324	1,220	34,544	840	35,384
Capital leases	-	3,805	3,805	-	3,805
Prepays and other assets	888	340	1,228	162	1,390
Inventories	5,677	5,319	10,996	167	11,163
Internal Balances	20,492	(20,492)	-	-	-
Long-term portion of loans and notes receivable	-	347	347	-	347
Long-term portion of loans due from component unit	3,030	-	3,030	-	3,030
Long-term portion of capital lease receivable	-	76,728	76,728	-	76,728
Properties held for resale	46,303	-	46,303	-	46,303
Capital assets:					
Nondepreciable	340,411	182,725	523,136	130,529	653,665
Depreciable, net	832,839	794,121	1,626,960	197,645	1,824,605
Total assets	<u>\$ 1,941,863</u>	<u>\$ 1,241,889</u>	<u>\$ 3,183,752</u>	<u>\$ 365,176</u>	<u>\$ 3,548,928</u>
LIABILITIES					
Accrued salaries and benefits	\$ 8,910	\$ 1,013	\$ 9,923	\$ 1,525	\$ 11,448
Accounts payable	29,636	14,013	43,649	4,298	47,947
Interest payable	2,314	1,682	3,996	81	4,077
Unpaid claims payable	-	-	-	3,645	3,645
Loans payable to primary government	-	-	-	2,020	2,020
Due to other governmental agencies	72	227	299	-	299
Unearned revenue	17,578	1,149	18,727	494	19,221
Deposits held for others	5,605	11,135	16,740	-	16,740
Long-term interest payable	-	3,542	3,542	-	3,542
Compensated absences:					
Due within one year	16,868	822	17,690	2,778	20,468
Due beyond one year	15,949	1,919	17,868	1,992	19,860
Other postemployment benefits - due beyond one year	25,886	3,237	29,123	4,124	33,247
Long-term portion of loan payable to primary government	-	-	-	3,030	3,030
Long-term liabilities:					
Due within one year	88,614	29,261	117,875	1,418	119,293
Due beyond one year	496,524	319,851	816,375	638	817,013
Total liabilities	<u>707,956</u>	<u>387,851</u>	<u>1,095,807</u>	<u>26,043</u>	<u>1,121,850</u>
NET POSITION					
Net investment in capital assets	845,638	731,372	1,577,010	326,289	1,903,299
Restricted:					
Debt service	53,211	33,529	86,740	-	86,740
Community & economic development	142,616	-	142,616	-	142,616
Grants	2,424	-	2,424	-	2,424
Capital improvements	-	-	-	952	952
Project and grant programs	-	-	-	466	466
Special trust	-	-	-	103	103
Special reserves	-	-	-	4,673	4,673
Unrestricted	190,018	89,137	279,155	6,650	285,805
Total net position	<u>1,233,907</u>	<u>854,038</u>	<u>2,087,945</u>	<u>339,133</u>	<u>2,427,078</u>
Total liabilities and net position	<u>\$ 1,941,863</u>	<u>\$ 1,241,889</u>	<u>\$ 3,183,752</u>	<u>\$ 365,176</u>	<u>\$ 3,548,928</u>

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

STATEMENT OF ACTIVITIES
For the Fiscal Year Ended December 31, 2013

CITY OF MINNEAPOLIS, MINNESOTA
(In Thousands)

	Net (Expenses) Revenues and Changes in Net Position									
	Primary Government					Discrete Component Units				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
FUNCTIONS/PROGRAMS										
Primary government										
Governmental Activities:										
General government	\$ 83,726	\$ 28,943	\$ 13,637	\$ -	\$ (41,146)	\$ -	\$ (41,146)	\$ -	\$ -	\$ (41,146)
Public safety	225,332	14,382	25,559	-	(185,391)	-	(185,391)	-	-	(185,391)
Public works	86,795	16,298	24,074	15,466	(30,957)	-	(30,957)	-	-	(30,957)
Culture and recreation	11,993	-	-	-	(11,993)	-	(11,993)	-	-	(11,993)
Health and welfare	18,442	2,432	11,398	-	(4,612)	-	(4,612)	-	-	(4,612)
Community planning & economic development	153,877	63,606	41,170	-	(49,101)	-	(49,101)	-	-	(49,101)
Interest on long-term debt	16,549	-	-	-	(16,549)	-	(16,549)	-	-	(16,549)
Total governmental activities	596,714	125,661	115,838	15,466	(339,749)	-	(339,749)	-	-	(339,749)
Business-type activities:										
Sanitary sewer	44,868	45,742	1,201	-	-	2,075	2,075	-	-	2,075
Stormwater	27,816	38,254	690	996	-	12,124	12,124	-	-	12,124
Solid waste and recycling	34,446	30,208	354	880	-	(3,004)	(3,004)	-	-	(3,004)
Water treatment and distribution services	57,961	73,506	1,013	1,071	-	17,629	17,629	-	-	17,629
Community planning & economic development	7,862	2,350	-	-	-	(5,512)	(5,512)	-	-	(5,512)
Municipal parking	45,868	57,928	177	25	-	12,262	12,262	-	-	12,262
Total business-type activities	218,821	247,988	3,435	2,972	-	35,574	35,574	-	-	35,574
Total primary government	\$ 815,535	\$ 373,649	\$ 119,273	\$ 18,438	\$ (339,749)	\$ 35,574	\$ (304,175)	\$ -	\$ -	\$ (304,175)
Component units:										
Discrete component units	\$ 115,413	\$ 38,419	\$ 6,116	\$ 17,780						\$ (53,098)
General Revenues:										
Taxes:										
General property tax and fiscal disparities					232,979		232,979		59,395	292,374
Property tax increment					41,159		41,159		-	41,159
Franchise fees					29,620		29,620		-	29,620
Convention center taxes					70,634		70,634		-	70,634
Other taxes					165		165		-	165
Local government aid - unrestricted					56,379		56,379		193	56,572
Grants and contributions not restricted to programs					(593)		-		7,570	7,570
Unrestricted interest and investment earnings					8,793		4,479		4,479	4,479
Other					244		9,037		129	9,166
Gain on sale of capital assets					340		365		154	519
Transfers					3,066		(3,066)		-	-
Total general revenues and transfers					442,542		444,817		67,441	512,258
Change in net position					102,793		140,642		14,343	154,985
Net position- January 1, restated (see Note 1-A)					1,131,114		1,947,303		324,790	2,272,093
Net position- December 31					\$ 1,233,907		\$ 2,087,945		\$ 339,133	\$ 2,427,078

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

GOVERNMENTAL FUNDS
BALANCE SHEET
December 31, 2013

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	General	Community Planning and Economic Development	Convention Center	Permanent Improvement	Special Assessment	Non-Major Governmental	Total
ASSETS							
Cash and cash equivalents	\$ 102,147	\$ 171,896	\$ 54,916	\$ 30,101	\$ 9,806	\$ 53,684	\$ 422,550
Investments with trustees	-	-	-	-	-	3,197	3,197
Receivables:							
Accounts - net	3,914	131	6,124	1,147	-	314	11,630
Taxes	3,596	54	-	27	-	1,127	4,804
Special assessments	756	-	-	3,175	35,111	1,619	40,661
Intergovernmental	560	88	-	21,087	-	11,588	33,323
Loans-net	-	28,858	-	-	-	22,025	50,883
Loans due from component unit	-	-	5,050	-	-	-	5,050
Accrued interest	698	348	103	59	20	78	1,306
Due from other funds	4,760	40	-	-	-	-	4,800
Advances to other funds	-	10	4,750	-	-	-	4,760
Properties held for resale	-	37,258	-	-	-	8,613	45,871
Total assets	\$ 116,431	\$ 238,683	\$ 70,943	\$ 55,596	\$ 44,937	\$ 102,245	\$ 628,835
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES							
Liabilities:							
Salaries payable	\$ 7,238	\$ 102	\$ 304	\$ 202	\$ -	\$ 323	\$ 8,169
Accounts payable	5,649	3,104	3,505	3,998	13	5,584	21,853
Intergovernmental payable	5	-	1	-	-	61	67
Due to other funds	-	-	-	-	-	4,760	4,760
Deposits held for others	3,393	651	1,561	-	-	-	5,605
Unearned revenue	-	251	-	516	-	3,892	4,659
Total liabilities	16,285	4,108	5,371	4,716	13	14,620	45,113
Deferred Inflows of Resources:							
Unavailable Revenue	3,176	28,912	44	23,184	35,015	24,258	114,589
Fund balances:							
Nonspendable	-	37,258	-	-	-	8,613	45,871
Restricted	-	142,616	-	20,511	9,909	25,215	198,251
Committed	-	125	-	-	-	-	125
Assigned	-	25,664	65,528	7,185	-	29,708	128,085
Unassigned	96,970	-	-	-	-	(169)	96,801
Total fund balances	96,970	205,663	65,528	27,696	9,909	63,367	469,133
Total liabilities, deferred inflows of resources, and fund balances	\$ 116,431	\$ 238,683	\$ 70,943	\$ 55,596	\$ 44,937	\$ 102,245	\$ 628,835

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 Position - Governmental Activities
December 31, 2013**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

Fund balances - total governmental funds	\$	469,133
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.</p>		
Non-depreciable	302,445	
Depreciable	1,371,209	
Accumulated depreciation	(612,660)	1,060,994
<hr/>		
Deferred inflows are not available to pay for current-period expenditures and, therefore, in the governmental funds, are unavailable revenue.		114,589
<p>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.</p>		
		131,142
<p>Receivable from business-type funds for internal service fund activity.</p>		
		20,442
<p>Accruals to record an accounts receivable allowance, interest receivable on loans and notes, and an adjustment to loans and notes receivable balances.</p>		
		(149)
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.</p>		
Bonds and Notes payable and any related unamortized premiums/discounts	(505,620)	
Other postemployment benefits payable	(23,399)	
Operating and Capital leases payable	(183)	
Bond Interest Payable	(2,256)	
Compensated Absences	(30,786)	(562,244)
<hr/>		
Net position of governmental activities	\$	1,233,907

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, 2013**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	General	Community Planning and Economic Development	Convention Center	Permanent Improvement	Special Assessment	Non-Major Governmental	Total
REVENUES:							
Taxes	\$ 218,215	\$ 37,247	\$ 56,307	\$ 1,015	\$ -	\$ 62,222	\$ 375,006
Licenses and permits	39,227	-	-	326	-	1,182	40,735
Intergovernmental revenues	70,531	1	-	18,806	-	66,418	155,756
Charges for services and sales	42,530	7,245	5,788	5,291	-	2,174	63,028
Fines and forfeits	7,668	-	-	-	-	346	8,014
Special assessments	3,482	-	-	1,444	9,936	9,517	24,379
Investment earnings	(607)	(83)	202	(56)	(54)	(47)	(645)
Miscellaneous revenues	1,497	23,014	10,655	733	-	8,567	44,466
Total revenues	<u>382,543</u>	<u>67,424</u>	<u>72,952</u>	<u>27,559</u>	<u>9,882</u>	<u>150,379</u>	<u>710,739</u>
EXPENDITURES:							
Current:							
General government	64,210	-	-	-	-	33,259	97,469
Public safety	207,882	-	-	-	-	24,429	232,311
Public works	51,364	-	-	-	-	3,551	54,915
Culture and recreation	4,106	-	-	-	-	-	4,106
Health and welfare	6,975	-	-	-	-	11,018	17,993
Community planning & economic development	19,645	39,055	38,343	-	-	51,039	148,082
Capital outlay	-	-	376	63,038	-	-	63,414
Intergovernmental							
General government	-	-	-	898	-	-	898
Public safety	-	-	-	-	-	169	169
Culture and recreation	-	-	-	7,887	-	-	7,887
Debt Service:							
Principal retirement	-	-	-	-	9,161	49,225	58,386
Interest and fiscal charges	-	-	-	-	1,587	15,125	16,712
Total expenditures	<u>354,182</u>	<u>39,055</u>	<u>38,719</u>	<u>71,823</u>	<u>10,748</u>	<u>187,815</u>	<u>702,342</u>
Excess (deficiency) of revenues over (under) expenditures	<u>28,361</u>	<u>28,369</u>	<u>34,233</u>	<u>(44,264)</u>	<u>(866)</u>	<u>(37,436)</u>	<u>8,397</u>
OTHER FINANCING SOURCES (USES):							
Transfers from other funds	13,868	638	-	1,317	56	45,088	60,967
Transfers to other funds	(30,616)	(31,202)	(27,330)	(1,086)	-	(2,707)	(92,941)
Bonds issued	-	-	-	47,805	-	-	47,805
Premium (Discount)	-	-	-	830	-	692	1,522
Refunding bonds issued	-	-	-	-	500	17,930	18,430
Payments to escrow agents	-	-	-	-	(500)	(17,930)	(18,430)
Total other financing sources (uses)	<u>(16,748)</u>	<u>(30,564)</u>	<u>(27,330)</u>	<u>48,866</u>	<u>56</u>	<u>43,073</u>	<u>17,353</u>
Net change in fund balances	11,613	(2,195)	6,903	4,602	(810)	5,637	25,750
Fund balances - January 1	<u>85,357</u>	<u>207,858</u>	<u>58,625</u>	<u>23,094</u>	<u>10,719</u>	<u>57,730</u>	<u>443,383</u>
Fund balances - December 31	<u>\$ 96,970</u>	<u>\$ 205,663</u>	<u>\$ 65,528</u>	<u>\$ 27,696</u>	<u>\$ 9,909</u>	<u>\$ 63,367</u>	<u>\$ 469,133</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, 2013**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

Net increase (decrease) in fund balances - total governmental funds	\$	25,750
Amounts reported for governmental activities in the statement of activities are different because:		
Interest revenue that is not recorded within the fund level statements.		124
Loan C program revenue is not recorded within the fund level statements.		2,172
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.		27,537
Transfers from business-type funds for internal service fund activity.		855
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:		71,621
Less loss on retirement of capital assets		(422)
Less current year depreciation		(35,317)
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.		7,696
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position:		
Bonds Principal Payments	76,816	
Bond Proceeds	(66,235)	
Premium/discount	(1,522)	9,059
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	163	
Change in other postemployment benefits payable	(5,776)	
Change in compensated absences	(669)	(6,282)
Increase (decrease) in net position of governmental activities	\$	102,793

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

**PROPRIETARY FUNDS
STATEMENT OF NET POSITION
December 31, 2013**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Business-type Activities - Enterprise Funds						Total	Governmental Activities
	Sanitary Sewer	Stormwater	Water Treatment and Distribution Services	Municipal Parking	Solid Waste and Recycling	Community Planning and Economic Development		Internal Service Funds
ASSETS								
Current assets:								
Cash and cash equivalents	\$ 25,319	\$ 36,360	\$ 18,963	\$ 13,304	\$ 17,794	\$ 4	\$ 111,744	\$ 121,770
Investments with trustees	-	-	-	-	-	56,616	56,616	-
Receivables:								
Accounts - net	4,744	3,609	3,704	3,393	3,254	78	18,782	78
Special assessments:								
Current	103	231	798	1	151	-	1,284	-
Delinquent	36	77	194	7	46	-	360	-
Deferred	-	-	1,521	7,066	-	-	8,587	-
Intergovernmental	-	250	944	-	26	-	1,220	1
Loans	-	-	-	-	-	120	120	-
Notes	-	-	-	-	-	-	-	149
Accrued interest	-	-	-	-	-	283	283	-
Capital leases	-	-	-	-	-	3,805	3,805	-
Due from other funds	-	-	-	-	-	-	-	181
Inventories	-	-	3,706	-	1,613	-	5,319	5,677
Properties held for resale	-	-	-	-	-	-	-	432
Prepaid items	-	-	340	-	-	-	340	888
Total current assets	30,202	40,527	30,170	23,771	22,884	60,906	208,460	129,176
Long-term assets:								
Receivables:								
Loans	-	-	-	-	-	347	347	-
Capital leases	-	-	-	-	-	76,728	76,728	-
Capital assets:								
Nondepreciable								
Land, leaseholds and easements	1	7,211	2,993	112,452	1,877	3,848	128,382	23,007
Construction in progress	6,272	20,557	23,986	2,518	1,010	-	54,343	14,959
Depreciable								
Buildings and structures	-	-	222,658	281,284	2,047	12,743	518,732	55,650
Less accumulated depreciation	-	-	(69,236)	(118,744)	(2,037)	(11,151)	(201,168)	(29,590)
Public improvements	153,941	360,986	161,044	7,654	-	-	683,625	9,275
Less accumulated depreciation	(58,800)	(106,150)	(71,871)	(740)	-	-	(237,561)	(3,234)
Machinery and equipment	1,386	1,611	33,006	4,936	13,333	393	54,665	89,694
Less accumulated depreciation	(1,161)	(1,388)	(8,203)	(4,210)	(8,829)	(393)	(24,184)	(58,801)
Computer equipment	10	193	99	1,041	178	-	1,521	68,493
Less accumulated depreciation	(10)	(193)	(89)	(1,041)	(178)	-	(1,511)	(64,194)
Software	-	1,488	269	130	955	-	2,842	51,165
Less accumulated depreciation	-	(1,488)	(269)	(130)	(955)	-	(2,842)	(44,168)
Other capital outlay	-	-	19	15	-	-	34	51
Less accumulated depreciation	-	-	(19)	(13)	-	-	(32)	(51)
Total long-term assets	101,639	282,827	294,387	285,152	7,401	82,515	1,053,921	112,256
Total assets	\$ 131,841	\$ 323,354	\$ 324,557	\$ 308,923	\$ 30,285	\$ 143,421	\$ 1,262,381	\$ 241,432

**PROPRIETARY FUNDS
STATEMENT OF NET POSITION
December 31, 2013**

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

	Business-type Activities - Enterprise Funds						Total	Governmental
								Internal
	Sanitary Sewer	Stormwater	Water Treatment and Distribution Services	Municipal Parking	Solid Waste and Recycling	Community Planning and Economic Development		Service Funds
LIABILITIES								
Current liabilities:								
Salaries payable	\$ 95	\$ 155	\$ 398	\$ 108	\$ 246	\$ 11	\$ 1,013	\$ 741
Accounts payable	1,892	1,116	1,818	7,550	1,459	178	14,013	7,783
Intergovernmental payable	-	-	2	2	223	-	227	5
Due to other funds	-	-	-	-	-	40	40	181
Deposits held for others	-	-	242	1,859	-	9,034	11,135	-
Advances from other funds	-	-	-	-	-	10	10	-
Interest payable	34	24	883	325	-	416	1,682	58
Unearned revenue	-	-	-	-	-	1,149	1,149	12,919
Bonds payable-current portion	5,150	3,235	2,301	10,884	-	3,805	25,375	4,400
Notes payable-current portion	-	-	3,845	-	-	41	3,886	-
Compensated absences payable-current portion	80	124	367	68	176	7	822	609
Unpaid claims payable-current portion	-	-	-	-	-	-	-	16,123
Total current liabilities	7,251	4,654	9,856	20,796	2,104	14,691	59,352	42,819
Long-term liabilities:								
Interest payable	-	1,042	1,205	1,295	-	-	3,542	-
Bonds payable	9,300	4,736	19,769	72,822	-	90,295	196,922	19,405
Unamortized premium (discounts)	475	316	962	2,296	-	-	4,049	862
Advances from other funds	-	-	-	-	-	-	-	4,750
Notes payable	-	-	80,230	38,650	-	-	118,880	-
Compensated absences payable	186	290	858	158	410	17	1,919	1,422
Other postemployment benefits	237	597	1,227	279	897	-	3,237	2,487
Unpaid claims payable	-	-	-	-	-	-	-	38,545
Total long-term liabilities	10,198	6,981	104,251	115,500	1,307	90,312	328,549	67,471
Total liabilities	17,449	11,635	114,107	136,296	3,411	105,003	387,901	110,290
NET POSITION								
Net investment in capital assets	88,392	274,546	193,129	162,464	7,401	5,440	731,372	88,658
Restricted - debt service	-	-	-	-	-	33,529	33,529	-
Unrestricted	26,000	37,173	17,321	10,163	19,473	(551)	109,579	42,484
Total net position	114,392	311,719	210,450	172,627	26,874	38,418	874,480	131,142
Total liabilities and net position	\$ 131,841	\$ 323,354	\$ 324,557	\$ 308,923	\$ 30,285	\$ 143,421	\$ 1,262,381	\$ 241,432
Net position - total enterprise funds							\$ 874,480	
Some amounts reported for business-type activities in the statement of net position are different because certain internal service fund assets and liabilities are included with business-type activities.							(20,442)	
Net position of business-type activities							\$ 854,038	

**PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
For the Fiscal Year Ended December 31, 2013**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Business-type Activities - Enterprise Funds						Governmental Activities	
	Sanitary Sewer	Stormwater	Water Treatment and Distribution Services	Municipal Parking	Solid Waste and Recycling	Community Planning and Economic Development	Total	Internal Service Funds
Operating revenues:								
Licenses and permits	\$ 83	\$ -	\$ 20	\$ 331	\$ -	\$ -	\$ 434	\$ -
Intergovernmental revenues	1,100	690	-	177	11	-	1,978	-
Charges for services and sales	60,568	37,975	73,843	57,638	30,234	2,350	262,608	83,229
Fines and forfeits	-	279	-	-	-	-	279	53
Special assessments	101	-	1,013	-	343	-	1,457	-
Interest	-	-	-	-	-	4,926	4,926	-
Rents and commissions	-	-	-	2	-	-	2	35,322
Total operating revenues	61,852	38,944	74,876	58,148	30,588	7,276	271,684	118,604
Operating expenses:								
Personnel costs	4,045	6,131	18,847	3,766	10,708	422	43,919	39,359
Contractual services	13,622	14,009	19,524	31,368	16,879	2,174	97,576	44,177
Materials, supplies, services and other	34,448	3,368	12,103	2,611	6,093	8	58,631	20,310
Rent	-	-	-	-	-	-	-	1,497
Depreciation	1,379	4,114	10,628	6,955	855	348	24,279	19,340
Total operating expenses	53,494	27,622	61,102	44,700	34,535	2,952	224,405	124,683
Operating income (loss)	8,358	11,322	13,774	13,448	(3,947)	4,324	47,279	(6,079)
Non-operating revenues (expenses):								
Intergovernmental	-	962	686	-	880	-	2,528	-
Interest revenue	-	-	-	-	-	146	146	-
Interest expense	(170)	(194)	(2,983)	(4,002)	-	(4,910)	(12,259)	(754)
Gain (loss) on disposal of capital assets	-	-	-	-	25	-	25	340
Special assessments	-	-	-	25	-	-	25	-
Other revenues	-	-	231	12	1	-	244	2,353
Total non-operating revenues (expenses)	(170)	768	(2,066)	(3,965)	906	(4,764)	(9,291)	1,939
Income (loss) before contributions and transfers	8,188	12,090	11,708	9,483	(3,041)	(440)	37,988	(4,140)
Capital contributions	-	34	385	-	-	-	419	6,447
Transfers in (out):								
Transfers from other funds	-	-	1,171	11,622	296	400	13,489	32,692
Transfers to other funds	(1,258)	-	-	(11,234)	(700)	-	(13,192)	(1,015)
Total contributions and transfers	(1,258)	34	1,556	388	(404)	400	716	38,124
Change in net position	6,930	12,124	13,264	9,871	(3,445)	(40)	38,704	33,984
Net position - January 1	107,462	299,595	197,186	162,756	30,319	38,458	835,776	97,158
Net position - December 31	\$ 114,392	\$ 311,719	\$ 210,450	\$ 172,627	\$ 26,874	\$ 38,418	\$ 874,480	\$ 131,142

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.

(855)

Change in net position of business-type activities

\$ 37,849

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, 2013**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Business-type Activities - Enterprise Funds						Total	Governmental
	Sanitary Sewer	Stormwater	Water Treatment and Distribution Services	Municipal Parking	Solid Waste and Recycling	Community Planning and Economic Development		Internal Service Funds
Cash flows from operating activities:								
Cash received from customers and users	\$ 61,024	\$ 38,355	\$ 74,862	\$ 58,004	\$ 30,071	\$ 11,074	\$ 273,390	\$ 123,833
Intergovernmental receipts	-	645	-	-	-	-	645	34
Developer project contribution	-	-	-	-	-	4,561	4,561	-
Payments to suppliers and users	(48,102)	(17,139)	(31,076)	(32,434)	(24,621)	(2,035)	(155,407)	(62,081)
Payments to employees	(3,958)	(6,022)	(18,812)	(3,761)	(10,458)	(413)	(43,424)	(39,110)
Other non-operating revenues	-	-	231	12	1	-	244	1,861
Net cash provided (used) by operating activities	8,964	15,839	25,205	21,821	(5,007)	13,187	80,009	24,537
Cash flows from non-capital financing activities:								
Subsidies from federal and local grants	-	-	41	-	-	-	41	-
Bonds issued	-	-	-	-	-	12,595	12,595	-
Transfers from other funds	-	-	1,171	11,622	296	400	13,489	32,692
Repayment of advances from other funds	-	-	-	-	-	-	-	(1,500)
Principal paid on bonds and notes	-	-	-	-	-	(3,866)	(3,866)	-
Interest paid on bonds and notes	-	-	-	-	-	(4,897)	(4,897)	-
Transfers to other funds	(1,258)	-	-	(11,234)	(700)	-	(13,192)	(1,015)
Intergovernmental	-	962	-	-	879	-	1,841	-
Repayment from (payment to) other fund for cash deficit	-	-	-	-	-	(110)	(110)	-
Net cash provided (used) by non-capital financing activities	(1,258)	962	1,212	388	475	4,122	5,901	30,177
Cash Flows from capital and related financing activities:								
Bonds issued	7,050	-	-	2,655	-	-	9,705	965
Notes issued	-	101	-	-	-	-	101	-
Principal paid on bonds	(4,150)	(6,650)	(2,201)	(14,629)	-	-	(27,630)	(6,340)
Interest paid on bonds	(350)	(975)	(4,401)	(3,913)	-	-	(9,639)	(886)
Premium (discount)	119	-	-	45	-	-	164	16
Principal paid on notes	-	(263)	(3,781)	-	-	-	(4,044)	-
Interest paid on notes	-	-	-	(229)	-	-	(229)	-
Capital contributions	-	34	162	-	-	-	196	-
Special assessments	-	-	-	565	-	-	565	-
Acquisition and construction of capital assets	(5,064)	(10,097)	(16,299)	(1,124)	(1,630)	-	(34,214)	(12,540)
Bond issuance costs	(10)	-	-	(4)	-	-	(14)	(1)
Proceeds from sale of capital assets	-	-	-	-	100	-	100	400
Contributions from other funds	-	-	-	-	-	-	-	492
Net cash provided (used) by capital and related financing activities	(2,405)	(17,850)	(26,520)	(16,634)	(1,530)	-	(64,939)	(17,894)
Cash flows from investing activities:								
Purchase of investments	-	-	-	-	-	(31,182)	(31,182)	-
Sale of investments	-	-	-	-	-	13,545	13,545	-
Interest	-	-	-	-	-	318	318	-
Net cash provided (used) by investing activities	-	-	-	-	-	(17,319)	(17,319)	-
Net increase (decrease) in cash and cash equivalents	5,301	(1,049)	(103)	5,575	(6,062)	(10)	3,652	36,820
Cash and cash equivalents, beginning of year	20,018	37,409	19,066	7,729	23,856	14	108,092	84,950
Cash and cash equivalents, end of year	\$ 25,319	\$ 36,360	\$ 18,963	\$ 13,304	\$ 17,794	\$ 4	\$ 111,744	\$ 121,770
Reconciliation of operating income to net cash provided (used) by operating activities								
Operating income (loss)	\$ 8,358	\$ 11,322	\$ 13,774	\$ 13,448	\$ (3,947)	\$ 4,324	\$ 47,279	\$ (6,079)
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:								
Depreciation	1,379	4,114	10,628	6,955	855	348	24,279	19,340
Accounts receivable (net)	(793)	7	820	(162)	(381)	(49)	(558)	44
Intergovernmental receivable	-	(44)	(40)	-	(13)	-	(97)	35
Loans receivable	-	-	-	-	-	28	28	-
Notes receivable	-	-	-	-	-	-	-	4,442
Special assessments receivable	(34)	94	(211)	(1)	(59)	-	(211)	-
Capital lease receivable	-	-	-	-	-	3,750	3,750	-
Inventories	-	-	500	-	124	-	624	(101)
Prepaid items	161	9	(339)	-	-	-	(169)	(102)
Due from other funds	-	-	-	-	-	-	-	58
Salaries payable	(2)	30	25	16	25	(1)	93	(40)
Accounts payable	(193)	234	392	1,561	(1,663)	147	478	2,488
Intergovernmental payable	-	(5)	(1)	(16)	(110)	-	(132)	-
Deposits held for others	(2)	(1)	(583)	19	(1)	4,565	3,997	(20)
Unearned revenue	-	-	-	-	(63)	66	3	683
Compensated absences payable	12	41	(11)	(4)	36	9	83	99
Other postemployment benefits	78	38	20	(7)	189	-	318	191
Unpaid claims	-	-	-	-	-	-	-	1,638
Other non-operating revenues	-	-	231	12	1	-	244	1,861
Net cash provided (used) by operating activities	\$ 8,964	\$ 15,839	\$ 25,205	\$ 21,821	\$ (5,007)	\$ 13,187	\$ 80,009	\$ 24,537
Non-cash investing, capital and financing activities:								
Loss on disposal of capital assets	\$ -	\$ -	\$ -	\$ -	\$ (75)	\$ -	\$ (75)	\$ (60)
Capitalization of interest on construction in progress	-	176	278	-	-	-	454	-
Capital contribution	-	-	-	-	-	-	-	6,447

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
December 31, 2013**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 4,400
Receivables:	
Accounts-net	<u>279</u>
Total assets	<u><u>\$ 4,679</u></u>
 LIABILITIES	
Accounts payable	\$ 1,776
Intergovernmental payable	2,781
Deposits held for others	<u>122</u>
Total liabilities	<u><u>\$ 4,679</u></u>

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

**COMBINING STATEMENT OF NET POSITION
DISCRETE COMPONENT UNITS
December 31, 2013**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Minneapolis Park and Recreation Board	Municipal Building Commission	Meet Minneapolis	Total Discrete Component Units
<u>ASSETS</u>				
Cash and investments	\$ 25,671	\$ 1,461	\$ 818	\$ 27,950
Receivables (net)	7,351	-	532	7,883
Due from other governmental agencies	-	840	-	840
Prepays and other assets	79	-	83	162
Inventories	167	-	-	167
Capital assets:				
Nondepreciable	117,385	13,103	41	130,529
Depreciable, net	182,198	15,107	340	197,645
Total assets	<u>\$ 332,851</u>	<u>\$ 30,511</u>	<u>\$ 1,814</u>	<u>\$ 365,176</u>
<u>LIABILITIES</u>				
Accrued salaries and benefits	\$ 1,048	\$ 107	\$ 370	\$ 1,525
Accounts payable	3,319	732	247	4,298
Interest payable	18	-	63	81
Unpaid claims payable	3,645	-	-	3,645
Loans payable to primary government	-	-	2,020	2,020
Unearned revenue	-	-	494	494
Compensated absences:				
Due within one year	2,648	130	-	2,778
Due beyond one year	1,937	55	-	1,992
Other postemployment benefits - due beyond one year	3,851	273	-	4,124
Long -term portion of loan payable -				
Due to primary government	-	-	3,030	3,030
Long-term liabilities:				
Due within one year	1,372	-	46	1,418
Due beyond one year	372	-	266	638
Total liabilities	<u>18,210</u>	<u>1,297</u>	<u>6,536</u>	<u>26,043</u>
<u>NET POSITION</u>				
Net investment in capital assets	297,837	28,210	242	326,289
Restricted				
Capital improvements	949	-	3	952
Project and grant programs	466	-	-	466
Special trust	103	-	-	103
Special reserves	4,673	-	-	4,673
Unrestricted	10,613	1,004	(4,967)	6,650
Total net position	<u>314,641</u>	<u>29,214</u>	<u>(4,722)</u>	<u>339,133</u>
Total liabilities and net position	<u>\$ 332,851</u>	<u>\$ 30,511</u>	<u>\$ 1,814</u>	<u>\$ 365,176</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, 2013

CITY OF MINNEAPOLIS, MINNESOTA
(In Thousands)

FUNCTIONS/PROGRAMS	Program Revenues			Net (Expenses) Revenues and Changes in Net Position				Total Discrete Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Minneapolis Park and Recreation Board	Municipal Building Commission	Meet Minneapolis	
Minneapolis Park and Recreation Board	\$ 93,614	\$ 18,762	\$ 6,116	\$ 15,672	\$ (53,064)	\$ -	\$ -	\$ (53,064)
Municipal Building Commission	11,077	8,045	-	2,108	-	(924)	-	(924)
Meet Minneapolis	10,722	11,612	-	-	-	-	890	890
Total discrete component unit activities	\$ 115,413	\$ 38,419	\$ 6,116	\$ 17,780	\$ (53,064)	(924)	890	(53,098)
General Revenues:								
Taxes:								
General property tax and fiscal disparities								
Local government aid								
Grants and contributions not restricted to specific programs								
Other								
Gain on sale of capital assets								
Total general revenues								
Change in net position								
Net position- January 1, restated (see Note 1-A)								
Net position- December 31								
	\$ 314,641	\$ 29,214	\$ 29,214	\$ 324,790	\$ (4,722)	\$ 339,133		

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



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For the fiscal year ended December 31, 2013

(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 annually selects 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. Also, the City has operational responsibility over the BET. It is these criteria that results in the BET being reported as a blended component unit.

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 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. Also, the City has no operational responsibility over the Park Board. It is these criteria that results in the Park Board being reported as a discrete component unit. 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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DISCRETELY PRESENTED COMPONENT UNITS

▪ **Minneapolis Park and Recreation Board (continued)**

Park Board, and the full faith and credit of the City secures debt issued for Park Board projects. The City Finance Officer acts as Treasurer of the Park Board. The 2012 net position was restated in 2013, for the Enterprise fund. The detail of this restatement can be found in Note 2 of the Minneapolis Park and Recreation Board financial statements. 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.

The Net Position of the Park Board has been adjusted to reflect changes in accounts payable and accounts receivable.

Net position- December 31	\$ 300,002
Adjustments	584
Net position- January 1, restated	<u>\$ 300,586</u>

▪ **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. It is this criterion that results in the MBC being reported as a discretely presented component unit. The Mayor recommends the tax levy and budget for the City's share of the MBC's operations and the City Council and Mayor approve the allocation of the state's local governmental aid to the MBC. The MBC does not issue separate financial statements.

▪ **Meet Minneapolis**

Greater Minneapolis Convention and Visitors Association was incorporated on July 29, 1987. Greater Minneapolis Convention and Visitors Association (d.b.a. Meet Minneapolis) and its subsidiary, Internet Destination Sales System, Inc. (hereinafter collectively the "Association") comprise the reporting entity for Meet Minneapolis. The Association was organized to promote the City of Minneapolis (the City) as a major destination for conventions and visitor travel, and to achieve maximum utilization of the Minneapolis Convention Center. Toward this purpose, the Association receives funding through annual contracts with the City and the state of Minnesota. The Association is a nonprofit corporation under Section 501 (c) (6) of the Internal Revenue Code. Management also has no operational responsibility over Meet Minneapolis. It is this criterion that results in Meet Minneapolis being reported as a discretely presented component unit. Complete financial statements for Meet Minneapolis and its Subsidiary can be obtained from Meet Minneapolis at 250 Marquette Avenue South, Suite 1300, Minneapolis, Minnesota 55401.

RELATED ORGANIZATIONS

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

For the fiscal year ended December 31, 2013

(Dollar Amounts Expressed in Thousands)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**RELATED ORGANIZATIONS (continued)****▪ Minnesota Sports Facilities Authority**

On May 14, 2012 Governor Mark Dayton signed into law a stadium bill which provides for construction and operation of a new National Football League stadium to be located on the Metrodome site. The bill established a new Minnesota Sports Facilities Authority (MSFA) and required that members be appointed within 30 days, the bill also required the Metropolitan Sports Facilities Commission (MSFC) transfer its assets, liabilities, and obligations to the MSFA within 90 days and then abolish the MFSC. The City is obligated to provide funding to build and maintain the new stadium.

The MSFA is charged with the design, construction and operation of the new multi-purpose stadium. The MSFA consists of five members. Three authority members, including the chair, are appointed by the governor. Two authority members are appointed by the City of Minneapolis. Complete financial statements for the MSFA can be obtained from the Minnesota Sports Facilities Authority 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 and four Commissioners (one of whom must be a public housing family development resident) are appointed by the City Council.

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

JOINT VENTURES

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

• Minneapolis/Saint Paul Housing Finance Board

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

For the fiscal year ended December 31, 2013

(Dollar Amounts Expressed in Thousands)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**JOINT VENTURES (continued)****• 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 Minneapolis Park and Recreation Board, the Mayor and the City Council under authority of State of Minnesota laws. The YCB, which numbers 10 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 from the Park Board, the Hennepin County Attorney, and a Judge assigned by the Chief Judge of the District Court. The percentage of each jurisdiction's share in the YCB's assets, liabilities and equity cannot be determined at fiscal year-end. Complete financial statements for the YCB can be obtained from the Minneapolis Youth Coordinating Board at the Towle Building, 330 2nd Avenue South, Room 540, Minneapolis, Minnesota 55401.

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

The *statement of net position* 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. Governmental Funds recognize revenue in the accounting period in which they become susceptible to accrual. Susceptible to accrual means that revenues are both measurable and available to finance expenditures of the fiscal period. Financial resources are available only to the extent that they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The availability period used for revenue recognition is generally 60 days. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider, if any, have been met. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between *governmental* and *business-type activities* of the City and between the City and its discretely presented component units. *Governmental* activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type* activities, which rely, to a significant extent on fees charged to external parties.

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

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

For the fiscal year ended December 31, 2013

(Dollar Amounts Expressed in Thousands)

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

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

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

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

GOVERNMENTAL FUNDS

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

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

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

The accounting and reporting treatment applied to the assets, deferred outflows of resources, liabilities, and deferred inflows of resources 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, deferred inflows of resources, current liabilities and deferred outflows of resources, as defined by GAAP, are generally included on the balance sheets. Reported fund balance (net current assets and deferred inflows of resources) is considered a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, governmental funds are said to present a summary of sources and uses of "available spendable resources" during a period.

For the fiscal year ended December 31, 2013

(Dollar Amounts Expressed in Thousands)

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

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

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

▪ 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, the Heritage Park Project, infrastructure projects and property services capital projects.

▪ Debt Service Fund – Special Assessment

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

PROPRIETARY FUNDS

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

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 positions are categorized as net investment in capital assets, restricted and unrestricted. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total position.

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

For the fiscal year ended December 31, 2013

(Dollar Amounts Expressed in Thousands)

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

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

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* 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 *non-operating* 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.
- **Stormwater Fund**
This fund is used to account for storm water fees collected from customers, and for the City's street cleaning and other storm water management activities.
- **Water Treatment and Distribution Services 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.

For the fiscal year ended December 31, 2013

(Dollar Amounts Expressed in Thousands)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**B – BASIS OF PRESENTATION (continued)****NON-MAJOR FUNDS**

The City reports the following non-major governmental funds:

Special Revenue Funds:

Arena Reserve
 Board of Estimate and Taxation
 HUD Consolidated Plan
 Downtown Improvement District
 Employee Retirement
 Grants-Federal
 Police
 Neighborhood & Community Relations
 Regulatory Services

Debt Service Funds:

Community Development Agency
 Development
 General Debt Service

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 & 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.
- **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.

For the fiscal year ended December 31, 2013

(Dollar Amounts Expressed in Thousands)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**B – BASIS OF PRESENTATION (continued)**▪ **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 fund assets and liabilities are included in the fiduciary statement of net position.

- **The Minneapolis Agency** – This fund is used to account for collection and remittance of funds to other governments and agencies.
- **The Skyway Debt Service Agency** – This fund is used to account for the collection and payment of funds related to the debt service for the skyway system.
- **The Youth Coordinating Board Agency** – This fund is used to account for cash deposited with the City.
- **The Minneapolis Public Housing Authority Agency** – This fund is used to account for cash deposited with the City.
- **The Joint Board Agency** – This fund is used to account for cash deposited with the City.

C – BUDGETS

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

The 2012 process for the 2013 budget involved the following:

March*Preliminary Year-End Budget Status Report*

The Finance Department presents a year-end budget status report for the previous year to the Ways and Means/Budget Committee. This is a preliminary report because the audited Comprehensive Annual Financial Report (CAFR) is not available until second quarter of the year.

March-April*Capital Improvement Budget Development*

The City has a five-year capital improvement plan. The departments prepare and modify capital improvement proposals on annual basis. Finance, CPED, and the capital long-range improvements committee (CLIC) review capital improvement proposals of the departments. CLIC is the citizen advisory committee to the Mayor and the City Council on capital programming.

For the fiscal year ended December 31, 2013

(Dollar Amounts Expressed in Thousands)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**C – BUDGETS (continued)****April***Strategic Planning*

The City engages in citywide strategic planning every four years to develop citywide goals and strategic directions. These citywide goals and strategic directions set guidelines for each department to develop its business plan. Early in 2010, the elected officials and department leadership participated in three sessions which aimed at setting a future direction for the City within the financial parameters anticipated. As a result of the decisions arrived to in these sessions, a new vision, five-year goals, and strategic directions were adopted.

April-June*Operating Budget Development*

Departments work in coordination with the Finance & Property Services Department to prepare department operating budgets based on programs. In addition to preparing operating budgets for programs, departments prepare proposals that describe policy and organizational changes with financial implications. The program proposals form the basis for the Mayor's budget meetings with departments held in June and July.

June-August*Mayor's Recommended Budget*

The 2013 Mayor's Recommended Budget was based on program proposals submitted by departments. These program proposals are reviewed and discussed by the submitting department, the Mayor's Office, Council Members, the Coordinator's Office and Finance for priority-setting. In addition to reviewing operating budgets, the Mayor meets with representatives from CLIC before finalizing the capital budget recommendation. By City Charter, the Mayor must make recommendations to the City Council on the budget no later than August 15.

September*Maximum Proposed Property Tax Levy*

As required by State law, the maximum proposed property tax levy increase is set by September 15. The Board of Estimate and Taxation sets the maximum property tax levy. The Board of Estimate and Taxation must set a maximum property tax levy for the City, Municipal Building Commission, Public Housing Authority, Library Board and Park and Recreation Board.

October-November*City Council Budget Review and Development*

The City Council budget review and development process begins with a series of public hearings on the budget. Departments present their Mayor's Recommended Budget to the Ways and Means/Budget Committee with all Council members invited to attend. Following departmental budget hearings, the Ways and Means/Budget Committee approves and moves forward final budget recommendations to the City Council. The Committee-recommended budget includes any and all changes that are made to the Mayor's Recommended Budget.

For the fiscal year ended December 31, 2013

(Dollar Amounts Expressed in Thousands)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**C – BUDGETS (continued)****Truth in Taxation**

"Truth in Taxation" or "TNT" property tax statements are mailed by Hennepin County to property owners indicating the maximum amount of property taxes that the owner will be required to pay. These statements also indicate the dates when truth in taxation public hearings will be held, which is in early December as required by State law. State law was changed in the 2009 Legislative session to eliminate a separate TNT hearing. It was replaced with a requirement to allow public comments at the meeting at which the final budget adoption occurs. The City Council has maintained this hearing as part of the regularly scheduled budget meetings. According to State law, the meeting must be held after 6:00 p.m.

December*City Council Budget Adoption*

The City Council adopts a final budget that reflects any and all changes made to the Mayor's Recommended Budget. Once the final budget resolutions are adopted, all the requests from departments for additional funds or positions made throughout the year are brought as amendments to the original budget resolutions before the Ways and Means/Budget Committee and the City Council for approval as amendments to the original budget resolution.

The independent boards and commissions adopt their own operating budgets.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C – BUDGETS (continued)

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	\$ 351,737	\$ 6,787	\$ 358,524
CPED Special Revenue	34,152	40,117	74,269
Convention Center Special Revenue	42,745	2,437	45,182
Arena Reserve Special Revenue Fund	5,707	1,859	7,566
HUD Consolidated Plan Special Revenue	16,524	1,804	18,328
Downtown Improvement District Special Revenue	5,800	355	6,155
Employee Retirement Special Revenue	29,116	5,895	35,011
Grants – Federal Special Revenue	11,005	19,504	30,509
Grants – Other Special Revenue	7,551	23,128	30,679
Police Special Revenue	1,740	246	1,986
Neighborhood & Community Relations Special Revenue	1,304	300	1,604
TOTAL	\$ 507,381	\$ 102,432	\$ 609,813

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 Position*.

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 and the Park and Recreation 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 nonspendable fund balance, to indicate that portion of fund balance not available for future appropriation. Inventory recorded in the proprietary funds is expensed as the supplies and materials are consumed.

G - LOANS RECEIVABLE

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

Several developers under various financial arrangements have agreed to pay back development loans only if certain events occur. They are presented net of an estimated allowance for doubtful accounts. 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; or \$35 per group of assets by year for bike paths, street signage, street lighting and traffic signals; and \$100 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. As of 2008 the City is no longer using salvage values, and will depreciate assets to zero.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

For the fiscal year ended December 31, 2013

(Dollar Amounts Expressed in Thousands)

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

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

J – INTERFUND TRANSACTIONS

Interfund transactions are reflected as loans, services provided, reimbursements or transfers. Loans are reported as receivables or payables where appropriate, are subject to elimination upon consolidation and are referred to as either "due to/from other funds" (i.e., current portion of interfund loans) or "advances to/from other funds" (i.e. noncurrent 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 included in assigned fund balance 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

Properties held for resale in the Community Planning and Economic Development, the HUD Consolidated Plan, the Grants-Federal, the Grants-Other Special Revenue Funds and the Self-Insurance Internal Service fund have been obtained as a result of repossessions in default situations. Repossessed properties are held solely to be re-marketed as part of the ongoing operations of the programs. They are valued at the outstanding principal balance of the related bonds, which is not in excess of the realizable value; or are valued at the amount of the related loan balance at the time of default plus subsequent improvement costs.

L - DEBT SERVICE AND REQUIREMENTS

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

M – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In 2013 the, the City implemented the requirements of Statement No. 65 of the Governmental Accounting Standards Board.

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the City has no items that qualify for reporting in this category.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

M – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES (continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported on in the governmental funds balance sheet. The governmental funds report unavailable revenues from four sources: property taxes, intergovernmental grants, special assessments and long-term receivables. These amounts are recognized as an inflow of resources in the period that the amounts become available.

N - 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.

O – CHANGE IN ACCOUNTING PRINCIPLE

During the year ended December 31, 2013, the City of Minneapolis adopted GASB Statement No. 65. GASB Statement No. 65, *Items previously reported as Assets and Liabilities*, establishes accounting and financial reporting standards that reclassify as deferred outflows of resources or deferred inflows of resources, items that were previously reported as assets and liabilities. This statement also resulted in the City no longer reporting deferred charges in the government-wide and business-type activities. All deferred charges were expensed in 2013.

No restatements of the December 31, 2012 net position occurred as a result of adopting GASB Statement No. 65.

P – CHANGE IN REPORTING ENTITY

Previous to 2013 the Neighborhood and Community Relations Special Revenue Fund was included as part of the General Fund for reporting purposes. In 2013 this fund was split out into a separate fund. The resulting change in beginning fund balance is detailed below.

Reconciliation of General Fund - Fund Balance

	Fund Balance <u>12/31/2012</u>	Fund Balance <u>01/01/2013</u>
General Fund	<u>\$ 86,304</u>	<u>\$ 85,357</u>
Neighborhood and Community Relations Special Revenue Fund	<u>-</u>	<u>947</u>
Total Fund Balance	<u><u>\$ 86,304</u></u>	<u><u>\$ 86,304</u></u>

NOTE 2 - DEPOSITS AND INVESTMENTS

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

Deposits, per book	\$ (2,040)
Investments	750,243
Imprest cash held by City	<u>24</u>
Total	<u>\$ 748,227</u>
Primary Government:	
Cash and cash equivalents	\$ 656,064
Cash in Agency Funds	4,400
Investments with trustees	<u>59,813</u>
Total primary government	<u>\$ 720,277</u>
Discretely Presented Component Units:	
Park and Recreation Board:	
Cash and cash equivalents	<u>25,671</u>
Municipal Building Commission:	
Cash and cash equivalents	<u>1,461</u>
Meet Minneapolis:	
Cash and cash equivalents	<u>818</u>
Total	<u>\$ 748,227</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. The bank balances at the City's designated depositories as of December 31, 2013 totaled \$3,905.

Reconciliation of bank cash balance to book cash balance:	
Bank balance, per 12/31/13, bank statement	\$ 3,905
Reconciling items and outstanding checks	<u>(5,945)</u>
Deposits, per book	<u>\$ (2,040)</u>

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's policy is to have its designated depositories comply with Minnesota Statutes Chapter 118A to pledge allowable securities to collateralize the City's deposits. At December 31, 2013, the City was not exposed to custodial credit risk since all deposits are either FDIC insured (where applicable) or are collateralized through securities pledged to the City of Minneapolis by the financial institution and held in safekeeping at the Federal Reserve Bank at 110% of deposit value.

B - INVESTMENTS

In accordance with Minnesota Statutes Chapter 118A, and with the City Charter, the City may invest 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 and (6) repurchase agreements (with restrictions).

For the fiscal year ended December 31, 2013

(Dollar Amounts Expressed in Thousands)

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

Investment derivative instruments

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

As of December 31, 2013, there were no derivative instruments held in the City's Investment Portfolio.

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, 2013, and information relating to interest rate risks:

Investment Type	Weighted Average Maturity (Years)	Carrying (Fair) Value
U.S. Federal Agency obligations	1.1	\$ 231,641
U.S. Treasury obligations	1.6	259,953
U.S. Mortgage obligations	2.9	90,260
Municipal bonds	3.2	56,485
Commercial paper	0.3	30,493
Mutual funds	0.1	75,683
Negotiable certificates of deposit	0.3	5,728
Portfolio Weighted Average Maturity	1.5	
Total investments		\$ 750,243
Deposits per book		(2,040)
Imprest cash		24
Total cash and investments		<u>\$ 748,227</u>

Credit Risk

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

NOTE 2 - DEPOSITS AND INVESTMENTS

B - INVESTMENTS (continued)

“INVESTMENTS.

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

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

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

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

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

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

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For the fiscal year ended December 31, 2013

(Dollar Amounts Expressed in Thousands)

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

At December 31, 2013, the City's investments were rated by Standard & Poor's and Moody's as follows:

Investment Type	Standard & Poor's		Moody's	
U.S. Federal agency obligations	AA+	\$ 226,882	Aaa	\$ 229,941
	Not rated	<u>4,759</u>	Not rated	<u>1,700</u>
Total U.S. Federal agency obligations		<u>\$ 231,641</u>		<u>\$ 231,641</u>
U.S. Treasury obligations	AA+	<u>\$ 259,953</u>	Aaa	<u>\$ 259,953</u>
U.S. Agency Mortgage obligations	AA+	<u>\$ 90,260</u>	Aaa	<u>\$ 90,260</u>
Municipal bonds				
	AAA	\$ 22,713	Aaa	\$ 22,711
	AA+	15,017	Aa1	16,051
	AA	7,608	Aa2	9,666
	AA-	1,889	Aa3	852
	A+	-	A1	281
	A-	281	A3	-
	BBB+	-	Baa1	212
	Not rated	<u>8,977</u>	Not rated	<u>6,712</u>
Total Municipal bonds		<u>\$ 56,485</u>		<u>\$ 56,485</u>
Commercial paper	A-1+	\$ 12,396	P-1	\$ 20,493
	A-1	<u>18,097</u>	P-1	<u>10,000</u>
Total Commercial paper		<u>\$ 30,493</u>		<u>\$ 30,493</u>
Mutual funds	AAAmG	<u>\$ 75,683</u>	Aaa-mf	<u>\$ 75,683</u>
Negotiable certificates of deposit	Not rated	<u>\$ 5,728</u>	Not rated	<u>\$ 5,728</u>
Total		<u><u>\$ 750,243</u></u>		<u><u>\$ 750,243</u></u>

Note: Holdings listed as not rated represent securities that are only rated by one of the two agencies, i.e., securities listed as "Not rated" by one of the agencies are rated by the other agency. It is common for bond issuers to only utilize one rating agency to limit costs. In all cases, these holdings met the rating requirements set forth in state statutes. In addition, the municipal bonds rated Baa1 by Moody's carried an AA rating by Standard & Poor's to remain in compliance with the rating requirements set forth in state statutes. Each of the City's investment managers has indicated that all securities held in the City's Investment Portfolio as of December 31, 2013, are in compliance with Minnesota Statutes, Chapter 118A and the City's Investment Guidelines.

NOTE 2 - DEPOSITS AND INVESTMENTS

B - 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's policy is to comply with Minnesota Statutes Chapter 118A and use a third party financial institution for safekeeping of securities which mitigates 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 shall 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.

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For the fiscal year ended December 31, 2013

(Dollar Amounts Expressed in Thousands)

NOTE 3 - RECEIVABLES

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

Governmental Funds	General		Convention	Permanent	Special	Non-Major	Internal	Total
	Fund	CPED	Center	Improvement	Assessment	Governmental	Service	Governmental
Accounts	\$ 4,153	\$ 131	\$ 6,198	\$ 1,351	\$ -	\$ 314	\$ 80	\$ 12,227
Taxes	3,596	54	-	27	-	1,127	-	4,804
Special assessments	756	-	-	3,175	35,111	1,619	-	40,661
Intergovernmental	560	88	-	21,087	-	11,588	1	33,324
Loans	-	194,607	-	-	-	75,080	-	269,687
Loans due from component unit	-	-	1,010	-	-	-	-	1,010
Notes	-	-	-	-	-	-	149	149
Interest	698	348	103	59	20	78	-	1,306
Gross receivables	9,763	195,228	7,311	25,699	\$ 35,131	89,806	230	363,168
Less: Allowance for uncollectibles	(239)	(165,749)	(74)	(204)	-	(53,055)	(2)	(219,323)
Total receivables (due within one year)	\$ 9,524	\$ 29,479	\$ 7,237	\$ 25,495	\$ 35,131	\$ 36,751	\$ 228	\$ 143,845

Long-term portion of loans and notes receivable	\$ -	\$ -	\$ 4,040	\$ -	\$ -	\$ -	\$ -	\$ 4,040
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Business-type Activities	Water Treatment and					CPED	Total Business-type
	Sanitary Sewer	Stormwater	Distribution Services	Municipal Parking	Solid Waste and Recycling		
Accounts	\$ 4,744	\$ 3,609	\$ 3,931	\$ 3,417	\$ 3,254	\$ 78	\$ 19,033
Special assessments	139	308	2,513	7,074	197	-	10,231
Intergovernmental	-	250	944	-	26	-	1,220
Loans	-	-	-	-	-	120	120
Interest	-	-	-	-	-	283	283
Gross receivables	4,883	4,167	7,388	10,491	3,477	481	30,887
Less: Allowance for uncollectibles	-	-	(227)	(24)	-	-	(251)
Total receivables (due within one year)	\$ 4,883	\$ 4,167	\$ 7,161	\$ 10,467	\$ 3,477	\$ 481	\$ 30,636

Long-term portion of loans and notes receivable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 347	\$ 347
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Business-type Activities:

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

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

For the fiscal year ended December 31, 2013

(Dollar Amounts Expressed in Thousands)

NOTE 3 - RECEIVABLES (continued)

The future payment requirements for these agreements are as follows:

	Capitalized Leases
Scheduled Lease Payments:	
2014	\$ 8,799
2015	8,859
2016	9,038
2017	8,994
2018	8,813
2019-2023	36,839
2024-2028	32,318
2029-2033	25,370
2034-2038	20,633
2039-2040	<u>6,131</u>
Subtotal	165,794
Less: Interest over lease term	<u>(71,694)</u>
 Total Principal	 94,100
Less: Unexpended construction funds	 <u>(13,567)</u>
 Net Capitalized Leases and Notes receivable	 80,533
Less: Current Portion	<u>(3,805)</u>
 Noncurrent Portion	 <u>\$ 76,728</u>

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For the fiscal year ended December 31, 2013

(Dollar Amounts Expressed in Thousands)

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2013 was as follows:

	Balance January 1, 2013	Additions	Retirements	Balance December 31, 2013
Governmental activities				
<i>Capital assets, not being depreciated</i>				
Land and easements	\$ 110,789	\$ -	\$ -	\$ 110,789
Construction in progress	209,881	64,976	(45,235)	229,622
Total capital assets, not being depreciated	320,670	64,976	(45,235)	340,411
<i>Capital assets, being depreciated</i>				
Infrastructure	761,648	35,754	-	797,402
Buildings and structures	574,259	9,287	-	583,546
Public improvements	6,640	15,525	(500)	21,665
Machinery and equipment	117,192	8,190	(3,425)	121,957
Computer equipment	69,465	462	-	69,927
Software	50,055	1,654	-	51,709
Other capital outlay	51	-	-	51
Total capital assets, being depreciated	1,579,310	70,872	(3,925)	1,646,257
Less accumulated depreciation for:				
Infrastructure	(390,684)	(22,483)	-	(413,167)
Buildings and structures	(189,148)	(11,459)	-	(200,607)
Public improvements	(5,952)	(721)	78	(6,595)
Machinery and equipment	(77,879)	(8,186)	3,362	(82,703)
Computer equipment	(61,325)	(4,266)	-	(65,591)
Software	(37,162)	(7,542)	-	(44,704)
Other capital outlay	(51)	-	-	(51)
Total accumulated depreciation	(762,201)	(54,657)	3,440	(813,418)
Total capital assets, being depreciated, net	817,109	16,215	(485)	832,839
Governmental activities capital assets, net	<u>\$ 1,137,779</u>	<u>\$ 81,191</u>	<u>\$ (45,720)</u>	<u>\$ 1,173,250</u>

NOTE 4 - CAPITAL ASSETS (continued)

	Balance <u>January 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>December 31, 2013</u>
Business-type Activities				
<i>Capital assets, not being depreciated</i>				
Land and easements	\$ 128,382	\$ -	\$ -	\$ 128,382
Construction in progress	<u>35,463</u>	<u>33,551</u>	<u>(14,671)</u>	<u>54,343</u>
Total capital assets, not being depreciated	<u>163,845</u>	<u>33,551</u>	<u>(14,671)</u>	<u>182,725</u>
<i>Capital assets, being depreciated</i>				
Buildings and structures	518,732	-	-	518,732
Public improvements	669,559	14,066	-	683,625
Machinery and equipment	54,642	1,767	(1,744)	54,665
Computer equipment	1,546	-	(25)	1,521
Software	2,850	-	(8)	2,842
Capital outlay	<u>34</u>	<u>-</u>	<u>-</u>	<u>34</u>
Total capital assets, being depreciated	<u>1,247,363</u>	<u>15,833</u>	<u>(1,777)</u>	<u>1,261,419</u>
Less accumulated depreciation for:				
Buildings and structures	(189,860)	(11,308)	-	(201,168)
Public improvements	(228,441)	(9,120)	-	(237,561)
Machinery and equipment	(21,963)	(3,847)	1,626	(24,184)
Computer equipment	(1,531)	(4)	24	(1,511)
Software	(2,850)	-	8	(2,842)
Other capital outlay	<u>(32)</u>	<u>-</u>	<u>-</u>	<u>(32)</u>
Total accumulated depreciation	<u>(444,677)</u>	<u>(24,279)</u>	<u>1,658</u>	<u>(467,298)</u>
Total capital assets, being depreciated, net	<u>802,686</u>	<u>(8,446)</u>	<u>(119)</u>	<u>794,121</u>
Business-type Activities capital assets, net	<u>\$ 966,531</u>	<u>\$ 25,105</u>	<u>\$ (14,790)</u>	<u>\$ 976,846</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 274
Public Safety	1,689
Public Works	23,224
Community Development	10,130
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>19,340</u>
Total depreciation expense - governmental functions	<u>\$ 54,657</u>

For the fiscal year ended December 31, 2013

(Dollar Amounts Expressed in Thousands)

NOTE 4 - CAPITAL ASSETS (continued)

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

Sanitary Sewer	\$ 1,379
Stormwater	4,114
Water Works	10,628
Municipal Parking	6,955
Solid Waste and Recycling	855
Economic Development	<u>348</u>
Total depreciation expense – business-type functions	<u>\$ 24,279</u>

Construction in Progress

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

Property Services	\$ 30,825
Convention Center	2,963
Traffic Signals & Lighting	19,154
Bicycle Trail	14,437
Street Construction	112,694
Bridge Construction	12,409
Heritage Park	22,181
Equipment Services	1,343
Property Services	17
Business Information Services	<u>13,599</u>
Total CIP for Governmental Activities	<u>\$229,622</u>

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

Sewers – Sanitary	\$ 6,272
Sewers – Stormwater	20,557
Water	23,986
Parking	2,518
Solid Waste	<u>1,010</u>
Total CIP for Business-type Activities	<u>\$ 54,343</u>

Capital Project Commitments

For the year 2014, the City of Minneapolis made Capital Project Commitments for the following:

Property Services	\$ 4,065
Sewer Construction	23,950
Street Construction	32,225
Bridge Construction	14,260
Sidewalk Construction	3,365
Street Lighting	2,110
Traffic Signals	4,548
Bicycle Trails	1,415
Non-Departmental	8,691
Information Technology	2,050
Water	22,100
Parking	<u>1,700</u>
Total Capital Project Commitments	<u>\$120,479</u>

NOTE 4 - CAPITAL ASSETS (continued)

Discretely Presented Component Units

Activity for the Minneapolis Park and Recreation Board for the year ended December 31, 2013, was as follows:

	Balance January 1, 2013	Additions	Retirements	Balance December 31, 2013
Capital assets, not being depreciated	\$ 107,996	\$ 21,246	\$ (11,857)	\$ 117,385
Capital assets, being depreciated, net	179,453	2,918	(173)	182,198
	<u>\$ 287,449</u>	<u>\$ 24,164</u>	<u>\$ (12,030)</u>	<u>\$ 299,583</u>
Depreciation expense charged	\$ 10,890			

Activity for the Municipal Building Commission for the year ended December 31, 2013, was as follows:

	Balance January 1, 2013	Additions	Retirements	Balance December 31, 2013
Capital assets, not being depreciated	\$ 10,984	\$ 2,119	\$ -	\$ 13,103
Capital assets, being depreciated, net	18,242	(3,135)	-	15,107
	<u>\$ 29,226</u>	<u>\$ (1,016)</u>	<u>\$ -</u>	<u>\$ 28,210</u>
Depreciation expense charged	\$ 3,135			

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.

For the fiscal year ended December 31, 2013

(Dollar Amounts Expressed in Thousands)

NOTE 5 - LONG-TERM DEBT (continued)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 (CPED) Agency Enterprise Fund.

Sinking Fund Provisions

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

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

2013 Bond Sales and Refunding Transactions

In 2013, the City of Minneapolis issued bonds & notes totaling \$89,601. Of this amount, \$18,500 was issued to refund existing debt. Below are details of the 2013 debt issuances.

In December 2013, the City issued \$37,680 of General Obligation Various Purpose Bonds, Series 2013. The bonds were issued to fund a variety of capital infrastructure improvements for the public works department, parks system, municipal building commission and information technology department. The bonds were issued in fixed rate mode and had interest rates ranging from .50% to 2.00% and a final maturity date of December 1, 2020.

In December 2013, the City also issued \$17,930 of General Obligation Library Referendum Refunding Bonds, Series 2013. The City received net proceeds of \$18,583 including a net premium of \$653. These proceeds were used on December 20, 2013 along with \$2,225 of cash on hand to redeem the remaining \$20,725 of General Obligation Library Referendum Bonds, Series 2005. The net premium allowed the City to reduce the size of the refunding bond issue by \$570. The refunding bonds were issued in fixed rate mode and had interest rates ranging from 1.00% to 2.00% and a final maturity date of December 1, 2018. The refunded bond series from 2005 had a final maturity date of December 1, 2025. As a result of this refunding with a significantly shorter duration of bonds outstanding, the City realized aggregate debt service savings of \$5,833 and an economic gain of \$4,837 or 18.83% net present value savings on the refunded bonds debt service.

In December 2013, the City also issued \$13,035 of General Obligation Improvement Bonds, Series 2013. These bonds were issued for a variety of special assessment projects related to street reconstruction and resurfacing, street lighting, sanitary sewer and areaway removal projects. The bonds were issued in fixed rate mode and had interest rates ranging from 2.00% to 4.00% and a final maturity date of December 1, 2033. This bond series included \$500 of refunding bonds. The refunding bond proceeds were used in conjunction with \$1,500 of cash on hand to redeem the remaining \$2,000 of General Obligation Improvement Bonds, Series 2005 on December 20, 2013. This refunding resulted in aggregate debt service savings of \$510 and an economic gain of \$226 or 10.17% net present value savings on the refunded bonds debt service.

In December 2013, the City also issued \$7,000 of Taxable General Obligation Various Purpose Park Bonds, Series 2013. The bonds were issued to finance the rehabilitation of the Parade Ice Garden which is a hockey and recreational skating complex owned by the Minneapolis Park System. The bonds were issued in fixed rate mode and had interest rates ranging from 2.00% to 3.80% and a final maturity date of December 1, 2026.

For the fiscal year ended December 31, 2013

(Dollar Amounts Expressed in Thousands)

NOTE 5 - LONG-TERM DEBT (continued)

In December 2013, the City also issued \$1,260 of Taxable General Obligation Housing Improvement Area Bonds, Series 2013. The bonds were issued to finance repairs and improvements to housing units in the Calhoun Place Housing Improvement Area. Debt service for the bonds will be paid for by homeowner improvement area fees assessed against the individual units in the condominium complex. The bonds were issued in fixed rate mode and had interest rates ranging from 3.00% to 4.30% and a final maturity date of December 1, 2032.

In October 2013, CPED, through the GARFS enterprise fund, issued \$12,595 of Taxable Limited Tax Supported Development Revenue Bonds, Common Bond Fund Series 2013-1 for the LifeSource Project. This project consists of constructing and equipping an approximately 48,000 square foot office and laboratory for LifeSource, which is a federally designated regional non-profit that procures organs and tissues for transplant. The bonds were issued in fixed rate mode and had interest rates ranging from 3.00% to 4.00% and a final maturity date of June 1, 2039.

2013 Notes Issued

The City has entered into six general obligation notes with the Minnesota Public Facilities Authority (PFA) to finance the City's drinking water ultra-filtration project and new filter presses project. The notes are part of a federally sponsored below market financing program related to the Safe Drinking Water Act and the City saves 1.5% on interest costs by participating in the program. The City received proceeds totaling \$104,188 over the years and at December 31, 2013, the outstanding debt balance of the six general obligation notes in this program is \$84,075.

In July 2012, the City entered into a general obligation note with the PFA for \$590 to finance a portion of the 37th Ave N Storm Sewer project. This note is part of the Clean Water Revolving Fund and has provisions similar to the water notes mentioned above. During 2013, the City received additional proceeds of \$101 and paid off the balance of \$263 on August 20, 2013. The City received a total of \$553 of note proceeds in 2012 and 2013 and did not require the full balance of the note. The interest rate on this note is 1.0% and had a final maturity date of August 20, 2013.

Discrete Component Unit Debt

Due to current debt issuance policies, the City issues debt on behalf of the Minneapolis Park & Recreation Board and the Municipal Building Commission and previously issued debt for the Minneapolis Library Board. The Minneapolis Public Library System was merged into the Hennepin County Library System on January 1, 2008. As of December 31, 2013, \$106,636 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. Of this balance, \$87,690 is related to library improvements transferred to the Hennepin County Library System. The capital assets purchased with funds obtained from this debt issuance are held by the respective discrete component units and are reported with their capital assets on the Statement of Net Position, with the exception of the library assets now held by Hennepin County.

For the fiscal year ended December 31, 2013

(Dollar Amounts Expressed in Thousands)

NOTE 5 - LONG-TERM DEBT (continued)

Long-term liabilities at December 31, 2013 (in thousands) are detailed below.

	Balance 1/1/2013	Additions	Retirements	Balance 12/31/2013	Amounts Due Within One Year
Governmental Activities:					
<u>Bonds and Notes</u>					
Property Tax Supported GO Bonds	\$ 137,475	\$ 42,140	\$ 43,085	\$ 136,530	\$ 37,075
Self-Supporting GO Bonds	167,830	9,800	13,010	164,620	14,755
GO Improvement Bonds	49,140	14,295	9,661	53,774	8,701
Tax Increment GO Bonds	107,100	-	9,555	97,545	5,955
Tax Increment GO Notes	4,820	-	370	4,450	390
Revenue Bonds	25,210	-	825	24,385	885
Revenue Notes	14,695	-	310	14,385	330
Internal Service Fund Related GO Bonds	29,180	965	6,340	23,805	4,400
Total Governmental Bonds and Notes	535,450	67,200	83,156	519,494	72,491
<u>Other Long-term Liabilities</u>					
Operating Lease Payable	120	64	1	183	-
Unpaid Claims Payable	53,030	16,523	14,885	54,668	16,123
Unamortized Premium (Discount)	11,949	1,539	2,695	10,793	-
Compensated Absences Payable	32,048	19,217	18,448	32,817	16,868
Other Postemployment Benefits	19,919	5,967	-	25,886	-
Total Other Long-term Liabilities	117,066	43,310	36,029	124,347	32,991
Total Long-term Liabilities Governmental	652,516	110,510	119,185	643,841	105,482
Business-type activities:					
<u>Bonds and Notes</u>					
Stormwater Fund GO Bonds	14,621	-	6,650	7,971	3,235
Stormwater Fund GO Notes	162	101	263	-	-
Sanitary Sewer Fund GO Bonds	11,550	7,050	4,150	14,450	5,150
Water Treatment and Distribution Services Fund GO Bonds	24,271	-	2,201	22,070	2,301
Water Treatment and Distribution Services Fund GO Notes	87,856	-	3,781	84,075	3,845
Municipal Parking Fund GO Bonds	95,680	2,655	14,629	83,706	10,884
Municipal Parking Fund GO Notes	38,650	-	-	38,650	-
CPED Related Non GO Fund					
General Agency Reserve Fund System	85,255	12,595	3,750	94,100	3,805
Revenue Notes	157	-	116	41	41
Total Bonds and Notes	358,202	22,401	35,540	345,063	29,261
<u>Other Long-term Liabilities</u>					
Unamortized Premium (Discount)	4,896	164	1,011	4,049	-
Compensated Absences Payable	2,658	2,622	2,539	2,741	822
Other Postemployment Benefits	2,919	318	-	3,237	-
Total Other Long-term Liabilities	10,473	3,104	3,550	10,027	822
Total Long-term Liabilities Business-type	368,675	25,505	39,090	355,090	30,083
Total Long-term Liabilities	\$ 1,021,191	\$ 136,015	\$ 158,275	\$ 998,931	\$ 135,565

For the fiscal year ended December 31, 2013

(Dollar Amounts Expressed in Thousands)

NOTE 5 - LONG-TERM DEBT (continued)

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

Amortization of Outstanding Governmental City Debt

As of December 31, 2013, annual debt service requirements for Governmental activities to maturity (in thousands) are as follows:

Governmental Activities – Non-Proprietary				
Year Ending	Bonds		Notes	
	Principal	Interest	Principal	Interest
Dec 31:				
2014	\$ 67,371	\$ 14,712	\$ 720	\$ 482
2015	58,836	13,161	770	444
2016	44,556	11,340	820	407
2017	49,581	10,206	870	365
2018	56,326	8,840	925	321
2019 - 2023	148,595	22,715	4,900	837
2024 - 2028	44,854	5,244	630	24
2029 - 2033	6,735	503	9,200	-
	<u>\$ 476,854</u>	<u>\$ 86,721</u>	<u>\$ 18,835</u>	<u>\$ 2,880</u>

Year Ending	Internal Service Fund		Total Governmental	
	Bonds		Activities Bonds & Notes	
Dec 31:	Principal	Interest	Principal	Interest
2014	\$ 4,400	\$ 699	\$ 72,491	\$ 15,893
2015	3,400	583	63,006	14,188
2016	3,035	474	48,411	12,221
2017	3,160	386	53,611	10,957
2018	9,810	294	67,061	9,455
2019 - 2023	-	-	153,495	23,552
2024 - 2028	-	-	45,484	5,268
2029 - 2033	-	-	15,935	503
	<u>\$ 23,805</u>	<u>\$ 2,436</u>	<u>\$ 519,494</u>	<u>\$ 92,037</u>

For the fiscal year ended December 31, 2013

(Dollar Amounts Expressed in Thousands)

NOTE 5 - LONG-TERM DEBT (continued)

Amortization of Outstanding Business-type Activities City Debt

As of December 31, 2013, annual debt service requirements for Business-type activities to maturity (in thousands) are as follows:

Year Ending Dec 31:	Bonds		Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 25,375	\$ 11,770	\$ 3,886	\$ 4,131	\$ 29,261	\$ 15,901
2015	18,200	10,300	4,465	4,026	22,665	14,326
2016	17,254	7,978	5,725	3,915	22,979	11,893
2017	12,034	7,372	8,005	3,741	20,039	11,113
2018	10,744	6,876	9,550	3,504	20,294	10,380
2019 - 2023	57,445	27,807	43,275	13,304	100,720	41,111
2024 - 2028	43,360	15,815	33,680	7,547	77,040	23,362
2029 - 2033	16,450	9,393	14,180	2,201	30,630	11,594
2034 - 2038	16,240	4,039	-	-	16,240	4,039
2039 - 2040	5,195	371	-	-	5,195	371
Total	<u>\$ 222,297</u>	<u>\$ 101,721</u>	<u>\$ 122,766</u>	<u>\$ 42,369</u>	<u>\$ 345,063</u>	<u>\$ 144,090</u>

Discretely Presented Component Unit

Activity for the Minneapolis Park and Recreation Board for the year ended December 31, 2013, was as follows:

	Balance			Retirements	Amounts due	
	January 1, 2013	Additions	December 31, 2013		December 31, 2013	Within one year
Notes payable	\$ 3,115	\$ -	\$ 1,371	\$ 1,744	\$ 1,372	
Compensated absences	4,322	2,830	2,567	4,585	2,648	
Postemployment benefits	3,012	1,373	534	3,851	-	
Total	<u>\$ 10,449</u>	<u>\$ 4,203</u>	<u>\$ 4,472</u>	<u>\$ 10,180</u>	<u>\$ 4,020</u>	

Year Ending

December 31:	Principal	Interest
2014	\$ 1,372	\$ 56
2015	50	18
2016	52	16
2017	55	13
2018	58	10
2019-2021	157	12
Total	<u>\$ 1,744</u>	<u>\$ 125</u>

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

As of December 31, 2013, outstanding industrial, commercial, and housing revenue bonds and notes approximated \$2,362 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– LEASES

Operating Leases

The City of Minneapolis leases office space for several of its departments. The lease for office space expires in the year 2016 and the office space lease payments were \$1,236 in 2013.

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

Year ending December 31	<u>Governmental Activities Amount</u>
2014	\$ 3,512
2015	2,958
2016	2,669
2017	2,100
2018	2,079
2019-2023	9,824
2024-2028	9,794
2029-2033	9,251
2034-2038	77
2039-2040	31
	<u>\$ 42,295</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 five 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 \$859 over the lease terms results in a total annual lease amount of \$182.

For 2013 the amount of lease expenditures is as follows:

Operating leases	<u>\$ 187</u>
Additional Straight Line Basis	(5)
Total expenditures	<u>\$ 182</u>

NOTE 7- 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>	<u>Governmental Activities Amount</u>
2014	\$ 359
2015	116
2016	116
2017	118
2018	120
2019	30
Total minimum lease payments	<u>\$ 859</u>

NOTE 8 – INTERFUND TRANSACTIONS

Interfund Receivables/Payables

The composition of interfund balances as of December 31, 2013 are as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Non-major Governmental Funds	\$ 4,760
CPED Special Revenue Fund	CPED Enterprise Fund	40
Internal Service Funds	Internal Service Funds	181
	Total	<u>\$ 4,981</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>
CPED Special Revenue Fund	CPED Enterprise Fund	\$ 10
Convention Center Special Revenue Fund	Internal Service Funds	4,750
	Total	<u>\$ 4,760</u>

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

NOTE 8 – INTERFUND TRANSACTIONS (continued)

Transfers

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

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Total Transfers In</u>
Governmental Funds:		
General Fund	Convention Center Fund	\$ 5,250
	Municipal Parking Fund	7,918
	Solid Waste & Recycling Fund	<u>700</u>
		<u>13,868</u>
CPED Special Revenue Fund	Non-Major Governmental Funds	<u>638</u>
		<u>638</u>
Permanent Improvement Fund	CPED Special Revenue Fund	1,305
	Non-Major Governmental Funds	<u>12</u>
		<u>1,317</u>
Special Assessment Debt Service Fund	Permanent Improvement Fund	<u>56</u>
		<u>56</u>
Non-Major Governmental Funds	General Fund	809
	CPED Special Revenue Fund	22,604
	Convention Center Fund	17,351
	Permanent Improvement Fund	1,030
	Internal Service Funds	15
	Sanitary Sewer Fund	109
	Municipal Parking Fund	<u>3,170</u>
	Total Governmental Funds	<u><u>\$ 60,967</u></u>
Proprietary Funds:		
Business-Type Activities		
Water Treatment and Distribution Services Fund	General Fund	\$ 22
	Sanitary Sewer Fund	<u>1,149</u>
		<u>\$ 1,171</u>
Municipal Parking Fund	CPED Special Revenue Fund	6,893
	Convention Center	<u>4,729</u>
		<u>11,622</u>
Solid Waste & Recycling Fund	General Fund	150
	Municipal Parking Fund	<u>146</u>
		<u>296</u>
CPED Enterprise Fund	CPED Special Revenue Fund	<u>400</u>
		<u>400</u>
	Total Business-Type Activities	<u><u>\$ 13,489</u></u>
Governmental Type Activities		
Internal Service Funds	General Fund	\$ 29,635
	Non-Major Governmental Funds	2,057
	Internal Service Funds	<u>1,000</u>
		<u>32,692</u>
	Total Governmental Type Activities	<u><u>\$ 32,692</u></u>

For the fiscal year ended December 31, 2013

(Dollar Amounts Expressed in Thousands)

NOTE 8 – INTERFUND TRANSACTIONS**Transfers (continued)**

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 9 - NET POSITION/FUND BALANCES

The government-wide, proprietary funds, and internal service fund-type financial statements use a net position presentation. Net position is categorized as net investment in capital assets restricted and unrestricted.

- Net investment in capital assets – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- Restricted net position – 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 position – This category represents net position of the City, not restricted for any project or other purpose.

In the governmental fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources. The classifications are as follows:

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (City ordinances).

Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of City Council. Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted, or committed. The City Council has authorized the Finance Officer to assign fund balances. This authorization is included in the financial policies section of the City’s budget book, and is approved by resolution each year.

Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In the other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted or assigned.

NOTE 9 - NET POSITION/FUND BALANCES (continued)

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance committed amounts are reduced first followed by assigned and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

The City Council has formally adopted a fund balance policy for the General Fund. The City’s policy is to maintain a minimum unassigned fund balance of 15% of the following year’s budgeted revenues for cash-flow timing needs.

Fund Balances	General	Community Planning and Economic Development	Convention Center	Permanent Improvement	Special Assessment	Non-Major Governmental	Total
Nonspendable							
Land held for development	\$ -	\$ 37,258	\$ -	\$ -	\$ -	\$ 8,613	\$ 45,871
Restricted for:							
Debt service	-	-	-	-	9,909	22,791	32,700
Community and economic development	-	142,616	-	-	-	-	142,616
Capital improvements	-	-	-	20,511	-	-	20,511
Grants	-	-	-	-	-	2,424	2,424
<i>Total restricted</i>	-	142,616	-	20,511	9,909	25,215	198,251
Committed to:							
Accelerated infrastructure	-	125	-	-	-	-	125
Assigned to:							
General government	-	-	-	-	-	316	316
Public safety	-	-	-	-	-	5,471	5,471
Community & economic development	-	25,664	65,528	-	-	6,691	97,883
Neighborhood & community relations	-	-	-	-	-	649	649
Pension obligations	-	-	-	-	-	16,581	16,581
Capital improvements	-	-	-	7,185	-	-	7,185
<i>Total assigned</i>	-	25,664	65,528	7,185	-	29,708	128,085
Unassigned	96,970	-	-	-	-	(169)	96,801
Total fund balances	\$ 96,970	\$ 205,663	\$ 65,528	\$ 27,696	\$ 9,909	\$ 63,367	\$ 469,133

NOTE 10 - RESTRICTED NET POSITION – GOVERNMENTAL ACTIVITIES

Certain components of net position are classified on the statement of net position as restricted because their use is limited. The Governmental Activities report restricted amounts that are not available for operations or are legally restricted by outside parties for use for a specific purpose. As of December 31, 2013, the Governmental Activities restricted net position is as follows:

Debt service	\$ 53,211
Community & economic development	142,616
Grants	<u>2,424</u>
Total restricted net position	<u>\$ 198,251</u>

NOTE 11 – RESTRICTED NET POSITION – BUSINESS TYPE ACTIVITIES

Certain components of net position are classified on the statement of net position as restricted because their use is limited. The Business-type Activities report restricted net position amounts that are not available for operations or are legally restricted by outside parties for use for a specific purpose. As of December 31, 2013, the Business-type component of restricted net position is as follows:

Debt service	<u>\$ 33,529</u>
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For the fiscal year ended December 31, 2013

(Dollar Amounts Expressed in Thousands)

NOTE 12 - DEFINED BENEFIT PENSION PLAN – STATEWIDE PUBLIC EMPLOYEES RETIREMENT ASSOCIATION**Plan Description**

All full-time and certain part-time employees of the City are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund and the Public Employees Police and Fire Fund, which are cost sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minnesota Statutes chapters 353 and 356.

General Employees Retirement Fund members belong to the Coordinated Plan or the Basic Plan, as well as a separate division for the Minneapolis Employees Retirement Fund (MERF). The Coordinated Plan members are covered by Social Security, and Basic Plan members are not. All new members must participate in the Coordinated Plan and benefits vest after three years of credited service (five years for those first eligible for membership after June 30, 2010). MERF was made part of the General Employees Retirement Fund in June 2010. A traditional multiple employer defined benefit plan, MERF is not coordinated with Social Security and was closed to new membership in 1979. Because its funding includes annual state subsidies and is required to remain self-sustaining, it is accounted for separately by PERA. In addition to the base employer contribution, MERF employers share the responsibility of meeting the MERF division's unfunded liability with the State of Minnesota.

Legislation (MN Statue 353) was passed in 2011 that merged the Minneapolis Police Relief Association and Minneapolis Fire Relief Association into PERA'S Police and Fire Fund effective December 30, 2011. All police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Fund. For members' first eligible for membership after June 30, 2010, benefits vest on a graduated schedule starting with 50 percent after five years and increasing 10 percent for each year of service until fully vested after ten years. Members eligible for membership before July 1, 2010, are fully vested after three years of service.

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. Defined retirement benefits are based on a member's average yearly salary for the five highest-paid consecutive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for the General Employees Retirement Fund 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 year thereafter. 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 successive 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 Public Employees Police and Fire Fund members, the annuity accrual rate is 3.0 percent of average salary for each year of service.

For all General Employees Retirement Fund members, hired prior to July 1, 1989, whose annuity is calculated using Method 1, and for all Public Employees Police and Fire Fund members, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for Public Employees Police and Fire Fund members and either 65 or 66 (depending on the date hired) for General Employees Retirement Fund members. 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.

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

NOTE 12 - DEFINED BENEFIT PENSION PLAN – STATEWIDE PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (continued)

Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. Ch. 353. 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. General Employees Retirement Fund Basic Plan members and Coordinated Plan members are required to contribute 9.10 and 6.25 percent, respectively, of their annual covered salary. Public Employees Police and Fire Fund members are required to contribute 9.60 percent

The City is required to contribute the following percentages of annual covered payroll in 2013:

General Employees Retirement Fund	
Coordinated Plan members	7.25 %
Public Employees Police and Fire Fund	14.40 %

The City’s contributions for the years ending December 31, 2013, 2012, and 2011, for the General Employees Retirement Fund, the Public Employees Police and Fire Fund, the Minneapolis Fire Department Relief Association, the Minneapolis Police Department Relief Association, and the Minneapolis Employees Retirement Fund were:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
General Employees Retirement Fund	\$ 9,150	\$ 10,544	\$ 9,347
Public Employees Police and Fire Fund	25,879	21,593	14,058
Minneapolis Fire Department Relief Association*	-	-	6,911
Minneapolis Police Department Relief Association*	-	-	16,818
Minneapolis Employees Retirement Fund	21,485	21,311	3,132

*These plans were combined with the Public Employees Police and Fire Fund on December 30, 2011

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

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 MERF division of the PERA General Employees Retirement Fund, a defined benefit pension plan which is a cost-sharing, multiple-employer retirement plan. This plan is administered in accordance with Minnesota Statutes Chapter 353 and sections of Minnesota Statutes 422A (2008). The MERF division 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.

For the fiscal year ended December 31, 2013

(Dollar Amounts Expressed in Thousands)

NOTE 12 - DEFINED BENEFIT PENSION PLAN – STATEWIDE PUBLIC EMPLOYEES RETIREMENT ASSOCIATION**Minneapolis Employees Retirement Fund****Plan Description (continued)**

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

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

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

Funding Policy

MERF division employees contribute 9.75% 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 10.09% of salary. The unfunded actuarial liability is funded partially by payments each year of 2.68% of salary plus \$3.9 million from all employers. The City levies taxes to finance the employer's share of pension costs for the PERA General Employees Retirement Fund.

On June 30, 2010 the Minneapolis Employees Retirement Fund (MERF) was consolidated under PERA. Legislation extended the full funding date to 2031 and set a minimum annual payment from the employers of \$27 million and maximum annual payment of \$34 million.

Additional Information

PERA includes more information about the MERF division account in its publicly available report which can be obtained at the address included under the Plan Description for PERA.

For the fiscal year ended December 31, 2013

(Dollar Amounts Expressed in Thousands)

NOTE 12 - DEFINED BENEFIT PENSION PLAN – STATEWIDE PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (continued)**Minneapolis Firefighters Relief Association and Minneapolis Police Relief Association**

Firefighters and police officers hired prior to June 15, 1980, were members of their respective relief associations. Each Association was the administrator of a single-employer defined benefit pension plan. The Minneapolis Fire Relief Association (MFRA) was established November 24, 1886. It operated under the provisions of its bylaws and Minnesota State Law. The Minneapolis Police Relief Association (MPRA) was established on August 23, 1905, and it operated under the provisions of Minnesota Statutes, sections 423B.01-.18 and 69.80. On December 30, 2011 both MFRA and MPRA were consolidated under PERA.

Potential Impact of New Accounting Standards on Current Period Financial Statements

The Governmental Accounting Standards Board (GASB) has approved GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*. Application of GASB Statement No. 68 may restate portions of these financial statements and will require the City to report unfunded pension liabilities on the statement of net position. GASB 68 is required to be implemented for fiscal year ending December 31, 2015.

NOTE 13 - 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, 2013, was \$2,151 and the CPED's total payroll was \$16,701.

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 \$119 and \$110 respectively to the plan during the year, which amounts represented 5.53% and 5.1% respectively of the covered payroll.

NOTE 14 - POSTEMPLOYMENT BENEFITS PLAN**Plan Description**

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

NOTE 14 - POSTEMPLOYMENT BENEFITS PLAN (continued)

There is no separate, audited GAAP-basis postemployment benefit plan report available.

Funding Policy

Retirees and their spouses contribute to the healthcare plan at the same rate as City employees. This results in the retirees receiving an implicit rate subsidy. Contribution requirements are established by the City, based on the contract terms with Medica and Delta Dental. The required contributions are based on projected pay-as-you-go financing requirements. For fiscal year 2013, the City contributed \$5,321 to the plan. As of January 1, 2013, there were approximately 640 retirees receiving health benefits from the City’s health plan.

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	\$ 11,623
Interest on net OPEB obligation	685
Adjustment to annual required contribution	<u>(702)</u>
Annual OPEB cost (expense)	11,606
Contributions made	<u>5,321</u>
Increase in net OPEB obligation	6,285
Net OPEB obligation – beginning of year	<u>22,838</u>
Net OPEB obligation – end of year	<u><u>\$ 29,123</u></u>

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013, 2012 and 2011 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage Of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2013	\$11,606	45.85%	\$29,123
12/31/2012	\$9,887	43.50%	\$22,841
12/31/2011	\$9,432	42.30%	\$17,253

For the fiscal year ended December 31, 2013

(Dollar Amounts Expressed in Thousands)

NOTE 14 - POSTEMPLOYMENT BENEFITS PLAN (continued)**Funded Status and Funding Progress**

As of January 1, 2013, the most recent actuarial valuation date, the City had no assets deposited to fund the plan. The actuarial accrued liability for benefits was \$118,093 and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$118,093. These are projected figures based on the valuation assumptions. The covered payroll (annual payroll of active employees covered by the plan) was \$284,134, and the ratio of the UAAL to the covered payroll was 41.6%.

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

Actuarial Methods and Assumptions

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

In the January 1, 2013, actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 3.0% discount rate, which is based on the investment yield expected to finance benefits depending on whether the plan is funded in a separate trust (about 7.0% to 8.5%, long-term, similar to a pension plan) or unfunded (3.0% to 5.0%, shorter term, based on City's general assets). The City currently does not plan to prefund for this benefit. At the actuarial valuation date, the annual healthcare cost trend rate was calculated to be 8% initially, reduced incrementally to an ultimate rate of 5% after 12 years. Both rates included a 3% inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The original amortization period is 30 years, as of January 1, 2011, 30 years remain.

NOTE 15 - 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 16 - RISK MANAGEMENT & CLAIMS

The City is self-insured and exposed to a variety of risks related to liability claims; property, personal injury and accidents. The City is self-insured for workers' compensation, general liability and re-employment. Claims under \$25 and unrepresented are handled by Risk Management & Claims. Claims that are represented and over \$25 are handled by the City Attorneys' Office. The workers' compensation program includes the BET and all City departments. The Park Board and MBC maintained their own workers' compensation & liability programs. The City, CPED and the BET are self-insured for general liability. The City, including all discrete and blended component units of government, also maintains a self-funded dental plan for covered employees. The claims liability of \$54,668, reported in the Self-Insurance Internal Service Fund at December 31, 2013, 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. An actuarial study completed in March of 2013 for claim exposure and settlements payments, calculated that the claims liability at December 31, 2013 is \$54,668, an increase of \$1,638 from the liability amount of \$53,030 at December 31, 2012.

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 Dental PPO coverage of up to \$1.5 or Delta Dental Premier coverage of up to \$1.0 per person annually. Based on an actuarial review of the dental plan, it has been determined that the premium rates charged to departments are sufficient to cover projected dental claims.

Changes in the claims liabilities during fiscal 2012 and 2013 are:

	2012	2013
Liability balance – January 1	\$ 50,050	\$ 53,030
Current year claims and changes in estimates	11,532	16,123
Claim payments	(8,552)	(14,485)
Liability balance – December 31	\$ 53,030	\$ 54,668

NOTE 17 - CLEANUP OF HAZARDOUS MATERIALS

Properties owned by the City of Minneapolis may have certain contingent liabilities associated with them due to potential contamination from hazardous material or difficulty in securing vacant structures located on them. It is not expected that these contingencies will have a material effect on the financial statements of the City.

Any of these related costs that are incurred during City project construction are charged to the project that incurs them, and are capitalized when the project is completed.

For the fiscal year ended December 31, 2013

(Dollar Amounts Expressed in Thousands)

NOTE 18 - 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 five cases that allege injury or wrongful death, as a result of police misconduct.
- The City is a defendant in a class action lawsuit alleging that the City levied “vacant building registration fees” plus interest in excess of the amount permitted by City Ordinance.
- The City is a defendant in a qui tam, false claims lawsuit alleging the City defrauded the U.S. government by falsely swearing that the City was affirmatively furthering fair housing creation and enforcement in consideration for the acceptance of federal fair housing grants.

NOTE 19 – SUBSEQUENT EVENTS

The City issued the following bonds since December 31, 2013.

In February 2014, the City issued \$61,905 of Taxable General Obligation Bonds (Downtown East Project), Series 2014. The Downtown East Project is a mixed-use project which includes two office towers, a public parking ramp, market rate multifamily housing, retail space, skyway connections and an urban green space park. The proceeds of the bonds will be used to finance a portion of the costs of constructing the parking ramp, the urban green space and certain other costs of the Downtown East Project. The bonds were issued in fixed rate mode and had interest rates ranging from .95% to 4.629% and a final maturity date of March 1, 2044.

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended December 31, 2013

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES:				
Taxes	\$ 212,034	\$ 212,834	\$ 218,215	\$ 5,381
Licenses and permits	32,575	33,673	39,227	5,554
Intergovernmental revenues	69,540	70,069	70,531	462
Charges for services and sales	39,758	41,768	42,530	762
Fines and forfeits	8,848	8,848	7,668	(1,180)
Special assessments	2,462	3,433	3,482	49
Investment earnings	1,600	1,600	(607)	(2,207)
Miscellaneous revenues	1,815	1,015	1,497	482
Total revenues	<u>368,632</u>	<u>373,240</u>	<u>382,543</u>	<u>9,303</u>
CURRENT EXPENDITURES:				
Current:				
General government:				
Mayor	1,598	1,710	1,586	124
Council & Clerk	7,018	7,192	6,422	770
Assessor	4,315	4,315	3,780	535
Attorney	8,074	8,434	7,961	473
Civil rights	2,463	2,463	2,289	174
Clerk-Elections	1,299	1,299	1,757	(458)
Coordinator	1,628	2,656	2,656	-
Coordinator-311	3,122	3,110	3,048	62
Coordinator-Communications	2,135	2,171	2,171	-
Coordinator-Finance	20,323	23,133	23,133	-
Coordinator-Human resources	7,129	7,471	6,649	822
Coordinator-Intergovernmental relations	1,510	1,302	1,302	-
Coordinator-Neighborhood and community relations	934	934	934	-
Internal audit	382	435	422	13
Contingency	3,883	128	-	128
Information technology	200	200	100	100
Total general government	<u>66,013</u>	<u>66,953</u>	<u>64,210</u>	<u>2,743</u>
Public safety:				
Regulatory services	13,336	13,355	13,320	35
Coordinator-911	7,726	7,711	7,711	-
Coordinator-Emergency management	693	1,043	876	167
Fire	53,790	54,219	54,019	200
Police	131,564	132,379	131,956	423
Total public safety	<u>207,109</u>	<u>208,707</u>	<u>207,882</u>	<u>825</u>
Public works:				
Administration	2,870	2,870	2,652	218
Engineering design	2,740	2,740	2,313	427
Field services	27,685	32,032	32,549	(517)
Transportation and special projects	14,234	14,496	13,850	646
Total public works	<u>47,529</u>	<u>52,138</u>	<u>51,364</u>	<u>774</u>
Culture and recreation - Library	<u>4,106</u>	<u>4,106</u>	<u>4,106</u>	<u>-</u>
Health and welfare - Health and family support	<u>6,946</u>	<u>6,975</u>	<u>6,975</u>	<u>-</u>
Community planning & economic development	<u>20,034</u>	<u>19,645</u>	<u>19,645</u>	<u>-</u>
Total expenditures	<u>351,737</u>	<u>358,524</u>	<u>354,182</u>	<u>4,342</u>
Excess (deficiency) of revenues over (under) expenditures	<u>16,895</u>	<u>14,716</u>	<u>28,361</u>	<u>13,645</u>
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	13,933	13,933	13,868	(65)
Transfers to other funds	<u>(30,828)</u>	<u>(30,828)</u>	<u>(30,616)</u>	<u>212</u>
Total other financing sources (uses)	<u>(16,895)</u>	<u>(16,895)</u>	<u>(16,748)</u>	<u>147</u>
Net change in fund balance	-	(2,179)	11,613	13,792
Fund balance - January 1	<u>85,357</u>	<u>85,357</u>	<u>85,357</u>	<u>-</u>
Fund balance - December 31	<u>\$ 85,357</u>	<u>\$ 83,178</u>	<u>\$ 96,970</u>	<u>\$ 13,792</u>

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

**COMMUNITY PLANNING AND ECONOMIC DEVELOPMENT
SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended December 31, 2013**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES:				
Taxes:				
General property tax	\$ -	\$ -	\$ 1,001	\$ 1,001
Property tax increment	38,329	38,329	36,246	(2,083)
Total taxes	38,329	38,329	37,247	(1,082)
Intergovernmental revenues:				
State grants and shared revenues	-	-	1	1
Charges for services and sales	4,788	4,788	7,245	2,457
Interest	140	140	(83)	(223)
Miscellaneous revenues:				
Rents and commissions	-	-	3,942	3,942
Sale of land	-	18	10,822	10,804
Loan recapture	2,265	2,265	8,238	5,973
Other	180	180	12	(168)
Total miscellaneous revenues	2,445	2,463	23,014	20,551
Total revenues	45,702	45,720	67,424	21,704
EXPENDITURES:				
Current:				
Community planning & economic development	34,152	74,269	39,055	35,214
Excess (deficiency) of revenues over (under) expenditures	11,550	(28,549)	28,369	56,918
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	4,892	5,317	638	(4,679)
Transfers to other funds	(35,775)	(35,775)	(31,202)	4,573
Total other financing sources (uses)	(30,883)	(30,458)	(30,564)	(106)
Net change in fund balance	(19,333)	(59,007)	(2,195)	56,812
Fund balance - January 1	207,858	207,858	207,858	-
Fund balance - December 31	\$ 188,525	\$ 148,851	\$ 205,663	\$ 56,812

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

**CONVENTION CENTER SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended December 31, 2013**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Budgeted Amount		Actual	Variance
	Original	Final		
REVENUES:				
Taxes:				
Sales and use tax	\$ 31,500	\$ 31,500	\$ 32,598	\$ 1,098
Food tax	12,000	12,000	11,873	(127)
Liquor tax	5,700	5,700	5,087	(613)
Lodging tax	6,800	6,800	6,749	(51)
Total taxes	56,000	56,000	56,307	307
Charges for services and sales	5,339	5,339	5,788	449
Investment earnings	465	465	202	(263)
Miscellaneous revenues:				
Rents and commissions	6,400	6,400	7,238	838
Privileges	3,044	3,044	3,223	179
Other	-	-	194	194
Total miscellaneous revenues	9,444	9,444	10,655	1,211
Total revenues	71,248	71,248	72,952	1,704
EXPENDITURES:				
Current:				
Community planning & economic development	42,745	45,182	38,343	6,839
Capital Outlay	-	-	376	(376)
Total Expenditures	42,745	45,182	38,719	6,463
Excess (deficiency) of revenues over (under) expenditures	28,503	26,066	34,233	8,167
OTHER FINANCING SOURCES (USES):				
Transfers to other funds	(27,524)	(27,524)	(27,330)	194
Net change in fund balance	979	(1,458)	6,903	8,361
Fund balance - January 1	58,625	58,625	58,625	-
Fund balance - December 31	\$ 59,604	\$ 57,167	\$ 65,528	\$ 8,361

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

NOTE 1 – BUDGETS

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

NOTE 2 – POSTEMPLOYMENT BENEFITS PLAN

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2009	\$ -	\$ 72,210	\$ 72,210	0.0%	\$ 401,097	18.0%
1/1/2011	\$ -	\$ 96,450	\$ 96,450	0.0%	\$ 287,649	33.5%
1/1/2013	\$ -	\$ 118,093	\$ 118,093	0.0%	\$ 284,134	41.6%

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.

HUD Consolidated Plan – This fund accounts for federal formula-based grants received from the U.S. Department of Housing & Urban Development’s Community Planning and Development Office.

Downtown Improvement District – This fund accounts for the special assessments that are collected to fund the downtown improvement district.

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 those included in the HUD Consolidated Plan, Permanent Improvement, Police, Enterprise and Internal Service Funds.

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.

Neighborhood & Community Relations – This fund is used to account for the tax increment financing funded expenditures of the Neighborhood & Community Relations Department.

Regulatory Services – This fund is used to account for special assessments related to nuisance properties.

Non-Major Debt Service Funds

Community Development Agency – This fund is used to account for the debt service activity of Community Planning and Economic Development. It includes various 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.

General Debt Service – This fund is used to account for debt service activity related to General Obligation governmental debt supported by property tax levies or transfers to/from other City funds. Bonds paid within this fund include general infrastructure, library referendum and pension obligation bonds. This fund also is used to record debt service activity for governmental revenue notes including Community Health, College of St. Thomas District and the Section 108 HUD note for the Midtown Exchange.

Internal Service Funds

Engineering Materials & 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.

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

Minneapolis Agency – Used to account for the collection and remittance of funds to other governments and agencies.

Skyway Debt Service Agency – This fund is used to account for the collection and payment of funds related to the debt service for the skyway system.

Youth Coordinating Board Agency – This fund is used to account for cash deposited with the City.

Minneapolis Public Housing Authority Agency – This fund is used to account for cash deposited with the City.

Joint Board Agency – This fund is used to account for cash deposited with the City.

**GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
NON-MAJOR FUNDS
December 31, 2013**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Total Non-Major Governmental</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 34,366	\$ 19,318	\$ 53,684
Investments with trustees	-	3,197	3,197
Receivables:			
Accounts - net	314	-	314
Taxes	429	698	1,127
Special assessments	1,619	-	1,619
Intergovernmental	11,588	-	11,588
Loans - net	22,025	-	22,025
Accrued interest	17	61	78
Properties held for resale	8,613	-	8,613
Total assets	<u>\$ 78,971</u>	<u>\$ 23,274</u>	<u>\$ 102,245</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u>			
Liabilities:			
Salaries payable	\$ 323	\$ -	\$ 323
Accounts payable	5,584	-	5,584
Intergovernmental payable	61	-	61
Due to other funds	4,760	-	4,760
Unearned revenue	3,892	-	3,892
Total liabilities	<u>14,620</u>	<u>-</u>	<u>14,620</u>
Deferred inflows of resources:			
Unavailable revenue	23,775	483	24,258
Fund balances:			
Nonspendable	8,613	-	8,613
Restricted	2,424	22,791	25,215
Assigned	29,708	-	29,708
Unassigned	(169)	-	(169)
Total fund balances	<u>40,576</u>	<u>22,791</u>	<u>63,367</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 78,971</u>	<u>\$ 23,274</u>	<u>\$ 102,245</u>

**GOVERNMENTAL FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NON-MAJOR FUNDS
 For the Fiscal Year Ended December 31, 2013**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Total Non-Major Governmental</u>
REVENUES:			
Taxes	\$ 31,430	\$ 30,792	\$ 62,222
Licenses and permits	1,182	-	1,182
Intergovernmental revenues	66,388	30	66,418
Charges for services and sales	2,174	-	2,174
Fines and forfeits	346	-	346
Special assessments	9,517	-	9,517
Investment earnings	57	(104)	(47)
Miscellaneous revenues	7,724	843	8,567
	<hr/>	<hr/>	<hr/>
Total revenues	118,818	31,561	150,379
EXPENDITURES:			
Current:			
General government	33,259	-	33,259
Public safety	24,429	-	24,429
Public works	3,551	-	3,551
Health and welfare	11,018	-	11,018
Community planning & economic development	51,039	-	51,039
Intergovernmental			
Public safety	169	-	169
Debt Service:			
Principal retirement	-	49,225	49,225
Interest and fiscal charges	-	15,125	15,125
	<hr/>	<hr/>	<hr/>
Total expenditures	123,465	64,350	187,815
Excess (deficiency) of revenues over (under) expenditures	<hr/> (4,647)	<hr/> (32,789)	<hr/> (37,436)
OTHER FINANCING SOURCES (USES):			
Transfers from other funds	8,904	36,184	45,088
Transfers to other funds	-	(2,707)	(2,707)
Premium (discount)	-	692	692
Refunding bonds issued	-	17,930	17,930
Payments to escrow agents	-	(17,930)	(17,930)
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	8,904	34,169	43,073
Net change in fund balances	4,257	1,380	5,637
Fund balances - January 1	<hr/> 36,319	<hr/> 21,411	<hr/> 57,730
Fund balances - December 31	<hr/> \$ 40,576	<hr/> \$ 22,791	<hr/> \$ 63,367

CITY OF MINNEAPOLIS, MINNESOTA

**SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET - NON-MAJOR FUNDS
December 31, 2013**

	Arena Reserve	Board of Estimate and Taxation	HUD Consolidated Plan	Downtown Improvement District	Employee Retirement	Grants-Federal	Grants-Other	Police	Neighborhood & Community Relations	Regulatory Services	Total
ASSETS											
Cash and cash equivalents	\$ 7,643	\$ 320	\$ 36	\$ 3	\$ 16,416	\$ 144	\$ 2,554	\$ 1,074	\$ 681	\$ 5,495	\$ 34,366
Receivables:											
Accounts - net	-	-	15	-	-	6	6	285	-	2	314
Taxes	-	4	-	-	425	-	-	-	-	-	429
Special assessments	-	-	117	39	-	-	4	-	-	1,459	1,619
Intergovernmental	-	-	1,667	-	20	7,578	2,323	-	-	-	11,588
Loans - net	-	-	22,025	-	-	-	-	-	-	-	22,025
Accrued interest	6	-	-	-	-	-	-	-	-	11	17
Properties held for resale	-	-	6,037	-	-	1,376	1,200	-	-	-	8,613
Total assets	\$ 7,649	\$ 324	\$ 29,897	\$ 42	\$ 16,861	\$ 9,104	\$ 6,087	\$ 1,359	\$ 681	\$ 6,967	\$ 78,971

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES											
Liabilities:											
Salaries payable	\$ -	\$ 5	\$ 52	\$ -	\$ -	\$ 61	\$ 90	\$ 37	\$ 21	\$ 57	\$ 323
Accounts payable	955	-	566	1	-	3,174	528	312	11	37	5,584
Intergovernmental payable	-	-	-	-	59	2	-	-	-	-	61
Due to other funds	-	-	1,100	160	-	3,500	-	-	-	-	4,760
Unearned revenue	-	-	-	-	-	991	2,893	8	-	-	3,892
Total liabilities	955	5	1,718	161	59	7,728	3,511	357	32	94	14,620
Deferred inflows of resources:											
Unavailable revenue	3	3	22,142	-	221	-	4	-	-	1,402	23,775

Fund balances:											
Nonspendable	-	-	6,037	-	-	1,376	1,200	-	-	-	8,613
Restricted	-	-	-	-	-	-	1,372	1,052	-	-	2,424
Assigned	6,691	316	-	-	16,581	-	-	-	649	5,471	29,708
Unassigned	-	-	-	(119)	-	-	-	(50)	-	-	(169)
Total fund balances	6,691	316	6,037	(119)	16,581	1,376	2,572	1,002	649	5,471	40,576

Total liabilities, deferred inflows of resources, and fund balances	\$ 7,649	\$ 324	\$ 29,897	\$ 42	\$ 16,861	\$ 9,104	\$ 6,087	\$ 1,359	\$ 681	\$ 6,967	\$ 78,971
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CITY OF MINNEAPOLIS, MINNESOTA

**SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - NON-MAJOR FUNDS
For the Fiscal Year Ended December 31, 2013**

(In Thousands)

	Arena Reserve	Board of Estimate and Taxation	HUD Consolidated Plan	Downtown Improvement District	Employee Retirement	Grants-Federal	Grants-Other	Police	Neighborhood & Community Relations	Regulatory Services	Total
REVENUES:											
Taxes	\$ 1,226	\$ 177	\$ -	\$ -	\$ 29,871	\$ -	\$ -	\$ 156	\$ -	\$ -	\$ 31,430
Licenses and permits	-	-	-	-	-	-	-	984	-	198	1,182
Intergovernmental revenues	-	-	16,161	-	3,953	21,060	25,169	45	-	-	66,388
Charges for services and sales	3	-	528	-	-	345	702	494	-	102	2,174
Fines and forfeits	-	-	-	-	-	-	-	317	-	29	346
Special assessments	-	-	10	5,936	-	-	-	-	-	3,571	9,517
Investment earnings	1	-	72	(1)	(23)	-	1	-	-	7	57
Miscellaneous revenues	-	-	333	2	4,520	2,026	824	-	19	-	7,724
Total revenues	1,230	177	17,104	5,937	38,321	23,431	26,696	1,996	19	3,907	118,818
CURRENT EXPENDITURES:											
General government	-	174	2,436	6,150	23,477	648	374	-	-	-	33,259
Public safety	-	-	1,046	-	11,534	5,628	1,012	1,835	-	3,374	24,429
Public works	-	-	-	-	-	3,499	52	-	-	-	3,551
Health and welfare	-	-	718	-	-	5,917	4,383	-	-	-	11,018
Community planning & economic development	7,091	-	13,111	-	-	7,706	21,345	-	1,517	269	51,039
Intergovernmental	-	-	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	169	-	-	-	-	169
Total expenditures	7,091	174	17,311	6,150	35,011	23,567	27,166	1,835	1,517	3,643	123,465
Excess (deficiency) of revenues over (under) expenditures	(5,861)	3	(207)	(213)	3,310	(136)	(470)	161	(1,498)	264	(4,647)
OTHER FINANCING SOURCES (USES):											
Transfers from other funds	6,984	4	-	-	716	-	-	-	1,200	-	8,904
Net change in fund balances	1,123	7	(207)	(213)	4,026	(136)	(470)	161	(298)	264	4,257
Fund balances - January 1	5,568	309	6,244	94	12,555	1,512	3,042	841	947	5,207	36,319
Fund balances - December 31	\$ 6,691	\$ 316	\$ 6,037	\$ (119)	\$ 16,581	\$ 1,376	\$ 2,572	\$ 1,002	\$ 649	\$ 5,471	\$ 40,576

ARENA RESERVE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended December 31, 2013

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes:				
Entertainment tax	\$ 1,300	\$ 1,300	\$ 1,226	\$ (74)
Charges for services and sales	-	-	3	3
Investment earnings	-	-	1	1
Total revenues	<u>1,300</u>	<u>1,300</u>	<u>1,230</u>	<u>(70)</u>
CURRENT EXPENDITURES:				
Community planning & economic development	<u>5,707</u>	<u>7,566</u>	<u>7,091</u>	<u>475</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,407)</u>	<u>(6,266)</u>	<u>(5,861)</u>	<u>405</u>
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	<u>3,218</u>	<u>3,218</u>	<u>6,984</u>	<u>3,766</u>
Net change in fund balance	(1,189)	(3,048)	1,123	4,171
Fund balance - January 1	<u>5,568</u>	<u>5,568</u>	<u>5,568</u>	<u>-</u>
Fund balance - December 31	<u>\$ 4,379</u>	<u>\$ 2,520</u>	<u>\$ 6,691</u>	<u>\$ 4,171</u>

BOARD OF ESTIMATE AND TAXATION SPECIAL REVENUE FUND CITY OF MINNEAPOLIS, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended December 31, 2013 **(In Thousands)**

	Budgeted Amount		Actual	Variance
	Original	Final		
REVENUES:				
Taxes:				
General property tax	\$ 172	\$ 172	\$ 177	\$ 5
CURRENT EXPENDITURES:				
General government	178	178	174	4
Excess (deficiency) of revenues over (under) expenditures	(6)	(6)	3	9
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	4	4	4	-
Net change in fund balance	(2)	(2)	7	9
Fund balance - January 1	309	309	309	-
Fund balance - December 31	<u>\$ 307</u>	<u>\$ 307</u>	<u>\$ 316</u>	<u>\$ 9</u>

HUD CONSOLIDATED PLAN SPECIAL REVENUE FUND CITY OF MINNEAPOLIS, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended December 31, 2013 **(In Thousands)**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental revenues:				
Federal grantor agencies	\$ 14,917	\$ 16,721	\$ 16,161	\$ (560)
Charges for services and sales	-	-	528	528
Special assessments	107	107	10	(97)
Investment earnings	-	-	72	72
Miscellaneous revenues:				
Other	1,500	1,500	333	(1,167)
Total revenues	<u>16,524</u>	<u>18,328</u>	<u>17,104</u>	<u>(1,224)</u>
CURRENT EXPENDITURES:				
General government	2,244	2,682	2,436	246
Public safety	1,087	1,151	1,046	105
Health and welfare	669	819	718	101
Community planning & economic development	12,524	13,676	13,111	565
Total expenditures	<u>16,524</u>	<u>18,328</u>	<u>17,311</u>	<u>1,017</u>
Net change in fund balance	-	-	(207)	(207)
Fund balance - January 1	6,244	6,244	6,244	-
Fund balance - December 31	<u>\$ 6,244</u>	<u>\$ 6,244</u>	<u>\$ 6,037</u>	<u>\$ (207)</u>

DOWNTOWN IMPROVEMENT DISTRICT SPECIAL REVENUE FUND CITY OF MINNEAPOLIS, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended December 31, 2013 **(In Thousands)**

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES:				
Special assessments	\$ 5,800	\$ 5,800	\$ 5,936	\$ 136
Investment earnings	-	-	(1)	(1)
Miscellaneous revenues:				
Other	-	-	2	2
Total revenues	<u>5,800</u>	<u>5,800</u>	<u>5,937</u>	<u>137</u>
CURRENT EXPENDITURES:				
General government	<u>5,800</u>	<u>6,155</u>	<u>6,150</u>	<u>5</u>
Net change in fund balance	-	(355)	(213)	142
Fund balance - January 1	<u>94</u>	<u>94</u>	<u>94</u>	<u>-</u>
Fund balance - December 31	<u><u>\$ 94</u></u>	<u><u>\$ (261)</u></u>	<u><u>\$ (119)</u></u>	<u><u>\$ 142</u></u>

**EMPLOYEE RETIREMENT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended December 31, 2013**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES:				
Taxes:				
General property tax	\$ 29,116	\$ 29,116	\$ 25,562	\$ (3,554)
Property tax increment	-	-	278	278
Fiscal disparities	-	-	4,029	4,029
Other taxes	-	-	2	2
Total taxes	29,116	29,116	29,871	755
Intergovernmental revenues:				
State grants and shared revenues	-	-	3,953	3,953
Investment earnings	-	-	(23)	(23)
Miscellaneous revenues:				
Other	-	-	4,520	4,520
Total revenues	29,116	29,116	38,321	9,205
CURRENT EXPENDITURES:				
General government	20,139	23,477	23,477	-
Public safety	8,977	11,534	11,534	-
Total expenditures	29,116	35,011	35,011	-
Excess (deficiency) of revenues over (under) expenditures	-	(5,895)	3,310	9,205
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	716	716	716	-
Net change in fund balance	716	(5,179)	4,026	9,205
Fund balance - January 1	12,555	12,555	12,555	-
Fund balance - December 31	\$ 13,271	\$ 7,376	\$ 16,581	\$ 9,205

**GRANTS - FEDERAL SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended December 31, 2013**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES:				
Intergovernmental revenues:				
Federal grantor agencies	\$ 11,070	\$ 20,787	\$ 21,060	\$ 273
Charges for services and sales	-	-	345	345
Miscellaneous revenues:				
Loan recapture	-	-	2,026	2,026
Total revenues	11,070	20,787	23,431	2,644
CURRENT EXPENDITURES:				
General government	343	1,142	648	494
Public safety	3,011	9,643	5,628	4,015
Public works	-	3,546	3,499	47
Health and welfare	4,782	8,288	5,917	2,371
Community planning & economic development	2,700	7,721	7,706	15
Intergovernmental				
Public safety	169	169	169	-
Total expenditures	11,005	30,509	23,567	6,942
Excess (deficiency) of revenues over (under) expenditures	65	(9,722)	(136)	9,586
OTHER FINANCING SOURCES (USES):				
Transfers to other funds	(65)	(65)	-	65
Net change in fund balance	-	(9,787)	(136)	9,651
Fund balance - January 1	1,512	1,512	1,512	-
Fund balance - December 31	\$ 1,512	\$ (8,275)	\$ 1,376	\$ 9,651

**GRANTS - OTHER SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended December 31, 2013**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES:				
Taxes:				
Other taxes	\$ 7	\$ 7	\$ -	\$ (7)
Intergovernmental revenues:				
State grants and shared revenues	7,079	26,619	25,169	(1,450)
Charges for services and sales	280	280	702	422
Investment earnings	-	-	1	1
Miscellaneous revenues:				
Private contributions	182	908	820	(88)
Other	3	3	4	1
Total miscellaneous revenues	185	911	824	(87)
Total revenues	7,551	27,817	26,696	(1,121)
CURRENT EXPENDITURES:				
General government	119	513	374	139
Public safety	797	1,896	1,012	884
Public works	-	52	52	-
Health and welfare	4,535	6,746	4,383	2,363
Community planning & economic development	2,100	21,472	21,345	127
Total expenditures	7,551	30,679	27,166	3,513
Excess (deficiency) of revenues over (under) expenditures	-	(2,862)	(470)	2,392
Fund balance - January 1	3,042	3,042	3,042	-
Fund balance - December 31	\$ 3,042	\$ 180	\$ 2,572	\$ 2,392

**POLICE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended December 31, 2013**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES:				
Taxes:				
Lawful gambling	\$ 148	\$ 148	\$ 156	\$ 8
Licenses and permits	745	745	984	239
Intergovernmental revenues:				
Federal grantor agencies	-	-	45	45
Charges for services and sales	427	673	494	(179)
Fines and forfeits	420	420	317	(103)
Total revenues	1,740	1,986	1,996	10
CURRENT EXPENDITURES:				
Public safety	1,740	1,986	1,835	151
Net change in fund balance	-	-	161	161
Fund balance - January 1	841	841	841	-
Fund balance - December 31	\$ 841	\$ 841	\$ 1,002	\$ 161

NEIGHBORHOOD & COMMUNITY RELATIONS SPECIAL REVENUE FUND CITY OF MINNEAPOLIS, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended December 31, 2013 **(In Thousands)**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Miscellaneous revenues:				
Other	\$ -	\$ -	\$ 19	\$ 19
CURRENT EXPENDITURES:				
Community planning & economic development	1,304	1,604	1,517	87
Excess (deficiency) of revenues over (under) expenditures	(1,304)	(1,604)	(1,498)	106
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	1,304	1,304	1,200	(104)
Net change in fund balance	-	(300)	(298)	2
Fund balance - January 1	947	947	947	-
Fund balance - December 31	<u>\$ 947</u>	<u>\$ 647</u>	<u>\$ 649</u>	<u>\$ 2</u>

**REGULATORY SERVICES SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended December 31, 2013**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES:				
Licenses and permits	\$ 241	\$ 241	\$ 198	\$ (43)
Charges for services and sales	130	130	102	(28)
Fines and forfeits	52	52	29	(23)
Special assessments	3,903	3,903	3,571	(332)
Investment earnings	-	-	7	7
Total revenues	<u>4,326</u>	<u>4,326</u>	<u>3,907</u>	<u>(419)</u>
CURRENT EXPENDITURES:				
Public safety	4,599	4,599	3,374	1,225
Community planning & economic development	<u>360</u>	<u>360</u>	<u>269</u>	<u>91</u>
Total expenditures	<u>4,959</u>	<u>4,959</u>	<u>3,643</u>	<u>1,316</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(633)</u>	<u>(633)</u>	<u>264</u>	<u>897</u>
Fund balance - January 1	<u>5,207</u>	<u>5,207</u>	<u>5,207</u>	<u>-</u>
Fund balance - December 31	<u>\$ 4,574</u>	<u>\$ 4,574</u>	<u>\$ 5,471</u>	<u>\$ 897</u>

**DEBT SERVICE FUNDS
COMBINING BALANCE SHEET - NON-MAJOR FUNDS
DECEMBER 31, 2013**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	<u>Community Development Agency</u>	<u>Development</u>	<u>General Debt Service</u>	<u>Total</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 201	\$ 11	\$ 19,106	\$ 19,318
Investments with trustees	3,197	-	-	3,197
Receivables:				
Taxes:				
Current	-	-	195	195
Delinquent	-	-	503	503
Accrued Interest	1	1	59	61
Total assets	<u>\$ 3,399</u>	<u>\$ 12</u>	<u>\$ 19,863</u>	<u>\$ 23,274</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>				
Deferred Inflows of Resources:				
Unavailable revenue	\$ 1	\$ -	\$ 482	\$ 483
Fund balances:				
Restricted	3,398	12	19,381	22,791
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,399</u>	<u>\$ 12</u>	<u>\$ 19,863</u>	<u>\$ 23,274</u>

DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - NON-MAJOR FUNDS
For the Fiscal Year Ended December 31, 2013

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	<u>Community Development Agency</u>	<u>Development</u>	<u>General Debt Service</u>	<u>Total</u>
REVENUES:				
Taxes:				
General property tax	\$ -	\$ -	\$ 27,929	\$ 27,929
Fiscal disparities	-	-	2,863	2,863
Total taxes	<u>-</u>	<u>-</u>	<u>30,792</u>	<u>30,792</u>
Intergovernmental revenues	-	-	30	30
Investment earnings	(2)	-	(102)	(104)
Miscellaneous revenues:				
Rents and commissions	-	181	-	181
Other	-	-	662	662
Total miscellaneous revenues	<u>-</u>	<u>181</u>	<u>662</u>	<u>843</u>
Total revenues	<u>(2)</u>	<u>181</u>	<u>31,382</u>	<u>31,561</u>
EXPENDITURES:				
Principal retirement	825	22,425	25,975	49,225
Interest and fiscal charges	<u>1,698</u>	<u>9,316</u>	<u>4,111</u>	<u>15,125</u>
Total expenditures	<u>2,523</u>	<u>31,741</u>	<u>30,086</u>	<u>64,350</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,525)</u>	<u>(31,560)</u>	<u>1,296</u>	<u>(32,789)</u>
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	3,112	31,538	1,534	36,184
Transfers to other funds	(638)	-	(2,069)	(2,707)
Premium (discount)	-	-	692	692
Refunding bonds issued	-	-	17,930	17,930
Payments to escrow agents	-	-	(17,930)	(17,930)
Total other financing sources (uses)	<u>2,474</u>	<u>31,538</u>	<u>157</u>	<u>34,169</u>
Net change in fund balances	(51)	(22)	1,453	1,380
Fund balances - January 1	<u>3,449</u>	<u>34</u>	<u>17,928</u>	<u>21,411</u>
Fund balances - December 31	<u>\$ 3,398</u>	<u>\$ 12</u>	<u>\$ 19,381</u>	<u>\$ 22,791</u>

**INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
December 31, 2013**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Engineering Materials and Testing	Inter- governmental Services	Property Services	Equipment Services	Public Works Stores	Self- Insurance	Total
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 2,125	\$ 35,263	\$ 4,248	\$ 18,894	\$ 2	\$ 61,238	\$ 121,770
Receivables:							
Accounts - net	15	-	22	37	-	4	78
Intergovernmental	-	-	1	-	-	-	1
Notes	-	149	-	-	-	-	149
Due from other funds	-	-	-	-	-	181	181
Inventories	-	-	19	1,077	4,581	-	5,677
Properties held for resale	-	-	-	-	-	432	432
Prepaid items	-	721	-	-	-	167	888
Total current assets	2,140	36,133	4,290	20,008	4,583	62,022	129,176
Long-term assets:							
Capital assets:							
Non-depreciable:							
Land, leaseholds and easements	-	-	20,821	2,186	-	-	23,007
Construction in progress	-	13,599	17	1,343	-	-	14,959
Depreciable:							
Buildings and structures	-	-	25,588	30,062	-	-	55,650
Less accumulated depreciation	-	-	(21,105)	(8,485)	-	-	(29,590)
Public improvements	-	-	7,571	1,704	-	-	9,275
Less accumulated depreciation	-	-	(2,928)	(306)	-	-	(3,234)
Machinery and equipment	287	1,885	12,661	74,729	132	-	89,694
Less accumulated depreciation	(287)	(1,631)	(8,073)	(48,678)	(132)	-	(58,801)
Computer equipment	61	68,263	162	-	7	-	68,493
Less accumulated depreciation	(61)	(63,964)	(162)	-	(7)	-	(64,194)
Software	-	51,148	8	-	9	-	51,165
Less accumulated depreciation	-	(44,151)	(8)	-	(9)	-	(44,168)
Other capital outlay	15	-	21	-	15	-	51
Less accumulated depreciation	(15)	-	(21)	-	(15)	-	(51)
Total long-term assets	-	25,149	34,552	52,555	-	-	112,256
Total assets	\$ 2,140	\$ 61,282	\$ 38,842	\$ 72,563	\$ 4,583	\$ 62,022	\$ 241,432
LIABILITIES							
Current liabilities:							
Salaries payable	\$ 27	\$ 169	\$ 128	\$ 173	\$ 22	\$ 222	\$ 741
Accounts payable	18	3,021	631	2,383	185	1,545	7,783
Intergovernmental payable	-	3	1	1	-	-	5
Due to other funds	-	-	-	-	181	-	181
Interest payable	-	5	10	43	-	-	58
Unearned revenue	-	12,919	-	-	-	-	12,919
Bonds payable-current portion	-	1,645	765	1,990	-	-	4,400
Compensated absences payable-current portion	17	116	96	219	13	148	609
Unpaid claims payable	-	-	-	-	-	16,123	16,123
Total current liabilities	62	17,878	1,631	4,809	401	18,038	42,819
Long-term liabilities:							
Bonds payable	-	480	3,280	15,645	-	-	19,405
Unamortized premium (discount)	-	93	177	592	-	-	862
Advances from other funds	-	4,750	-	-	-	-	4,750
Compensated absences payable	40	270	225	512	31	344	1,422
Other postemployment benefits	63	407	470	943	62	542	2,487
Unpaid claims payable	-	-	-	-	-	38,545	38,545
Total long-term liabilities	103	6,000	4,152	17,692	93	39,431	67,471
Total liabilities	165	23,878	5,783	22,501	494	57,469	110,290
NET POSITION							
Net investment in capital assets	-	23,999	30,331	34,328	-	-	88,658
Unrestricted	1,975	13,405	2,728	15,734	4,089	4,553	42,484
Total net position	1,975	37,404	33,059	50,062	4,089	4,553	131,142
Total liabilities and net position	\$ 2,140	\$ 61,282	\$ 38,842	\$ 72,563	\$ 4,583	\$ 62,022	\$ 241,432

INTERNAL SERVICE FUNDS
CITY OF MINNEAPOLIS, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
For the Fiscal Year Ended December 31, 2013
(In Thousands)

	Engineering Materials and Testing	Inter- governmental Services	Property Services	Equipment Services	Public Works Stores	Self- Insurance	Total
Operating revenues:							
Charges for services and sales	\$ 1,865	\$ 32,971	\$ 4,312	\$ 13,888	\$ 1,514	\$ 28,679	\$ 83,229
Fines and forfeits	-	-	-	-	-	53	53
Rents and commissions	-	-	13,536	21,786	-	-	35,322
Total operating revenues	1,865	32,971	17,848	35,674	1,514	28,732	118,604
Operating expenses:							
Personnel costs	972	5,741	5,533	12,914	788	13,411	39,359
Contractual services	397	19,405	10,333	4,296	279	9,467	44,177
Materials, supplies, services and other	88	2,987	1,155	8,669	16	7,395	20,310
Rent	13	238	-	968	34	244	1,497
Depreciation	4	11,838	1,347	6,151	-	-	19,340
Total operating expenses	1,474	40,209	18,368	32,998	1,117	30,517	124,683
Operating income (loss)	391	(7,238)	(520)	2,676	397	(1,785)	(6,079)
Non-operating revenues (expenses):							
Interest expense	-	(28)	(130)	(596)	-	-	(754)
Gain (loss) on disposal of capital assets	-	-	-	340	-	-	340
Other revenues	-	35	11	525	-	1,782	2,353
Total non-operating revenues (expenses)	-	7	(119)	269	-	1,782	1,939
Income (loss) before contributions and transfers	391	(7,231)	(639)	2,945	397	(3)	(4,140)
Capital contribution	-	-	4,845	1,602	-	-	6,447
Transfers in (out):							
Transfers from other funds	-	17,240	3,282	8,315	-	3,855	32,692
Transfers to other funds	-	(15)	-	-	-	(1,000)	(1,015)
Total contributions and transfers	-	17,225	8,127	9,917	-	2,855	38,124
Change in net position	391	9,994	7,488	12,862	397	2,852	33,984
Net position - January 1	1,584	27,410	25,571	37,200	3,692	1,701	97,158
Net position - December 31	\$ 1,975	\$ 37,404	\$ 33,059	\$ 50,062	\$ 4,089	\$ 4,553	\$ 131,142

**INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Fiscal Year Ended December 31, 2013**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Engineering Materials and Testing	Inter- governmental Services	Property Services	Equipment Services	Public Works Stores	Self- Insurance	Total
Cash flows from operating activities:							
Cash received from customers and users	\$ 1,866	\$ 38,186	\$ 17,837	\$ 35,697	\$ 1,516	\$ 28,731	\$ 123,833
Intergovernmental receipts	-	34	-	-	-	-	34
Payments to suppliers and users	(543)	(21,892)	(11,278)	(12,297)	(769)	(15,302)	(62,081)
Payments to employees	(943)	(5,653)	(5,493)	(13,047)	(763)	(13,211)	(39,110)
Other non-operating revenue	-	35	11	33	-	1,782	1,861
Net Cash Provided (used) by operating activities	380	10,710	1,077	10,386	(16)	2,000	24,537
Cash flows from non-capital financing activities:							
Transfers from other funds	-	17,240	3,282	8,315	-	3,855	32,692
Transfers to other funds	-	(15)	-	-	-	(1,000)	(1,015)
Repayment of advances from other funds	-	(1,500)	-	-	-	-	(1,500)
Repayment from (payment to) other fund for cash deficit	-	-	-	-	16	(16)	-
Net cash provided (used) by non-capital financing activities	-	15,725	3,282	8,315	16	2,839	30,177
Cash flows from capital and related financing activities:							
Bonds issued	-	965	-	-	-	-	965
Refunding bonds issued	-	-	-	-	-	-	-
Principal paid on bonds	-	(1,955)	(730)	(3,655)	-	-	(6,340)
Interest paid on bonds	-	(102)	(143)	(641)	-	-	(886)
Premium (discount)	-	16	-	-	-	-	16
Acquisition and construction of capital assets	-	(5,900)	-	(6,640)	-	-	(12,540)
Bond issuance costs	-	(1)	-	-	-	-	(1)
Proceeds from sale of capital assets	-	-	-	400	-	-	400
Contributions from other funds	-	-	-	492	-	-	492
Net cash provided (used) by capital and related financing activities	-	(6,977)	(873)	(10,044)	-	-	(17,894)
Net increase (decrease) in cash and cash equivalents	380	19,458	3,486	8,657	-	4,839	36,820
Cash and cash equivalents, beginning of year	1,745	15,805	762	10,237	2	56,399	84,950
Cash and cash equivalents, end of year	\$ 2,125	\$ 35,263	\$ 4,248	\$ 18,894	\$ 2	\$ 61,238	\$ 121,770
Reconciliation of operating income to net cash provided (used) by operating activities							
Operating income (loss)	\$ 391	\$ (7,238)	\$ (520)	\$ 2,676	\$ 397	\$ (1,785)	\$ (6,079)
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:							
Depreciation	4	11,838	1,347	6,151	-	-	19,340
Accounts receivable (net)	-	32	(11)	23	2	(2)	44
Intergovernmental receivable	-	34	-	1	-	-	35
Notes receivable	-	4,442	-	-	-	-	4,442
Inventories	-	-	(6)	198	(293)	-	(101)
Prepaid items	-	(269)	-	-	-	167	(102)
Due from other funds	-	58	-	-	-	-	58
Salaries payable	7	10	16	(115)	8	34	(40)
Accounts payable	(44)	1,019	217	1,442	(146)	-	2,488
Intergovernmental payable	-	-	1	-	(1)	-	-
Deposits held for others	-	(14)	-	(5)	-	(1)	(20)
Unearned revenue	-	684	(1)	-	-	-	683
Compensated absences payable	9	18	15	(45)	4	98	99
Other postemployment benefits	13	61	8	27	13	69	191
Unpaid claims	-	-	-	-	-	1,638	1,638
Other non-operating revenue	-	35	11	33	-	1,782	1,861
Net cash provided (used) by operating activities	\$ 380	\$ 10,710	\$ 1,077	\$ 10,386	\$ (16)	\$ 2,000	\$ 24,537
Non-cash investing, capital and financing activities:							
Loss on disposal of capital assets	\$ -	\$ -	\$ -	\$ (60)	\$ -	\$ -	\$ (60)
Capital contribution	-	-	4,845	1,602	-	-	6,447

**COMBINING STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
December 31, 2013**

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

	Minneapolis Agency	Skyway Debt Service	Youth Coordinating Board	Minneapolis Public Housing Authority	Joint Board	Total
ASSETS						
Cash and cash equivalents	\$ 2,528	\$ 122	\$ 1,671	\$ 45	\$ 34	\$ 4,400
Receivables:						
Accounts-net	208	-	3	-	68	279
Total assets	\$ 2,736	\$ 122	\$ 1,674	\$ 45	\$ 102	\$ 4,679
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ 1,674	\$ -	\$ 102	\$ 1,776
Intergovernmental payable	2,736	-	-	45	-	2,781
Deposits held for others	-	122	-	-	-	122
Total liabilities	\$ 2,736	\$ 122	\$ 1,674	\$ 45	\$ 102	\$ 4,679

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

CITY OF MINNEAPOLIS, MINNESOTA

For the fiscal year ended December 31, 2013

(In Thousands)

	<u>Balance January 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31, 2013</u>
MINNEAPOLIS AGENCY				
Assets:				
Cash and cash equivalents	\$ 5,675	\$ 94,859	\$ 98,006	\$ 2,528
Receivables:				
Accounts-net	537	1,952	2,281	208
Total assets	<u>6,212</u>	<u>96,811</u>	<u>100,287</u>	<u>2,736</u>
Liabilities:				
Intergovernmental payable	<u>6,212</u>	<u>96,811</u>	<u>100,287</u>	<u>2,736</u>
SKYWAY DEBT SERVICE				
Assets:				
Cash and cash equivalents	122	-	-	122
Liabilities:				
Deposits held for others	122	-	-	122
YOUTH COORDINATING BOARD				
Assets:				
Cash and cash equivalents	1,651	1,805	1,785	1,671
Receivables:				
Accounts-net	76	6	79	3
Total assets	<u>1,727</u>	<u>1,811</u>	<u>1,864</u>	<u>1,674</u>
Liabilities:				
Accounts payable	<u>1,727</u>	<u>1,811</u>	<u>1,864</u>	<u>1,674</u>
MINNEAPOLIS PUBLIC HOUSING AUTHORITY				
Assets:				
Cash and cash equivalents	64	22,031	22,050	45
Receivables:				
Accounts-net	40	-	40	-
Total assets	<u>104</u>	<u>22,031</u>	<u>22,090</u>	<u>45</u>
Liabilities:				
Intergovernmental payable	<u>104</u>	<u>22,031</u>	<u>22,090</u>	<u>45</u>
JOINT BOARD				
Assets:				
Cash and cash equivalents	54	-	20	34
Receivables:				
Accounts-net	68	-	-	68
Total assets	<u>122</u>	<u>-</u>	<u>20</u>	<u>102</u>
Liabilities:				
Accounts payable	<u>122</u>	<u>-</u>	<u>20</u>	<u>102</u>
TOTAL ALL AGENCY FUNDS				
Assets:				
Cash and cash equivalents	7,566	118,695	121,861	4,400
Receivables:				
Accounts-net	721	1,958	2,400	279
Total assets	<u>8,287</u>	<u>120,653</u>	<u>124,261</u>	<u>4,679</u>
Liabilities:				
Accounts payable	1,849	1,811	1,884	1,776
Intergovernmental payable	6,316	118,842	122,377	2,781
Deposits held for others	122	-	-	122
Total liabilities	<u>\$ 8,287</u>	<u>\$ 120,653</u>	<u>\$ 124,261</u>	<u>\$ 4,679</u>

SCHEDULE OF GOVERNMENTAL ACTIVITY BONDS AND NOTES

CITY OF MINNEAPOLIS, MINNESOTA

December 31, 2013

Issues Outstanding	Interest Rates	Issue Date	Final Maturity Date	Issued	Retired	Outstanding	(In Thousands)	
							Principal Due in 2014	Interest Due in 2014
<u>Property Tax Supported General Obligation Bonds</u>								
General Infrastructure Bonds								
Bridges	1.00%	10/30/12	12/01/13	300	300	-	-	-
	0.50%	12/03/13	12/01/14	3,357	-	3,357	3,357	17
Park Improvements	0.50%	12/03/13	12/01/14	3,725	-	3,725	3,725	18
Public Buildings	2.00% to 4.00%	05/21/09	12/01/14	9,493	6,893	2,600	2,600	104
	1.00%	10/30/12	12/01/13	1,150	1,150	-	-	-
	0.50%	12/03/13	12/01/14	2,285	-	2,285	2,285	11
Municipal Buildings	1.00%	10/30/12	12/01/13	1,054	1,054	-	-	-
	0.50%	12/03/13	12/01/14	681	-	681	681	3
Street Improvements	2.00% to 4.00%	05/21/09	12/01/14	9,633	7,033	2,600	2,600	104
	2.00% to 5.00%	06/03/10	12/01/15	7,915	7,035	880	515	44
	1.00% to 2.00%	10/30/12	12/01/15	13,615	4,615	9,000	5,000	180
	1.00%	10/30/12	12/01/13	756	756	-	-	-
	0.50%	12/03/13	12/01/17	13,795	-	13,795	5,545	192
	0.50%	12/03/13	12/01/14	367	-	367	367	2
Public Safety Capital Initiative	3.00%	06/24/10	12/01/15	12,965	3,415	9,550	3,115	287
Sub-total General Infrastructure Bonds								
				81,091	32,251	48,840	29,790	962
Library Referendum Bonds								
	2.00%	11/22/11	12/01/19	42,200	4,200	38,000	2,400	760
	2.00% to 2.375%	10/30/12	12/01/25	28,860	1,600	27,260	1,500	569
	4.00% to 4.375%	06/30/05	12/01/25	29,915	29,915	-	-	-
	1.00% to 2.00%	12/03/13	12/01/18	17,930	-	17,930	1,885	326
	3.00% to 3.50%	05/29/08	12/01/16	11,605	7,105	4,500	1,500	158
Sub-total Library Referendum Bonds								
				130,510	42,820	87,690	7,285	1,813
Total Property Tax Supported General Obligation Bonds								
				211,601	75,071	136,530	37,075	2,775

SCHEDULE OF GOVERNMENTAL ACTIVITY BONDS AND NOTES

CITY OF MINNEAPOLIS, MINNESOTA

December 31, 2013

Issues Outstanding	Interest Rates	Issue Date	Final Maturity Date	Issued	Retired	Outstanding	(In Thousands)	
							Principal Due in 2014	Interest Due in 2014
<u>Self-Supporting General Obligation Bonds</u>								
Convention Center	4.00%	11/19/09	12/01/15	9,250	-	9,250	-	370
	4.00%	11/19/09	12/01/15	10,000	-	10,000	-	400
	2.00%	11/22/11	12/01/19	39,300	-	39,300	-	786
	3.00%	04/05/11	12/01/17	33,800	16,800	17,000	12,500	510
	3.25% to 3.80%	04/05/11	12/01/20	71,250	-	71,250	-	2,521
	1.00% to 2.00%	10/30/12	12/01/17	4,200	500	3,700	1,700	74
Park Acquisition	3.00%	06/24/10	12/01/20	5,795	1,850	3,945	505	118
Park Board Energy Efficiency Project	2.00% to 5.00%	06/03/10	12/01/17	450	75	375	25	19
Parade Ice & Other Facilities Energy Impr	0.50% to 2.00%	12/03/13	12/01/20	2,800	-	2,800	-	56
Parade Ice & Other Facilities Energy Impr-Taxable	2.00% to 3.80%	12/03/13	12/01/26	7,000	-	7,000	25	223
Total Self-Supporting General Obligation Bonds				183,845	19,225	164,620	14,755	5,077
<u>Special Assessment General Obligation Bonds</u>								
Improvements	3.50% to 4.50%	11/17/05	12/01/16	815	515	300	100	13
	3.50% to 4.50%	11/17/05	12/01/17	960	600	360	90	16
	3.00%	06/24/10	12/01/18	1,970	915	1,055	140	32
	3.00%	06/24/10	12/01/18	3,380	850	2,530	250	76
	3.00%	06/24/10	12/01/18	3,375	1,335	2,040	160	61
	1.00% to 2.00%	10/30/12	12/01/24	4,600	595	4,005	580	80
	4.00% to 4.375%	11/30/05	12/01/25	4,610	4,610	-	-	-
	4.00% to 4.50%	11/16/06	12/01/26	3,780	1,670	2,110	220	87
	4.00% to 4.50%	11/28/07	12/01/27	5,400	2,175	3,225	350	133
	3.25% to 4.75%	11/26/08	12/01/28	7,725	3,875	3,850	370	156
	2.00% to 4.00%	11/19/09	12/01/29	9,800	3,540	6,260	860	250
	2.00% to 4.00%	11/22/10	12/01/25	5,950	2,935	3,015	960	86
	2.00% to 3.50%	11/22/11	12/01/31	8,495	2,880	5,615	1,415	128
	2.00% to 2.625%	12/04/12	12/01/32	5,535	870	4,665	835	97
	2.00% to 4.00%	12/03/13	12/01/33	13,035	-	13,035	2,080	301
Housing Improvement Area Bonds	3.00% to 4.30%	12/03/13	12/01/32	1,260	-	1,260	45	48
Northrop Lane Improvement (Refunding)	4.00% to 5.00%	11/17/05	12/01/18	35	6	29	6	1

SCHEDULE OF GOVERNMENTAL ACTIVITY BONDS AND NOTES

CITY OF MINNEAPOLIS, MINNESOTA

December 31, 2013

(In Thousands)

Issues Outstanding	Interest Rates	Issue Date	Final Maturity Date	Issued	Retired	Outstanding	Principal Due in 2014	Interest Due in 2014
<u>Special Assessment General Obligation Bonds (continued)</u>								
Park Diseased Trees	2.00% to 4.00%	05/21/09	12/01/14	300	240	60	60	2
	2.00% to 5.00%	06/03/10	12/01/15	400	240	160	80	8
	3.00%	05/26/11	12/01/15	400	200	200	100	6
				81,825	28,051	53,774	8,701	1,581
Total Special Assessment General Obligation Bonds								
<u>Tax Increment General Obligation Bonds and Notes</u>								
Laurel Village Tax Increment (Refunding)	2.00% to 2.50%	06/24/10	03/01/15	4,360	2,395	1,965	950	37
Laurel Village Tax Increment - Taxable	4.00% to 4.85%	03/11/08	03/01/18	12,360	2,000	10,360	800	477
Tax Increment	3.50% to 5.00%	06/30/05	03/01/13	36,260	36,260	-	-	-
Tax Redevelopment - Arena Acquisition	2.50% to 4.90%	12/30/09	03/01/25	57,480	7,095	50,385	2,115	2,135
West Side Milling District Tax Increment	2.00% to 4.40%	06/24/10	03/01/23	14,900	2,375	12,525	825	458
Block E Development (Refunding)	Variable - Notes	01/03/12	12/01/22	5,170	720	4,450	390	222
Block E Development - Taxable	4.60% to 5.30%	10/20/05	03/01/27	14,000	5,600	8,400	725	417
Milwaukee Depot Development (Refunding)	2.00% to 3.50%	10/01/09	03/01/28	5,400	720	4,680	210	144
Humboldt Greenway	2.00% to 4.00%	06/24/10	03/01/30	4,170	280	3,890	80	126
Heritage Park (Refunding)	2.00% to 3.00%	10/30/12	03/01/26	3,000	130	2,870	180	63
Midtown Exchange	4.00% to 5.00%	03/11/08	03/01/32	2,770	300	2,470	70	116
				159,870	57,875	101,995	6,345	4,195
Total Tax Increment General Obligation Bonds and Notes								

SCHEDULE OF GOVERNMENTAL ACTIVITY BONDS AND NOTES

CITY OF MINNEAPOLIS, MINNESOTA

December 31, 2013

		(In Thousands)						
Issues Outstanding	Interest Rates	Issue Date	Final Maturity Date	Issued	Retired	Outstanding	Principal Due in 2014	Interest Due in 2014
<u>Revenue Bonds</u>								
2004 Village at St. Anthony Falls-Tax Exempt	2.35% to 5.75%	03/01/04	03/01/27	7,470	1,530	5,940	230	328
2005 Village at St. Anthony Falls-Tax Exempt	4.00% to 5.65%	12/13/05	02/01/27	4,430	750	3,680	150	198
2005 Ivy Tower	5.10% to 5.70%	12/20/05	02/01/29	4,935	450	4,485	135	248
2006 Grant Park TI Revenue Refunding	5.00% to 5.350%	09/26/06	02/01/30	10,545	1,720	8,825	325	456
2007 East River Unocal Site	4.50% to 5.40%	07/12/07	02/01/31	1,750	295	1,455	45	76
Total Revenue Bonds				29,130	4,745	24,385	885	1,306
Total General Government Bonds				666,271	184,967	481,304	67,761	14,934
<u>Revenue Notes - Tax Increment</u>								
College of St. Thomas District	6.93%	04/01/91	02/01/16	9,200	-	9,200	-	-
Section 108 - Midtown Exchange	Variable	12/01/04	08/01/24	6,500	1,315	5,185	330	260
Total Revenue Notes - Tax Increment				15,700	1,315	14,385	330	260
Total General Government Bonds and Notes				681,971	186,282	495,689	68,091	15,194
<u>Internal Service Funds General Obligation Bonds</u>								
Equipment Services Fund General Obligation Bonds								
Currie Facility	3.00%	06/24/10	12/01/18	16,640	2,325	14,315	1,260	429
Equipment Purchases 2003 (Refunding)	3.00%	06/24/10	12/01/18	4,470	2,350	2,120	430	64
Equipment Purchases 2004 (Refunding)	1.00% to 2.00%	10/30/12	12/01/17	1,500	300	1,200	300	24
Equipment Purchases 2005	3.00% to 4.00%	06/30/05	12/01/20	5,540	5,540	-	-	-
Sub-total Equipment Services Fund General Obligation Bonds				28,150	10,515	17,635	1,990	517
Property Services Fund General Obligation Bonds								
	3.00%	06/24/10	12/01/18	4,290	1,590	2,700	415	81
	3.00%	06/24/10	12/01/17	2,535	1,190	1,345	350	40
Sub-total Property Services Fund General Obligation Bonds				6,825	2,780	4,045	765	121

SCHEDULE OF GOVERNMENTAL ACTIVITY BONDS AND NOTES

CITY OF MINNEAPOLIS, MINNESOTA

December 31, 2013

(In Thousands)

Issues Outstanding	Interest Rates	Issue Date	Final Maturity Date	Issued	Retired	Outstanding	Principal Due in 2014	Interest Due in 2014
<u>Internal Service Funds General Obligation Bonds(continued)</u>								
<u>Intergovernmental Services Fund - General Obligation Bonds</u>								
	2.00% to 4.00%	05/21/09	12/01/14	1,115	915	200	200	8
	2.00% to 5.00%	06/03/10	12/01/15	2,407	1,447	960	480	48
	1.00%	10/30/12	12/01/13	1,275	1,275	-	-	-
	0.50%	12/03/13	12/01/14	965	-	965	965	5
Sub-total Intergovernmental Services Fund - General Obligation Bonds				5,762	3,637	2,125	1,645	61
Total Internal Service Funds General Obligation Bonds				40,737	16,932	23,805	4,400	699
Total Governmental Activity Bonds and Notes				722,708	203,214	519,494	72,491	15,893

SCHEDULE OF BUSINESS-TYPE ACTIVITY BONDS AND NOTES

CITY OF MINNEAPOLIS, MINNESOTA

December 31, 2013

(In Thousands)

Issues Outstanding	Interest Rates	Issue Date	Final Maturity Date	Issued	Retired	Outstanding	Principal Due in 2014	Interest Due in 2014
<u>Stormwater Fund General Obligation Bonds and Notes</u>								
	4.70% to 5.75%	06/01/93	12/01/15	3,856	3,385	471	235	560
	2.00% to 4.00%	05/21/09	12/01/16	6,910	1,940	4,970	970	199
	4.00% to 5.00%	05/29/08	12/01/15	3,635	2,635	1,000	500	50
	2.00% to 4.00%	05/21/09	12/01/14	2,500	1,970	530	530	21
	1.00% to 2.00%	10/30/12	12/01/14	5,400	4,400	1,000	1,000	20
Stormwater Program - Notes Payable								
	1.00%	04/30/12	08/20/13	553	553	-	-	-
Total Stormwater Fund General Obligation Bonds and Notes				22,854	14,883	7,971	3,235	850
<u>Sanitary Sewer Fund General Obligation Bonds</u>								
	4.00% to 5.00%	05/29/08	12/01/14	5,500	4,500	1,000	1,000	50
	2.00% to 4.00%	05/21/09	12/01/16	5,800	3,000	2,800	800	112
	2.00% to 5.00%	06/03/10	12/01/15	3,650	2,050	1,600	600	80
	3.00%	05/26/11	12/01/15	4,000	3,000	1,000	500	30
	1.00% to 2.00%	10/30/12	12/01/14	1,750	750	1,000	1,000	20
	0.50% to 2.00%	12/03/13	12/01/19	7,050	-	7,050	1,250	122
Total Sanitary Sewer Fund General Obligation Bonds				27,750	13,300	14,450	5,150	414
<u>Water Treatment and Distribution Services Fund General Obligation Bonds and Notes</u>								
	4.70% to 5.75%	06/01/93	12/01/15	6,715	6,170	545	501	1,193
	2.00% to 4.00%	05/21/09	12/01/25	12,615	-	12,615	-	505
	4.00% to 5.00%	05/29/08	12/01/15	10,250	7,250	3,000	1,500	150
	2.00% to 4.00%	05/21/09	12/01/17	4,000	915	3,085	-	123
	2.00% to 5.00%	06/03/10	12/01/17	3,366	541	2,825	300	141
Sub-total Water Treatment and Distribution Services Fund General Obligation Bonds				36,946	14,876	22,070	2,301	2,112

SCHEDULE OF BUSINESS-TYPE ACTIVITY BONDS AND NOTES

CITY OF MINNEAPOLIS, MINNESOTA

December 31, 2013

(In Thousands)

Issues Outstanding	Interest Rates	Issue Date	Final Maturity Date	Issued	Retired	Outstanding	Principal Due in 2014	Interest Due in 2014
<u>Water Treatment and Distribution Services Fund General Obligation Bonds and Notes (continued)</u>								
Drinking Water Program - Notes Payable	2.82%	12/17/02	08/20/22	27,400	7,400	20,000	1,500	564
	2.80%	02/21/04	08/20/23	25,000	3,700	21,300	600	596
	2.53%	03/23/05	08/20/19	12,500	4,775	7,725	800	195
	2.60%	08/23/06	08/20/26	13,500	2,665	10,835	620	282
	2.69%	12/09/09	08/20/27	19,558	813	18,745	200	504
	1.00%	03/02/10	08/20/21	6,230	760	5,470	125	55
Sub-total Water Treatment and Distribution Services Fund General Obligation Notes				104,188	20,113	84,075	3,845	2,196
Total Water Treatment and Distribution Services Fund General Obligation Bonds and Notes				141,134	34,989	106,145	6,146	4,308
<u>Municipal Parking Fund General Obligation Bonds and Notes</u>								
	4.70% to 5.75%	06/01/93	12/01/15	4,530	3,945	585	265	632
	4.00% to 5.00%	11/17/05	12/01/18	685	114	571	114	25
	2.00% to 4.00%	05/21/09	12/01/24	19,200	650	18,550	-	742
	3.50% to 5.00%	11/17/05	12/01/17	5,340	1,570	3,770	865	168
	3.00% to 4.00%	06/24/10	12/01/26	10,325	1,025	9,300	375	302
	2.00% to 2.50%	10/30/12	12/01/26	22,060	590	21,470	700	457
	Variable - Note	01/03/12	12/01/20	6,810	-	6,810	-	341
	Variable - Note	01/03/12	12/01/33	27,980	-	27,980	-	1,399
	2.00% to 4.00%	11/19/09	12/01/14	11,245	8,905	2,340	2,340	94
	3.50% to 4.00%	07/12/07	12/01/14	1,700	300	1,400	1,400	70
	4.00% to 5.00%	05/21/09	12/01/14	1,400	1,120	280	280	11
	2.00% to 4.00%	05/21/09	12/01/14	2,000	1,600	400	400	16
	2.00% to 5.00%	06/03/10	12/01/13	1,700	1,700	-	-	-
	3.00%	05/26/11	12/01/15	1,500	700	800	400	24
	1.00% to 2.00%	10/30/12	12/01/18	1,900	100	1,800	200	36
	0.50% to 2.00%	12/03/13	12/01/15	505	-	505	5	10
	0.50% to 2.00%	12/03/13	12/01/14	2,150	-	2,150	2,150	11
	2.50% to 4.25%	11/23/09	12/01/24	6,125	2,025	4,100	-	168
	3.50% to 5.00%	11/17/05	12/01/21	7,100	130	6,970	630	317
	3.00%	06/24/10	12/01/15	2,700	1,700	1,000	500	30

SCHEDULE OF BUSINESS-TYPE ACTIVITY BONDS AND NOTES

CITY OF MINNEAPOLIS, MINNESOTA

December 31, 2013

(In Thousands)

Issues Outstanding	Interest Rates	Issue Date	Final Maturity Date	Issued	Retired	Outstanding	Principal Due in 2014	Interest Due in 2014
<u>Municipal Parking Fund General Obligation Bonds and Notes (continued)</u>								
	2.00% to 3.25%	10/01/09	03/01/26	13,675	9,300	4,375	-	135
	3.50% to 5.00%	11/17/05	12/01/21	15,355	12,015	3,340	260	152
	Variable-Note	01/03/12	12/01/32	3,860	-	3,860	-	193
Total Municipal Parking Fund General Obligation Bonds and Notes				169,845	47,489	122,356	10,884	5,333
Total Business-Type Activity General Obligation Bonds and Notes				361,583	110,661	250,922	25,415	10,905
<u>Community Planning & Economic Development Fund - General Agency Reserve Fund System (GARFS) Bonds</u>								
Halper Box	5.10% to 6.15%	04/01/97	06/01/17	2,400	1,725	675	165	36
Baker Bearing	5.10% to 6.20%	05/01/97	12/01/16	2,900	2,505	395	200	18
Laurel Village Alden Limited Partnership II	4.30% to 5.75%	10/01/97	06/01/27	2,515	810	1,705	80	97
Cord Sets	4.10% to 5.50%	07/01/98	06/01/18	1,500	1,000	500	95	25
Discount Steel - A	5.00% to 5.25%	12/01/99	06/01/19	1,900	705	1,195	185	58
Kristol Properties	2.45% to 5.12%	11/20/03	12/01/23	3,300	1,890	1,410	170	71
Infinite Graphics	2.25% to 5.50%	07/14/04	12/01/24	2,475	1,090	1,385	145	75
Hennepin Theater Trust	5.23% to 6.30%	12/20/05	12/01/35	21,055	2,650	18,405	420	1,145
Ambassador Press Refunding	4.27% to 6.50%	06/26/06	12/01/26	8,400	3,115	5,285	600	294
Quality Resource Group	5.28% to 5.84%	03/04/07	12/01/27	3,100	615	2,485	120	141
New French Acquisition Holdco, Inc.	4.62% to 5.70%	07/26/07	06/01/28	9,990	1,655	8,335	385	420
Open Systems International, Inc	2.29% to 6.60%	06/16/10	06/01/40	18,000	560	17,440	290	1,077
Open Access Technology Intl, Inc (Taxable)	1.25% to 3.00%	12/29/10	12/01/13	1,930	1,930	-	-	-
Open Access Technology Intl, Inc (Tax Exempt)	3.25% to 6.25%	12/29/10	12/01/40	23,070	780	22,290	950	1,201
LifeSource Project	3.00% to 4.00%	10/17/13	06/01/39	12,595	-	12,595	-	336
Total Community Planning & Economic Development Fund - GARFS Bonds				115,130	21,030	94,100	3,805	4,994
<u>Community Planning & Economic Development Fund - Revenue Note</u>								
Federal Home Loan Note		04/01/99	04/01/14	1,200	1,159	41	41	2
Total Business-Type Activity Bonds and Notes				477,913	132,850	345,063	29,261	15,901

SCHEDULE OF INTERGOVERNMENTAL REVENUE
December 31, 2013

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	General Fund	Community Planning and Economic Development	Permanent Improvement	Nonmajor Governmental	Total Governmental Funds	Sanitary Sewer	Stormwater	Water Treatment and Distribution Services	Municipal Parking	Solid Waste and Recycling	Total Enterprise Funds	Total Intergovernmental Revenue
Shared revenue												
State												
Local government aid	\$ 56,379	\$ -	\$ -	\$ -	\$ 56,379	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 56,379
Police state aid	6,238	-	-	1,501	7,739	-	-	-	-	-	-	7,739
Fire state aid	1,720	-	-	2,406	4,126	-	-	-	-	-	-	4,126
PERA rate increase aid	546	1	-	-	547	-	-	-	-	-	-	547
Market value homestead credit	-	-	-	4	4	-	-	-	-	-	-	4
Municipal state aid	3,792	-	1,429	-	5,221	-	962	-	-	15	977	6,198
Total shared revenue	68,675	1	1,429	3,911	74,016	-	962	-	-	15	977	74,993
Payments												
Local												
Local contributions	-	-	-	188	188	-	-	-	-	-	-	188
County state aid	-	-	-	-	-	-	291	-	-	-	-	291
Other county grants	714	-	2,184	1,851	4,749	-	-	-	-	865	865	5,614
Metropolitan council	-	-	-	3,486	3,664	809	-	-	-	-	-	4,473
Minnesota historical society	-	-	137	5	142	-	-	-	-	-	-	142
Minneapolis public schools	-	-	-	351	351	-	-	-	-	-	-	351
Other local payments	-	-	43	13	56	-	31	-	-	-	31	87
Payments in lieu of tax	248	-	2	72	322	-	-	-	-	-	-	322
Total local	962	-	2,544	5,966	9,472	809	322	-	-	865	1,996	11,468
State												
Department of employment and economic development	-	-	-	13,949	13,949	-	-	-	-	-	-	13,949
Department of health	-	-	-	3,595	3,595	-	-	-	-	-	-	3,595
Department of public safety	283	-	273	639	1,195	-	14	172	-	3	189	1,384
Department of transportation	611	-	4,253	-	4,864	-	181	-	-	-	181	5,045
Minnesota public facilities authority	-	-	-	-	-	-	124	-	-	-	124	124
Department of commerce	-	-	-	188	188	-	-	-	-	-	-	188
Minnesota housing finance agency	-	-	-	848	848	-	-	-	-	-	-	848
Minnesota pollution control agency	-	-	-	3	3	-	-	-	-	-	-	3
Minnesota judicial branch	-	-	-	85	85	-	-	-	-	-	-	85
Minnesota board of firefighter training and education	-	-	-	158	158	-	-	-	-	-	-	158
Total state grants	894	-	4,526	19,465	24,885	-	319	172	-	3	494	25,379
Federal												
Department of energy	-	-	-	162	162	-	-	-	-	-	-	162
Department of health and human services	-	-	-	4,803	4,803	-	-	-	-	-	-	4,803
Department of homeland security	-	-	160	4,780	4,940	-	42	514	-	8	564	5,504
Department of housing and urban development	-	-	-	19,619	19,619	-	-	-	-	-	-	19,619
Department of the interior	-	-	-	76	76	-	-	-	-	-	-	76
Department of justice	-	-	-	1,530	1,530	-	-	-	-	-	-	1,530
Department of labor	-	-	-	2,339	2,339	-	-	-	-	-	-	2,339
Department of transportation	-	-	10,147	3,252	13,399	-	7	385	-	-	569	13,968
Equal employment opportunity commission	-	-	-	44	44	-	-	-	-	-	-	44
Environmental protection agency	-	-	-	465	465	291	34	-	-	-	325	790
US Treasury	-	-	-	6	6	-	-	-	-	-	-	6
Total federal grants	-	-	10,307	37,076	47,383	291	83	899	177	8	1,458	48,841
Total state and federal grants	894	-	14,833	56,541	72,268	291	402	1,071	177	11	1,952	74,220
Total intergovernmental revenue	\$ 70,531	\$ 1	\$ 18,806	\$ 66,418	\$ 155,756	\$ 1,100	\$ 1,686	\$ 1,071	\$ 177	\$ 891	\$ 4,925	\$ 160,681

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

CITY OF MINNEAPOLIS, MINNESOTA

ALL FUND TYPES

For the Fiscal Year Ended December 31, 2013

(In Thousands)

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures	
U.S. Department of Housing and Urban Development			
Direct			
Community Development Block Grants/Entitlement Grants	14.218	\$	11,859
Emergency Solutions Grant Program	14.231		1,149
HOME Investment Partnerships Program	14.239		3,055
Housing Opportunities for Persons with AIDS	14.241		1,042
Neighborhood Stabilization Program - ARRA	14.256		3,577
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900		615
Healthy Homes Demonstration Grants	14.901		3
Asthma Interventions in Public and Assisted Multifamily Housing (Total Asthma Interventions in Public and Assisted Multifamily Housing CFDA 14.914 - \$642)	14.914		616
Passed Through Minnesota Department of Health Asthma Interventions in Public and Assisted Multifamily Housing (Total Asthma Interventions in Public and Assisted Multifamily Housing CFDA 14.914 - \$642)	14.914		26
Passed Through Minnesota Housing and Finance Agency Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228		776
Passed Through Hennepin County Lead Hazard Reduction Demonstration Grant Program	14.905		116
Total U.S. Department of Housing and Urban Development		\$	22,834
U.S. Department of the Interior			
Direct			
Migratory Bird Monitoring, Assessment and Conservation	15.655	\$	55
Passed Through Minnesota Historical Society Historic Preservation Fund Grants-In-Aid	15.904		21
Total U.S. Department of the Interior		\$	76
U.S. Department of Justice			
Direct			
Public Safety Partnerships and Community Policing Grants Cluster Public Safety Partnership and Community Policing Grants (Total Public Safety Partnership and Community Policing Grants CFDA 16.710 - \$215)	16.710	\$	30
Public Safety Partnership and Community Policing Grants - ARRA (Total Public Safety Partnership and Community Policing Grants CFDA 16.710 - \$215)	16.710		181
Paul Coverdell Forensic Sciences Improvement Grant Program (Total Paul Coverdell Forensic Sciences Improvement Grant Program CFDA 16.742 - \$52)	16.742		35
National Forum on Youth Violence Prevention	16.819		18
Equitable Sharing Program	16.922		38
Passed Through Minnesota Department of Public Safety Juvenile Accountability Block Grants	16.523	\$	18
Violence Against Women Formula Grants - ARRA	16.588		54
Public Safety Partnerships and Community Policing Grants Cluster Public Safety Partnership and Community Policing Grants (Total Public Safety Partnership and Community Policing Grants CFDA 16.710 - \$215)	16.710		4
Paul Coverdell Forensic Sciences Improvement Grant Program (Total Paul Coverdell Forensic Sciences Improvement Grant Program CFDA 16.742 - \$52)	16.742		17
Passed Through Hennepin County Edward Byrne Memorial Justice Assistance Grant Program	16.738		488
Total U.S. Department of Justice		\$	883

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

CITY OF MINNEAPOLIS, MINNESOTA

ALL FUND TYPES

For the Fiscal Year Ended December 31, 2013

(In Thousands)

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Labor		
Passed Through Minnesota Department of Employment and Economic Development		
Workforce Investment Act Cluster		
Workforce Investment Act Adult Program	17.258	\$ 648
Workforce Investment Act Youth Activities	17.259	882
Workforce Investment Act Dislocated Workers	17.260	191
Workforce Investment Act Dislocated Worker Formula Grants	17.278	545
Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors - ARRA	17.275	<u>85</u>
Total U.S. Department of Labor		\$ 2,351
U.S. Department of Transportation		
Passed Through Metropolitan Council		
Federal Transit Cluster		
Federal Transit Capital Investment Grants	20.500	\$ 605
Federal Transit Formula Grants	20.507	360
Alternatives Analysis	20.522	562
Passed Through Minnesota Department of Transportation		
Highway Planning and Construction	20.205	9,594
Passed Through Minnesota Department of Public Safety		
State and Community Highway Safety	20.600	43
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	65
National Priority Safety Programs	20.616	<u>12</u>
Total U.S. Department of Transportation		\$ 11,241
U.S. Department of Treasury		
Direct		
National Foreclosure Mitigation Counseling	21.000	<u>\$ 6</u>
U.S. Environmental Protection Agency		
Direct		
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	\$ 465
Passed Through Minnesota Public Facilities Authority		
Capitalization Grants for Clean Water State Revolving Funds	66.458	<u>135</u>
Total U.S. Environmental Protection Agency		\$ 600
U.S. Department of Energy		
Direct		
Energy Efficiency and Conservation Block Grant Program (EECBG) - ARRA	81.128	\$ 258
Passed Through Minnesota Department of Commerce		
Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training, and Technical Analysis/Assistance	81.117	<u>4</u>
Total U.S. Department of Energy		\$ 262

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

CITY OF MINNEAPOLIS, MINNESOTA

ALL FUND TYPES

For the Fiscal Year Ended December 31, 2013

(In Thousands)

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Health and Human Services		
Direct		
Healthy Start Initiative	93.926	\$ 925
Passed Through Hennepin County		
Teenage Pregnancy Prevention Program	93.297	297
PPHF 2012: Community Transformation Grants and National Dissemination and Support for Community Transformation Grants - financed solely by 2012 Prevention and Public Health Funds	93.531	281
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families CFDA 93.558 - \$1,187)	93.558	235
Passed Through Minnesota Department of Health		
Public Health Emergency Preparedness	93.069	327
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	668
PPHF 2012 National Public Health Improvement Initiative	93.507	8
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families CFDA 93.558 - \$1,187)	93.558	952
Maternal and Child Health Services Block Grant to the States	93.994	830
Total U.S. Department of Health and Human Services		\$ 4,523
U.S. Department of Homeland Security		
Direct		
Assistance to Firefighters Grant	97.044	\$ 556
Passed Through Minnesota Department of Public Safety		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	47
Emergency Management Performance Grants	97.042	21
Port Security Grant Program	97.056	407
Homeland Security Grant Program	97.067	3,007
Total U.S. Department of Homeland Security		\$ 4,038
Total Federal Awards		\$ 46,814

For the Fiscal Year Ended December 31, 2013

(Dollar Amounts Expressed in Thousands)

1. Reporting Entity

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by the City of Minneapolis. The City’s reporting entity is defined in Note 1 to the basic financial statements. This schedule does not include \$2,473 in federal awards expended by the Minneapolis Park and Recreation Board component unit, which had a separate single audit.

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Minneapolis under programs of the federal government for the year ended December 31, 2013. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non Profit Organizations*. Because the schedule presents only a selected portion of the operations of the City of Minneapolis, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Minneapolis.

3. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the basis of accounting used by the individual funds of the City of Minneapolis. Governmental funds use the modified accrual basis of accounting. Proprietary funds use the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through grant numbers were not assigned by the pass-through agencies.

4. Clusters

Clusters of programs are groupings of closely related programs that share common compliance requirements. Total expenditures by cluster are:

Public Safety Partnership and Community Policing Grants Cluster	\$ 215
Workforce Investment Act (WIA) Cluster	2,266
Federal Transit Cluster	965

**NOTES TO THE SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS**

CITY OF MINNEAPOLIS, MINNESOTA

For the Fiscal Year Ended December 31, 2013

(Dollar Amounts Expressed in Thousands)

5. Subrecipients

Of the expenditures presented in the schedule, the City of Minneapolis provided federal awards to subrecipients as follows:

CFDA Number	Program Name	Amount Provided to Subrecipients
14.218	Community Development Block Grants/Entitlement Grants	\$ 2,184
14.231	Emergency Solutions Grant Program	477
14.241	Housing Opportunities for Persons with AIDS	1,013
14.256	Neighborhood Stabilization Program - ARRA	5
14.905	Lead Hazard Reduction Demonstration Grant Program	102
15.655	Migratory Bird Monitoring, Assessment and Conservation	55
16.588	Violence Against Women Formula Grants – ARRA	21
17.258	Workforce Investment Act (WIA) Adult Program	412
17.259	Workforce Investment Act (WIA) Youth Activities	722
17.260	Workforce Investment Act (WIA) Dislocated Workers	129
17.278	Workforce Investment Act (WIA) Dislocated Worker Formula Grants	302
17.275	Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors - ARRA	82
20.507	Federal Transit Formula Grants	360
20.205	Highway Planning and Construction	144
93.926	Healthy Start Initiative	580
93.531	PPHF 2012: Community Transformation Grants and National Dissemination and Support for Community Transformation Grants - financed solely by 2012 Prevention and Public Health Funds	121
93.558	Temporary Assistance for Needy Families	1,160
93.505	Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	668
93.994	Maternal and Child Health Services Block Grant to the States	451
	Total	<u>\$ 8,988</u>

NOTES TO THE SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS

CITY OF MINNEAPOLIS, MINNESOTA

For the Fiscal Year Ended December 31, 2013

(Dollar Amounts Expressed in Thousands)

6. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 48,841
Federal Fixed Price Contracts	
Equal Employment Opportunity Commission	(44)
Metro Medical Response System	(405)
Minnesota Family Investment Program	(267)
Criminal Investigations Division Sex Task Force	(9)
Drug Enforcement Admin TF	(41)
Drug Enforcement Native Mobs	(62)
GET-ATF	(65)
GET-ICE	(16)
MN Cyber Crime Task Force	(14)
MN Violent Crime/Fugitive	(9)
Organized Crime Drug Enforcement	(6)
Safe Streets Violent Crime TF	(158)
U.S. Marshalls OT - Predatory Offenders Unit	(21)
Presidential Inauguration 13	(99)
U.S. Marshalls OT May - Dec 2013	(9)
Joint Terrorism Task Force	(1)
Violent Crimes Investigation-ATF	(1)
Violent Crimes Investigation-ICE	(2)
Toward Zero Deaths Partners	(169)
Timing Differences Between Expenditures and Related Reimbursements	(1,192)
Minnesota Public Facility Agency Loans	135
Expenditures occurring prior to 2013 but reimbursed in 2013	(2,887)
Credit to Federal Programs	
Edward Byrne Memorial Justice Grant	1
Homeland Security Grant Program	1
Federal Program Income	
Energy Efficiency and Conservation Block Grant - ARRA	100
Neighborhood Stabilization Program - ARRA	2,210
Healthy Homes Demonstration Grant	16
Lead-Based Paint Hazard Control	45
Neighborhood Stabilization Program	47
Community Development Block Grants/Entitlement Grants	619
HOME Investment Partnerships Program	276
Expenditures Per Schedule of Expenditures of Federal Awards	<u>\$ 46,814</u>

7. American Recovery and Reinvestment Act

The American Recovery and Reinvestment Act of 2009 (ARRA) requires recipients to clearly distinguish ARRA funds from non-ARRA funding. In the schedule, ARRA funds are denoted by the addition of ARRA to the program name.

**MUNICIPAL BUILDING COMMISSION
BALANCE SHEET
December 31, 2013**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 1,392	\$ 69	\$ 1,461
Receivables:			
Intergovernmental	544	296	840
Total assets	\$ 1,936	\$ 365	\$ 2,301
<u>LIABILITIES and FUND BALANCES</u>			
Liabilities:			
Salaries payable	\$ 107	\$ -	\$ 107
Accounts payable	593	139	732
Total liabilities	700	139	839
Fund balances:			
Assigned	1,236	226	1,462
Total liabilities and fund balances	\$ 1,936	\$ 365	\$ 2,301

**MUNICIPAL BUILDING COMMISSION
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the fiscal year ended December 31, 2013**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	General Fund	Capital Projects Fund	Total
REVENUES:			
Intergovernmental revenues	\$ 193	\$ 2,108	\$ 2,301
Charges for services and sales	8,045	-	8,045
Miscellaneous revenues	129	-	129
 Total revenues	 8,367	 2,108	 10,475
EXPENDITURES:			
Current:			
General government	7,941	-	7,941
Capital outlay	-	2,119	2,119
 Total expenditures	 7,941	 2,119	 10,060
 Net change in fund balances	 426	 (11)	 415
 Fund balances - January 1	 810	 237	 1,047
 Fund balances - December 31	 \$ 1,236	 \$ 226	 \$ 1,462

STATISTICAL SECTION

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

<u>Contents</u>	<u>Page</u>
Financial Trends: These tables contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	132-135
Revenue Capacity: These tables contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes.	136-139
Debt Capacity: These tables present information to help the reader assess the affordability of the City's current levels of outstanding debt, and the City's ability to issue additional debt in the future.	140-147
Demographic and Economic Information: These tables offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.	148-149
Operation Information: These tables contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.	150-153

Schedule 1
City of Minneapolis
Net Position by Component (In Thousands)
Last 10 Fiscal Years
December 31, 2013

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental activities										
Net investment in capital assets	\$ 353,750	\$ 319,954	\$ 471,115	\$ 492,007	\$ 536,126	\$ 526,551	\$ 631,808	\$ 691,926	\$ 798,704	\$ 845,638
Restricted	49,028	42,667	47,526	54,226	59,629	112,895	60,814	192,829	193,107	198,251
Unrestricted	(191,289)	(107,885)	(224,659)	(113,865)	(33,767)	58,216	87,443	91,652	139,303	190,018
Total governmental activities net position	\$ 211,489	\$ 254,736	\$ 293,982	\$ 432,368	\$ 561,988	\$ 697,662	\$ 780,065	\$ 976,407	\$ 1,131,114	\$ 1,233,907
Business-type activities										
Net investment in capital assets	\$ 504,453	\$ 523,073	\$ 541,670	\$ 529,140	\$ 591,964	\$ 615,455	\$ 634,686	\$ 666,986	\$ 694,243	\$ 731,372
Restricted	40,140	37,030	33,222	33,015	34,456	34,464	34,674	34,967	33,616	33,529
Unrestricted	14,865	320	14,460	83,340	46,266	57,157	69,905	77,751	88,330	89,137
Total business-type activities net position	\$ 559,458	\$ 560,423	\$ 589,352	\$ 645,495	\$ 672,686	\$ 707,076	\$ 739,265	\$ 779,704	\$ 816,189	\$ 854,038
Primary government										
Net investment in capital assets	\$ 858,203	\$ 843,027	\$ 1,012,785	\$ 1,021,147	\$ 1,128,090	\$ 1,142,006	\$ 1,266,494	\$ 1,358,912	\$ 1,492,947	\$ 1,577,010
Restricted	89,168	79,697	80,748	87,241	94,085	147,359	95,488	227,796	226,723	231,780
Unrestricted	(176,424)	(107,565)	(210,199)	(30,525)	12,499	115,373	157,348	169,403	227,633	279,155
Total primary government net position	\$ 770,947	\$ 815,159	\$ 883,334	\$ 1,077,863	\$ 1,234,674	\$ 1,404,738	\$ 1,519,330	\$ 1,756,111	\$ 1,947,303	\$ 2,087,945

(UNAUDITED)

Schedule 2
City of Minneapolis
Changes in Net Position (In Thousands)
Last 10 Fiscal Years
December 31, 2013

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
Governmental activities:										
General government	\$ 75,530	\$ 68,095	\$ 67,780	\$ 57,519	\$ 79,609	\$ 72,276	\$ 120,378	\$ 82,897	\$ 98,546	\$ 83,726
Public safety	202,334	215,366	221,160	226,050	232,210	244,134	263,806	269,036	248,333	225,332
Public works	20,691	28,909	52,267	80,315	50,523	94,752	73,848	5,210	71,736	86,795
Culture and recreation	49,968	48,744	15,851	5,279	29,607	13,483	13,861	7,287	5,528	11,993
Health and welfare	9,905	13,502	14,572	14,325	13,028	14,164	14,240	16,260	13,709	18,442
Community planning & economic development	105,676	133,037	116,369	118,066	122,936	110,344	146,439	138,537	139,190	153,877
Interest on long-term debt	56,283	34,383	89,147	40,691	36,405	28,753	26,152	21,916	16,503	16,549
Total governmental activities expenses	\$ 520,387	\$ 542,036	\$ 577,146	\$ 542,245	\$ 564,318	\$ 577,906	\$ 658,724	\$ 541,143	\$ 593,545	\$ 596,714
Business-type activities:										
Sanitary sewer	\$ 53,690	\$ 26,880	\$ 36,710	\$ 37,696	\$ 38,057	\$ 32,892	\$ 35,233	\$ 33,659	\$ 51,564	\$ 44,868
Stormwater	-	25,898	23,815	24,459	24,027	24,856	26,273	24,502	25,998	27,816
Solid waste and recycling	26,007	24,500	26,554	26,570	26,514	23,641	27,804	29,784	31,158	34,446
Water treatment and distribution services	50,683	46,292	53,209	52,983	56,310	51,751	55,980	52,891	59,940	57,961
Community planning & economic development	18,551	24,517	9,035	6,446	6,367	6,860	6,472	8,266	7,875	7,862
Municipal parking	67,195	56,676	60,097	58,714	50,833	51,929	49,920	46,106	49,706	45,868
Total business-type activities expenses	\$ 216,126	\$ 204,763	\$ 209,420	\$ 206,868	\$ 202,108	\$ 191,929	\$ 201,682	\$ 195,208	\$ 226,241	\$ 218,821
Total primary government expenses	\$ 736,513	\$ 746,799	\$ 786,566	\$ 749,113	\$ 766,426	\$ 769,835	\$ 860,406	\$ 736,351	\$ 819,786	\$ 815,535
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 18,036	\$ 19,805	\$ 28,320	\$ 30,490	\$ 45,882	\$ 6,060	\$ 69,827	\$ 23,537	\$ 40,636	\$ 28,943
Public safety	36,073	38,002	43,889	34,486	37,525	42,511	41,805	49,673	46,992	14,382
Public works	2,059	5,169	8,461	10,239	11,670	22,112	22,567	5,998	15,507	16,298
Culture and recreation	-	-	-	2,252	-	-	-	-	-	-
Health and welfare	449	536	528	500	524	452	14	-	-	2,432
Community planning & economic development	35,243	44,447	35,595	30,169	30,470	29,416	27,601	36,233	35,523	63,606
Operating grants and contributions	52,288	85,301	68,894	84,926	100,095	92,775	118,118	115,622	128,205	115,838
Capital grants and contributions	35,637	13,858	18,717	19,174	13,136	26,928	28,198	20,630	25,230	15,466
Total governmental activities program revenues	\$ 179,785	\$ 207,118	\$ 204,404	\$ 212,236	\$ 239,302	\$ 220,254	\$ 308,130	\$ 251,693	\$ 292,093	\$ 256,965
Business-type activities:										
Charges for services:										
Sanitary sewer	\$ 64,132	\$ 33,756	\$ 37,968	\$ 40,369	\$ 40,787	\$ 43,949	\$ 49,358	48,456	61,849	45,742
Stormwater	-	31,336	30,209	32,205	35,109	39,418	39,903	41,063	38,383	38,254
Solid waste and recycling	28,396	29,443	28,546	7,917	29,626	30,411	31,152	31,957	31,001	30,208
Water treatment and distribution services	58,669	60,118	59,541	29,193	61,088	67,539	67,408	69,301	74,412	73,506
Community planning & economic development	13,838	12,125	7,483	60,152	7,698	31,820	6,426	7,872	2,239	2,350
Municipal parking	55,274	55,300	57,884	60,625	52,564	52,507	58,316	52,687	54,015	57,928
Operating grants and contributions	-	-	13,553	1,737	2,641	-	-	-	4,552	3,435
Capital grants and contributions	-	-	-	-	-	1,826	1,215	2,146	1,808	2,972
Total business-type activities program revenues	\$ 220,309	\$ 222,078	\$ 235,184	\$ 232,198	\$ 229,513	\$ 267,470	\$ 253,778	\$ 253,482	\$ 268,259	\$ 254,395
Total primary government program revenues	\$ 400,094	\$ 429,196	\$ 439,588	\$ 444,434	\$ 468,815	\$ 487,724	\$ 561,908	\$ 505,175	\$ 560,352	\$ 511,360
Net (Expenses) Revenue										
Governmental activities	\$ (340,602)	\$ (334,918)	\$ (372,742)	\$ (330,009)	\$ (325,016)	\$ (357,652)	\$ (350,594)	\$ (289,450)	\$ (301,452)	\$ (339,749)
Business-type activities	4,183	17,315	25,764	25,330	27,405	75,541	52,096	58,274	42,018	35,574
Total primary government net expense	\$ (336,419)	\$ (317,603)	\$ (346,978)	\$ (304,679)	\$ (297,611)	\$ (282,111)	\$ (298,498)	\$ (231,176)	\$ (259,434)	\$ (304,175)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
General property tax and fiscal disparities	\$ 124,485	\$ 131,261	\$ 145,073	\$ 159,878	\$ 184,985	\$ 263,776	\$ 217,519	\$ 218,756	\$ 230,719	\$ 232,979
Property tax increment	64,118	64,044	71,556	77,979	82,686	13,440	42,117	61,003	52,679	41,159
Franchise fees	25,112	27,702	29,026	29,548	31,705	28,053	27,855	29,128	26,120	29,620
Convention center taxes	52,169	55,064	56,725	60,065	60,480	54,868	61,307	65,850	56,349	70,634
Other taxes	273	228	188	215	183	202	42	218	13,079	165
Local government aid - unrestricted	81,722	65,921	81,626	70,712	60,702	70,540	56,578	56,378	56,404	56,379
Grants and contributions not restricted to programs	-	-	9	8	7	-	-	-	-	-
Unrestricted interest and investment earnings	6,152	13,510	14,407	17,574	13,121	6,843	5,961	5,088	4,248	(593)
Sale of land	-	-	-	-	-	-	-	-	-	-
Other	1,028	1,144	2,862	2,715	1,287	10,239	1,440	31,078	4,548	8,793
Gain on sale of capital assets	3	-	-	-	-	-	-	-	-	340
Transfers	8,544	19,291	416	5,023	4,250	45,365	20,178	18,293	10,889	3,066
Total governmental activities	\$ 363,606	\$ 378,165	\$ 401,888	\$ 423,717	\$ 439,406	\$ 493,326	\$ 432,997	\$ 485,792	\$ 455,035	\$ 442,542
Business-type activities:										
Unrestricted interest and investment earnings	\$ 1,236	\$ 1,359	\$ 1,542	\$ 1,924	\$ 1,487	\$ 4,126	\$ 271	\$ 438	\$ 5,286	\$ 5,072
Other	2,270	1,580	2,039	3,187	1,479	88	-	-	56	244
Gain on sale of capital assets	-	2	-	30,725	565	-	-	20	54	25
Transfers	(8,544)	(19,291)	(416)	(5,023)	(4,250)	(45,365)	(20,178)	(18,293)	(10,889)	(3,066)
Total business-type activities	\$ (5,038)	\$ (16,350)	\$ 3,165	\$ 30,813	\$ (719)	\$ (41,151)	\$ (19,907)	\$ (17,835)	\$ (5,493)	\$ 2,275
Total primary government	\$ 358,568	\$ 361,815	\$ 405,053	\$ 454,530	\$ 438,687	\$ 452,175	\$ 413,090	\$ 467,957	\$ 449,542	\$ 444,817
Changes in Net Position										
Governmental activities	\$ 23,004	\$ 43,247	\$ 29,146	\$ 93,708	\$ 114,390	\$ 135,674	\$ 82,403	\$ 196,342	\$ 153,583	\$ 102,793
Business-type activities	(855)	965	28,929	56,143	26,686	34,390	32,189	40,439	36,525	37,849
Total primary government	\$ 22,149	\$ 44,212	\$ 58,075	\$ 149,851	\$ 141,076	\$ 170,064	\$ 114,592	\$ 236,781	\$ 190,108	\$ 140,642

(UNAUDITED)

Schedule 3
City of Minneapolis
Fund Balance, Governmental Funds (In Thousands)
Last 10 Fiscal Years
December 31, 2013

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Fund										
Reserved	\$ 880	\$ 2,724	\$ 2,471	\$ 1,394	\$ 1,073	\$ 927	\$ 1,270			
Unreserved	60,472	50,838	52,641	53,851	48,615	67,340	60,092			
Total general fund	<u>\$ 61,352</u>	<u>\$ 53,562</u>	<u>\$ 55,112</u>	<u>\$ 55,245</u>	<u>\$ 49,688</u>	<u>\$ 68,267</u>	<u>\$ 61,362</u>			
All Other Government Funds										
Reserved	\$ 230,653	\$ 201,202	\$ 206,285	\$ 210,056	\$ 213,450	\$ 205,490	\$ 227,174			
Unreserved										
Special revenue funds	93,908	96,828	77,561	79,230	84,491	106,681	65,760			
Debt Service funds	42,419	42,667	47,526	54,226	58,989	112,895	60,814			
Capital project funds	49,028	21,283	5,445	1,192	20,994	17,364	20,024			
Total all other governmental funds	<u>\$ 416,008</u>	<u>\$ 361,980</u>	<u>\$ 336,817</u>	<u>\$ 344,704</u>	<u>\$ 377,924</u>	<u>\$ 442,430</u>	<u>\$ 373,772</u>			
General Fund										
Nonspendable	\$ 36	\$ 6	\$ -							
Assigned	2,444	941	-							
Unassigned	69,891	85,357	96,970							
Total general fund	<u>\$ 72,371</u>	<u>\$ 86,304</u>	<u>\$ 96,970</u>							
All Other Government Funds										
Nonspendable	\$ 55,604	\$ 54,176	\$ 45,871							
Restricted	192,829	193,107	198,251							
Committed	7,058	2,347	125							
Assigned	103,307	107,495	128,085							
Unassigned	-	(46)	(169)							
Total all other governmental funds	<u>\$ 358,798</u>	<u>\$ 357,079</u>	<u>\$ 372,163</u>							

Note: The City implemented GASB 54 starting in 2011.

(UNAUDITED)

Schedule 4
City of Minneapolis
Changes in Fund Balance, Governmental Funds (In Thousands)
Last 10 Fiscal Years
December 31, 2013

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
Taxes	\$ 265,672	\$ 277,411	\$ 300,893	\$ 326,187	\$ 362,553	\$ 359,500	\$ 343,956	\$ 374,123	\$ 379,519	\$ 375,006
Licenses and permits	24,780	25,835	25,838	26,407	27,118	29,348	29,301	32,851	37,663	40,735
Intergovernmental revenues	161,820	169,558	175,981	160,384	151,308	179,880	189,510	167,316	186,550	155,756
Charges for services and sales	43,798	52,590	55,112	53,778	62,186	59,340	56,776	58,722	68,158	63,028
Fines and forfeits	9,641	10,680	9,249	9,397	9,700	9,621	9,934	10,620	8,603	8,014
Special assessments	11,091	11,503	12,363	13,555	18,018	20,897	23,849	22,678	23,834	24,379
Investment earnings	6,141	13,292	14,517	19,075	13,660	7,037	6,269	5,050	4,603	(645)
Miscellaneous revenues	32,042	34,696	34,001	29,626	29,420	35,542	35,366	26,831	34,733	44,466
Total Revenues	554,985	595,565	627,954	638,409	673,963	701,165	694,961	698,191	743,663	710,739
Expenditures										
General government	57,557	58,880	66,803	55,581	59,567	65,357	72,746	72,546	95,970	97,469
Public safety	190,638	209,453	220,346	222,823	237,692	242,061	258,507	260,307	244,297	232,311
Public works	40,049	39,204	39,171	41,892	43,893	43,495	50,165	49,918	49,759	54,915
Culture and recreation	49,968	48,744	15,851	5,279	29,607	13,424	13,808	7,287	5,528	4,106
Health and welfare	9,403	13,258	14,613	14,193	13,309	13,953	13,822	16,014	13,179	17,993
Community planning & economic development	106,348	128,464	112,103	116,348	117,396	115,384	146,082	128,338	136,076	148,082
Capital outlay	63,365	46,141	45,447	43,846	39,160	83,656	60,659	44,633	77,864	63,414
Intergovernmental	-	-	-	-	-	-	-	-	-	898
General government	-	-	-	-	-	-	-	-	-	169
Public safety	-	-	-	-	-	-	-	-	-	7,887
Culture and recreation	-	-	-	-	-	-	-	-	-	-
Debt Service:										
Principal retirement	76,175	90,825	72,768	66,744	68,617	102,518	179,242	96,947	108,042	58,386
Interest and fiscal charges	57,462	62,456	63,490	62,424	60,191	56,924	30,505	26,247	22,152	16,712
Total expenditures	650,965	697,425	650,592	629,130	669,432	736,772	825,536	702,237	752,867	702,342
Excess (deficiency) of revenues over (under) expenditures	(95,980)	(101,860)	(22,638)	9,279	4,531	(35,607)	(130,575)	(4,046)	(9,204)	8,397
Other Financing Sources (Uses)										
Transfers from other funds	112,918	159,664	157,161	129,321	133,635	151,259	115,103	105,800	117,868	60,967
Transfers to other funds	(147,725)	(179,836)	(185,576)	(151,672)	(152,056)	(154,190)	(139,658)	(129,803)	(124,335)	(92,941)
Bonds issued	84,770	59,356	26,835	20,344	39,965	35,280	24,687	20,377	26,610	47,805
Premium (discount)	4,898	4,293	49	478	1,490	4,213	3,165	3,707	1,481	1,522
Refunding bonds issued	51,210	71,385	10,545	1,750	12,360	82,130	51,715	186,550	36,460	18,430
Loans and notes issued	6,500	-	-	-	-	-	-	-	5,170	-
Payments to escrow agents	(39,370)	(74,820)	(9,989)	(1,480)	(12,262)	-	-	(186,550)	(41,630)	(18,430)
Total other financing sources (uses)	73,201	40,042	(975)	(1,259)	23,132	118,692	55,012	81	21,624	17,353
Net change in fund balance	\$ (22,779)	\$ (61,818)	\$ (23,613)	\$ 8,020	\$ 27,663	\$ 83,085	\$ (75,563)	\$ (3,965)	\$ 12,420	\$ 25,750
Debt service as a percentage of noncapital expenditures	23.8%	24.0%	22.4%	21.1%	20.6%	24.1%	27.4%	20.6%	19.3%	11.2%

(UNAUDITED)

Schedule 5
City of Minneapolis
Assessed Value and Actual Value of Taxable Property
Last Ten Fiscal Years
(in thousands of dollars)
December 31, 2013

Fiscal Year Ended December 31,	Commercial Property	Apartment Property	Residential Property	Industrial Property	Personal & Other Property	Tax-Exempt Property	Total Taxable Assessed Value ¹	Total Direct Tax Rate	Estimated Actual Taxable Value ²	Taxable Assessed Value as a % of Actual Taxable Value
2004	\$ 4,670,904	\$ 3,005,654	\$ 19,172,856	\$ 1,302,065	\$ 372,891	\$ 8,739,232	\$ 28,524,370	8.50	\$ 33,473,533	85%
2005	4,646,615	3,199,757	21,504,339	1,347,262	392,195	10,351,037	31,090,168	8.19	35,289,521	88%
2006	5,282,718	3,393,675	24,309,842	1,392,094	413,521	8,426,487	34,791,850	7.75	39,067,565	89%
2007	6,141,186	3,341,167	25,883,768	1,305,858	424,587	8,465,785	37,096,566	7.55	39,943,095	93%
2008	6,869,181	3,448,334	26,571,451	1,341,775	415,390	9,549,066	38,646,131	7.52	43,857,249	88%
2009	7,295,669	3,499,200	25,461,784	1,459,942	401,699	9,025,112	38,118,294	7.68	43,473,340	88%
2010	7,020,347	3,556,811	24,611,900	1,474,662	393,785	8,777,609	37,057,504	7.81	39,746,514	93%
2011	6,304,914	3,287,604	23,533,625	1,426,447	529,962	10,550,339	35,082,552	9.23	41,079,647	85%
2012	5,987,868	3,266,162	22,638,806	1,301,688	404,729	10,340,495	33,599,253	10.33	39,412,937	85%
2013	5,982,739	3,363,752	21,512,948	1,281,968	426,840	9,927,053	32,568,247	9.56	34,459,013	95%

Source: Finance and Property Services Department calculations, using Assessor data

Notes:

¹Total of the first five property types.

²Calculated using sales ratios, a means of statistically measuring the uniformity of assessments statewide.

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

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

(UNAUDITED)

Schedule 6
City of Minneapolis
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
December 31, 2013

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
City Direct Rates										
<i>Tax Capacity Based Rates</i>										
General	4.13	4.40	4.27	4.24	4.80	4.86	5.04	5.73	6.09	5.36
Estimate and Taxation	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Building Commission	0.17	0.16	0.14	0.13	0.13	0.13	0.13	0.14	0.15	0.16
Permanent Improvement	0.10	0.08	0.07	0.05	0.05	0.05	0.05	0.06	0.03	0.03
Bond Redemption	1.25	0.97	0.74	0.63	0.57	0.69	0.47	0.61	0.65	1.00
Firefighter's Relief Association	-	-	0.05	0.10	0.11	0.06	0.04	0.16	0.01	0.09
Police Relief Association	0.14	-	0.08	0.12	0.11	0.09	0.35	0.51	0.79	0.22
Minneapolis Employees Retirement Fund	0.19	0.13	0.11	0.08	0.09	0.07	0.07	0.09	0.60	0.62
Parks	1.65	1.55	1.42	1.34	1.29	1.35	1.33	1.56	1.63	1.69
Libraries	0.56	0.52	0.48	0.45	-	-	-	-	-	-
Community Development	-	-	-	-	-	-	-	-	-	-
Public Housing	0.05	0.05	0.04	0.04	0.04	0.04	-	-	-	-
Teacher's Retirement Association	0.11	0.09	0.08	0.07	0.07	0.07	0.07	0.08	0.09	0.08
<i>Market Value Based Rates</i>										
Library Referendum	0.14	0.24	0.27	0.27	0.25	0.25	0.25	0.27	0.29	0.29
Total City Direct Rates	8.50	8.20	7.76	7.53	7.52	7.67	7.81	9.22	10.34	9.55
Overlapping Rates										
<i>Tax Capacity Based Rates</i>										
Watershed Districts	0.10	0.16	0.13	0.14	0.18	0.19	0.21	0.21	0.23	0.23
Hennepin County	5.33	4.94	4.59	4.40	4.38	5.09	5.38	5.76	6.24	6.33
Minneapolis Public Schools	4.17	3.39	3.23	3.06	2.78	3.15	2.57	2.95	3.47	3.29
Other Special Taxing Districts	0.62	0.59	0.52	0.54	0.54	0.49	0.52	0.59	0.70	0.73
<i>Market Value Based Rates</i>										
Minneapolis Public Schools Referendum	0.01	0.01	0.01	0.01	0.01	0.02	0.02	0.02	0.02	0.01
Total Overlapping Rates	10.23	9.09	8.48	8.15	7.89	8.94	8.70	9.53	10.66	10.59
Grand Total	18.73	17.29	16.24	15.68	15.41	16.61	16.51	18.75	21.00	20.14

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

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

Source: Finance and Property Services Department

(UNAUDITED)

Schedule 7
City of Minneapolis
Principal Property Tax Payers
Current Year and Nine Years Ago
(in thousands of dollars)
December 31, 2013

Taxpayer	2013			2004		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Northern States Power	\$ 332,197	1	1.78%	\$ 302,906	1	4.37%
Target Corporation	209,113	2	1.12%	248,376	2	3.93%
MB Mpls. 8th St LLC	177,600	3	0.95%	-	-	-
NWC Limited Partnership	165,300	4	0.88%	141,200	4	2.21%
Minneapolis 225 Holdings LLC	162,600	5	0.87%	-	-	-
SRI Ten Center LLC	152,400	6	0.82%	-	-	-
Wells Operating Partnership LP	135,900	7	0.73%	111,703	8	1.76%
First Minneapolis-Hines Co.	133,500	8	0.71%	100,700	9	1.56%
Hilton Hotels Corp.	120,200	9	0.64%	-	-	-
Hines Global REIT	110,300	10	0.59%	-	-	-
City Center Associates	-	-	-	118,000	5	1.88%
American Express Financial Corp.	-	-	-	247,305	3	3.81%
Ryan Companies US, Inc.	-	-	-	119,952	6	1.87%
Eighth Street Tower Corp.	-	-	-	111,700	7	1.78%
Federal Reserve Bank of Mpls.	-	-	-	90,250	10	1.39%
Total	\$ 1,699,110		9.09%	\$ 1,592,092		24.56%

Source: Bond Issue Report 11/01/13 and 11/03/04

(UNAUDITED)

Schedule 8
City of Minneapolis
Property Tax Levies and Collections
Last Ten Fiscal Years
(in thousands of dollars)
December 31, 2013

Fiscal Year Ended December 31,	Taxes Levied for the Fiscal Year*	Collections within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2004	\$ 176,066	\$ 172,593	98.03%	\$ 359	\$ 172,952	98.23%
2005	190,375	186,254	97.84%	1,408	187,662	98.57%
2006	205,830	201,079	97.69%	1,562	202,641	98.45%
2007	222,523	216,997	97.52%	3,212	220,209	98.96%
2008	240,553	233,948	97.25%	3,548	237,496	98.73%
2009	245,003	238,249	97.24%	5,088	243,337	99.32%
2010	264,805	251,370	94.93%	4,973	256,343	96.80%
2011	277,357	264,050	95.20%	1,967	266,017	95.91%
2012	279,607	274,163	98.05%	2,982	277,145	99.12%
2013	284,409	280,082	98.48%	3,557	283,639	99.73%

Source: Minneapolis Finance and Property Services Department

* Includes special levies

(UNAUDITED)

Schedule 9
City of Minneapolis
Outstanding Debt by Type and Per Capita
Last Ten Fiscal Years
(in thousands of dollars, except per capita)
December 31, 2013

Fiscal Year	Governmental Activities				Business-type Activities				Total Primary Government	Per Capita (1)
	General Obligation Bonds & Notes	Revenue Bonds	Notes Payable	General Obligation Bonds & Notes	Revenue Bonds	Notes Payable	Total Primary Government			
2004	\$ 891,678	\$ 74,682	\$ 41,998	\$ 407,280	\$ 71,390	\$ 1,155	\$ 1,488,183	\$ 3,892		
2005	865,011	67,085	41,252	410,263	61,631	1,056	1,446,298	3,730		
2006	817,771	65,756	26,709	396,019	57,985	950	1,365,190	3,521		
2007	777,385	56,306	22,735	368,335	63,695	837	1,289,293	3,323		
2008	755,946	45,647	22,291	338,188	60,730	718	1,223,520	3,153		
2009	772,936	35,980	19,040	310,607	57,365	591	1,196,519	3,067		
2010	673,926	26,700	15,585	308,383	95,925	455	1,120,974	2,930		
2011	586,500	25,990	15,276	296,857	91,985	311	1,016,919	2,658		
2012	495,545	25,210	14,695	272,790	85,255	157	893,652	2,304		
2013	480,724	24,385	14,385	250,922	94,100	41	864,557	2,205		

Notes:

Details regarding the City's outstanding debt can be found in the notes to the financial statements.
(1) See Schedule 14 for population data.

Source: Minneapolis Finance and Property Services Department - Capital and Debt Management

(UNAUDITED)

Schedule 10
City of Minneapolis
Ratios Of Net General Bonded Debt Outstanding
Last Ten Fiscal Years
(in thousands of dollars, except per capita)
December 31, 2013

Fiscal Year	Net General Bonded Debt Outstanding					Total	Percentage of Total Taxable Assessed Value of Property (1)	Per Capita (2)
	Governmental General Obligation Bonds & Notes	Business-type General Obligation Bonds & Notes	Less Amounts Available for Debt Service	Total	Percentage of Total Taxable Assessed Value of Property (1)			
2004	\$ 891,678	\$ 407,280	\$ 35,753	\$ 1,263,205	4.43%	\$ 3,303		
2005	865,011	410,263	27,704	1,247,570	4.01%	3,218		
2006	817,771	396,019	30,978	1,182,812	3.40%	3,051		
2007	777,385	368,335	36,559	1,109,161	2.99%	2,859		
2008	755,946	338,188	40,196	1,053,938	2.73%	2,701		
2009	772,936	310,607	108,567	974,976	2.56%	2,569		
2010	673,926	308,383	57,397	924,912	2.50%	2,418		
2011	586,500	296,857	30,839	852,518	2.43%	2,228		
2012	495,545	272,790	28,681	739,654	2.20%	1,907		
2013	480,724	250,922	29,302	702,344	2.16%	1,792		

Notes:

Details regarding the City's outstanding debt can be found in the notes to the financial statements.
(1) See Schedule 5 for property value data. Assessed value used is consistent with valuations on the legal debt margin schedule.
(2) Population data can be found in Schedule 14.

Source: Minneapolis Finance and Property Services Department - Capital and Debt Management

(UNAUDITED)

Schedule 11
City of Minneapolis
Direct and Overlapping Governmental Activities Debt
(in thousands of dollars)
December 31, 2013

Governmental Unit	Net General Obligation Outstanding (1)	Estimated Percentage Applicable (2)	Estimated Share of Direct and Overlapping Debt
City of Minneapolis - Direct Debt	\$ 273,123 (3)	100.00%	\$ 273,123
<u>Overlapping Debt:</u>			
Special School District No. 1	197,989	100.00%	197,989
Hennepin County	723,265 (4)	26.38%	190,797
Hennepin County Regional Railroad Authority	37,350	26.38%	9,853
Metropolitan Council	158,665	12.06%	19,135
Subtotal, Overlapping Debt			\$ 417,774
Total Direct and Overlapping Debt			\$ 690,897

Notes:

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

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

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

(3) City of Minneapolis - Net Direct Debt is calculated by deducting from the total long-term debt of the governmental activities the cash available to service the debt, and debt that is intended to be financed primarily by means other than a property tax levy (\$164,620 of self supporting debt, \$53,774 of special assessment debt, and revenue bonds and notes not intended to be paid by property tax).

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

Sources:

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

(UNAUDITED)

Schedule 12
City of Minneapolis
Legal Debt Margin Information
Last Ten Fiscal Years
(in thousands of dollars)
December 31, 2013

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Debt Limit	\$1,054,780	\$1,182,794	\$1,159,728	\$1,253,051	\$1,306,194	\$1,282,797	\$1,254,206	\$1,173,628	\$1,131,060	\$1,102,298
Total net debt applicable to limit	362,739	369,842	339,712	313,129	302,772	270,629	246,979	213,714	154,317	155,494
Legal debt margin	<u>\$692,041</u>	<u>\$812,952</u>	<u>\$820,016</u>	<u>\$939,922</u>	<u>\$1,003,422</u>	<u>\$1,012,168</u>	<u>\$1,007,227</u>	<u>\$959,914</u>	<u>\$976,743</u>	<u>\$946,804</u>
Total net debt applicable to limit as a percentage of debt limit	34.39%	31.27%	29.29%	24.99%	23.18%	21.10%	19.69%	18.21%	13.64%	14.11%

Legal Debt Margin Calculation for Fiscal Year 2013

Real Property (2013 Assessed Market Value)	\$32,161,777
Personal Property (2013 Assessed Market Value)	406,470
Adjustment for Exempt Personal Property (1966 Market Value)	298,030
Adjustment for Net Fiscal Disparities (Contribution)/Distribution	202,666
Total 2013 Assessed Market Value	<u>33,068,943</u>
Debt Limit (3-1/3% of Market Value Applicable to Debt Limit)	1,102,298
Debt applicable to limit:	
General Obligation Bonds Subject to Debt Limit	174,875
Less: Assets in General Debt Service Fund	(19,381)
Total Net Debt Applicable to Limit	<u>155,494</u>
Legal Debt Margin	<u>\$946,804</u>

Source: Minneapolis Finance and Property Services Department - Capital and Debt Management

(UNAUDITED)

Schedule 13
City of Minneapolis
Pledged-Revenue Coverage
Last Ten Fiscal Years
(in thousands of dollars)
December 31, 2013

WATER TREATMENT AND DISTRIBUTION SERVICES BONDS

Fiscal Year	Operating Revenue (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			% Coverage
				Principal	Interest	Total	
2004	\$ 63,449	\$ 46,205	\$ 17,244	\$ 11,930	\$ 3,221	\$ 15,151	1.14
2005	61,946	44,116	17,830	10,819	4,078	14,897	1.20
2006	64,786	46,704	18,082	8,659	4,371	13,030	1.39
2007	66,439	44,838	21,601	8,419	4,481	12,900	1.67
2008	64,130	47,208	16,922	6,930	3,406	10,336	1.64
2009	67,575	47,195	20,380	6,076	3,656	9,732	2.09
2010	67,129	47,507	19,622	5,646	3,872	9,518	2.06
2011	69,934	45,520	24,414	5,906	4,133	10,039	2.43
2012	76,502	47,421	29,081	5,796	4,476	10,272	2.83
2013	75,793	50,807	24,986	5,982	4,401	10,383	2.41

Notes:

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

Source: Minneapolis Finance and Property Services Department - Capital and Debt Management

(UNAUDITED)

Schedule 13
City of Minneapolis
Pledged-Revenue Coverage
Last Ten Fiscal Years
(in thousands of dollars)
December 31, 2013

(Continued)

MUNICIPAL PARKING BONDS

Fiscal Year	Operating Revenue (1)	Operating Expenses (2)	Debt Service Transfers (3) (4)	Net Revenue Available for Debt Service	Debt Service Requirements		% Coverage
					Principal	Interest	
2004	\$ 55,604	\$ 47,409	\$ 13,993	\$ 22,188	\$ 11,434	\$ 13,226	0.90
2005	55,600	39,535	13,474	29,539	12,834	12,127	1.18
2006	58,349	39,431	16,816	35,734	14,174	13,186	1.31
2007	60,554	39,548	18,361	39,367	16,924	12,882	1.32
2008	52,752	35,383	17,219	34,588	16,239	10,047	1.32
2009	52,521	37,564	22,923	37,880	30,165	8,870	0.97
2010	58,155	43,101	14,777	29,831	14,740	6,232	1.42
2011	52,687	36,450	15,196	31,433	14,820	5,730	1.53
2012	54,082	39,861	13,799	28,020	16,770	5,299	1.27
2013	58,185	37,838	11,622	31,969	14,629	4,143	1.70

Notes:

- (1) Operating revenue includes fees for services and other non-operating revenues available for debt service.
- (2) Operating expenses are exclusive of depreciation.
- (3) Convention Center Related Public Parking debt is capitalized in the Municipal Parking Enterprise fund and financed using sales tax revenues transferred from the Convention Center Special Revenue fund.
- (4) Tax Increment Transfers In are included beginning in 2003.

Source: Minneapolis Finance and Property Services Department - Capital and Debt Management

(UNAUDITED)

Schedule 13
City of Minneapolis
Pledged-Revenue Coverage
Last Ten Fiscal Years
(in thousands of dollars)
December 31, 2013

(Continued)

SANITARY SEWER BONDS

Fiscal Year	Operating Revenue (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements		% Coverage
				Principal	Total	
2004	\$ -	\$ -	\$ -	\$ -	\$ -	-
2005	-	-	-	-	-	-
2006 (3)	39,342	38,542	800	72	9	9.88
2007	41,915	39,954	1,961	767	137	2.17
2008	41,615	38,216	3,399	1,200	378	2.15
2009	43,963	38,388	5,575	2,436	500	1.90
2010	49,292	40,584	8,708	2,850	701	2.45
2011	49,482	42,607	6,875	4,100	714	1.43
2012	62,327	51,920	10,407	4,600	617	1.99
2013	61,852	52,069	9,783	4,150	444	2.13

Notes:

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

Source: Minneapolis Finance and Property Services Department - Capital and Debt Management

(UNAUDITED)

Schedule 13
City of Minneapolis
Pledged-Revenue Coverage
Last Ten Fiscal Years
(in thousands of dollars)
December 31, 2013

(Continued)

STORMWATER BONDS

Fiscal Year	Operating Revenue (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			% Coverage
				Principal	Interest	Total	
2004	\$ 67,458	\$ 55,619	\$ 11,839	\$ 9,120	\$ 2,292	\$ 11,412	1.04
2005 (3)	31,435	20,080	11,355	9,609	2,352	11,961	0.95
2006	30,575	18,250	12,325	8,360	2,483	10,843	1.14
2007	33,008	19,348	13,660	7,797	2,563	10,360	1.32
2008	35,824	19,738	16,086	8,620	1,564	10,184	1.58
2009	39,381	19,279	20,102	9,959	1,753	11,712	1.72
2010	39,542	21,310	18,232	5,345	1,405	6,750	2.70
2011	41,704	19,930	21,774	11,773	1,341	13,114	1.66
2012	41,805	21,590	20,215	6,555	1,136	7,691	2.63
2013	39,906	23,650	16,256	6,913	975	7,888	2.06

Notes:

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

Source: Minneapolis Finance and Property Services Department - Capital and Debt Management

(UNAUDITED)

Schedule 14
City of Minneapolis
Demographic and Economic Statistics
Last 10 Fiscal Years
December 31, 2013

Year	Population (1)	Per Capita Income (2)	Personal Income	Median Age (3)	Households (4)	Jobs (5)	Annual average		Median	
							Unemployment Rate (6)	Household Income (7)	Household Income (7)	School Enrollment (8)
2004	382,400	\$ 22,907	\$ 8,759,636,800	33.9	162,484	285,883	4.9%	Note b	40,051	
2005	387,711	26,886	10,423,997,946	32.1	166,595	287,552	4.2%	\$ 41,829	38,755	
2006	387,970	27,487	10,664,131,390	33.6	167,317	294,370	3.9%	\$ 43,369	36,428	
2007	388,020	30,343	11,773,690,860	35.3	167,367	292,833	4.3%	\$ 44,423	34,570	
2008	390,131	30,825	12,025,788,075	34.1	168,669	291,019	5.0%	\$ 48,724	33,958	
2009	386,691	28,131	10,878,004,521	31.6	169,798	280,899	7.5%	\$ 45,538	33,424	
2010	382,578	29,558	11,308,240,524	31.4	163,540	281,577	7.1%	\$ 46,508	33,418	
2011	387,873	30,256	11,735,485,488	32.3	166,110	287,846	6.3%	\$ 46,682	33,476	
2012	392,008	27,319	10,709,266,552	31.4	166,513	296,884	5.5%	\$ 47,604	34,423	
2013	NA	NA	NA	NA	NA	NA	4.9%	NA	35,356	

Sources:

- (1) Population 2003-2009 & 2011-12 - Metropolitan Council. 2010 figure from US Census. (See note a, for 2010)
- (2) Per Capita Income - US Census Bureau - American Community Survey Table DP03- 1 year estimate
- (3) Median age - US Census Bureau - American Community Survey Table S0101- 1 year estimate
- (4) Households 2003-2009 & 2011-12 - Metropolitan Council. 2010 figure from US Census
- (5) Jobs data from MN DEED/QCEW tables
- (6) Annual average unemployment rate - Minnesota Department of Employment and Economic Development
- (7) Median HH Income/Per Capita Income - American Community Survey Table DP03 1 year estimate
- (8) School enrollment - Minneapolis Public Schools/Student Accounting Office

NA - Data is not available presently

- Notes:
- a. The Metropolitan Council uses the 2010 population and household figures from the decennial Census
 - b. ACS data no longer available for 2004

(UNAUDITED)

Schedule 15
City of Minneapolis
Principal Employers
Current Year and Seven Years Ago
December 31, 2013

<u>Employer</u>	<u>2013 (City only)</u>			<u>2006 (metro-wide) (a)</u>		
	<u>Approximate Number of Employees (b)</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Approximate Number of Employees</u>	<u>Rank</u>	<u>Percentage of Total Metro Employment</u>
University of Minnesota	14,000	1	4.6%	30,200	1	1.9%
Target Corporation	12,100	2	4.0%	24,300	2	1.5%
Wells Fargo Bank	11,000	3	3.6%	19,100	4	1.2%
Allina Health	10,800	4	3.5%	22,500	3	1.4%
Fairview Health Services	10,000	5	3.3%	18,500	5	1.1%
Hennepin Healthcare System, Inc (HCMC)	6,300	6	2.1%	(c)	-	-
Hennepin County	6,000	7	2.0%	12,500	6	0.8%
Minneapolis Public Schools	5,800	8	1.9%	-	-	-
Ameriprise Financial Services	4,900	9	1.6%	6,500	8	0.4%
City of Minneapolis	4,800	10	1.6%	5,600	9	0.3%
US Bancorp	3,800	-	-	9,400	7	0.6%
Children's Hospital	2,900	-	-	-	-	-
Honeywell Aerospace	2,200	-	-	-	-	-
Xcel Energy Inc.	<u>1,600</u>	-	<u>-</u>	<u>5,400</u>	10	<u>0.3%</u>
Total	<u>96,200</u>		<u>28.2%</u>	<u>154,000</u>		<u>9.5%</u>

Note:

- a) 2006 totals were not available for City only, so metro totals were used
- b) Figures reflect 2013 estimates of Minneapolis-based employees, both full- and part-time; numbers rounded to nearest 100
- c) HCMC was part of Hennepin County in 2006

Sources: Reference USA, Minneapolis Downtown Council, direct communications with companies

(UNAUDITED)

Schedule 16
City of Minneapolis
Full-time Equivalent City Government Employees by Function
Last 10 Fiscal Years
December 31, 2013

	Full-time Equivalent Employees as of December 31, 2013									
	2004	2005	2006	2007	2008	2009*	2010*	2011	2012	2013
Function Program										
General Government										
Assessor	34.50	34.50	34.50	37.00	37.00	36.50	36.50	34.50	35.00	35.00
Attorney	101.13	101.00	106.50	108.00	108.00	105.50	102.00	105.00	101.00	102.00
City Clerk/Council	85.20	65.50	66.50	66.00	67.00	65.50	65.50	64.75	65.02	66.00
City Coordinator	929.75	929.08	911.03	917.00	941.00	919.10	949.80	546.60	691.40	677.40
Civil Rights	24.00	27.00	26.00	26.00	26.00	21.00	19.00	19.00	19.00	21.00
Community Planning and Economic Development	144.00	139.00	142.00	141.00	139.00	141.00	135.00	128.00	116.79	224.80
Fire	449.50	444.50	444.50	447.00	449.00	444.00	438.00	406.00	392.00	413.00
Health & Family Support	73.90	69.00	66.30	66.00	66.00	67.00	60.00	61.70	50.25	91.00
Internal Audit	-	-	-	-	-	-	2.00	3.00	2.50	2.00
Mayor	11.00	11.00	11.00	12.00	12.00	12.00	10.00	11.00	11.00	11.00
Police	966.05	942.00	1,058.00	1,088.00	1,093.00	1,092.00	999.20	992.00	967.80	980.50
Public Works	1,211.19	1,206.39	1,206.59	1,197.00	1,203.00	1,189.20	1,024.50	1,000.35	917.67	907.08
Regulatory Services**	-	-	-	-	-	-	-	379.00	286.30	141.00
	<u>4,030.22</u>	<u>3,968.97</u>	<u>4,072.92</u>	<u>4,105.00</u>	<u>4,141.00</u>	<u>4,092.80</u>	<u>3,841.50</u>	<u>3,750.90</u>	<u>3,655.73</u>	<u>3,671.78</u>
Independent Boards										
Board of Estimate & Taxation	2.00	2.00	2.00	2.00	2.00	2.00	1.00	1.00	1.00	1.00
Library	242.00	246.50	261.90	273.00	-	-	-	-	-	-
Park	907.47	907.91	909.55	902.00	886.00	859.00	827.00	811.18	802.40	814.72
Building Commission	62.00	61.00	61.00	62.00	62.00	62.00	62.00	60.00	54.00	55.00
Youth Coordinating Board	4.50	4.50	4.50	5.00	5.00	5.00	5.00	5.80	5.80	5.80
NRP	12.00	11.00	10.00	10.00	9.00	9.00	7.00	5.00	-	-
	<u>1,229.97</u>	<u>1,232.91</u>	<u>1,248.95</u>	<u>1,254.00</u>	<u>964.00</u>	<u>937.00</u>	<u>902.00</u>	<u>882.98</u>	<u>863.20</u>	<u>876.52</u>
Total	<u>5,260.19</u>	<u>5,201.88</u>	<u>5,321.87</u>	<u>5,359.00</u>	<u>5,105.00</u>	<u>5,029.80</u>	<u>4,743.50</u>	<u>4,633.88</u>	<u>4,518.93</u>	<u>4,548.30</u>

* 2009 and 2010 have been revised

** In 2011 Regulatory Services became a Charter department and is no longer included in City Coordinator FTE total

Note: Effective January 1, 2008, the Minneapolis Public Library was merged into the Hennepin County Library system, resulting in the elimination of the Minneapolis Public Library Board.

Source: City Management and Budget

(UNAUDITED)

Schedule 17
City of Minneapolis
Operating Indicators by Function/Program - Last 10 Fiscal Years
December 31, 2013

Function/Description	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Government										
Assessor										
Sales ratio, all classes aggregated	85%	88%	89%	93%	94%	97%	98%	98%	99%	95%
Number of parcels' valuations petitioned in tax court	967	822	900	1,431	2,235	2,304	1,871	1,400	N/A	N/A
Attorney - City litigation										
Liability payouts, millions \$	4	3	2	9	1	3	2	8	1	5
Civil litigation caseload	904	1,142	999	1,226	1,107	1,028	1,036	1,193	972	811
City Clerk - Elections										
Number of registered voters	287,459	235,172	226,585	220,740	240,022	231,078	227,024	223,696	214,003	233,351
Number of votes cast in election	201,672	70,987	149,318	no election	209,000	45,968	140,363	9,065	215,804	80,099
Voter turnout, percentage of registered voters	70.16%	30.19%	65.90%	no election	87.08%	19.89%	55.59%	10.07%	80.84%	33.00%
Type of election, highest level of government	federal	municipal	state	no election	federal	municipal	state	3 state specials	federal	municipal
Number of new voters registered at the polls	48,611	5,579	28,907	no election	50,505	2,950	25,471	422	52,952	6,634
Number of spoiled ballots	3,909	755	2,284	no election	NA	1,888	NA	NA	NA	NA
Number of absentee ballots	14,147	2,506	7,410	no election	17,100	1,619	6,405	355	15,143	4,954
Coordinator - Finance										
Bond rating - Fitch	AAA	AAA	AAA	AAA	AAA	AAA	AAA	AAA	AAA	AAA
Bond rating - Moody's	Aa1	Aa1	Aa1	Aa1	Aa1	Aa1	Aa1	Aa1	Aa1	Aa1
Bond rating - Standard & Poor's	AAA	AAA	AAA	AAA	AAA	AAA	AAA	AAA	AAA	AAA
Collections effectiveness indicator, utility revenues	79%	68%	70%	74%	78%	NA	NA	NA	NA	NA
Civil Rights										
Number of new civil rights complaints	125	121	250	232	294	254	158	117	153	77
Number of new complaints of police misconduct	128	85	89	75	68	114	89	97	157	396
Community Planning and Economic Development										
Number of jobs added by City assisted businesses (projected)	378	659	2,115	318	NAP	NA	434	1,106	693	NA
Multifamily housing investment: City funds, millions \$	23	33	12	10	6	9	16	18	23	6
Multifamily housing investment: Other public funds, millions \$	38	19	14	12	4	8	34	47	12	19
Multifamily housing investment: Private funds, millions \$	145	225	165	57	14	46	267	267	164	195
Business finance loans: City funds, millions \$	2	3	4	2	3	3	4	3	2	NA
Number of foreclosure sales	NA	863	1,610	2,895	3,077	2,233	2,308	1,719	1,448	879
Convention Center										
Occupancy rate	56%	66%	62%	61%	61%	57%	51%	57%	56%	54%
Total attendance	903,330	784,250	836,000	782,000	753,000	637,218	661,461	768,266	767,803	777,446
Health & Family Support										
Number of three-year old screenings conducted by the schools	647	740	837	828	989	1,082	1,118	1,096	1,251	NA
Number of homicide deaths in Minneapolis, ages 0-24	7	11	22	10	14	5	17	20	11	NA
Percent of one and two year olds tested for lead	63%	65%	69%	71%	74%	66%	71%	56%	61%	66%
Number of children under age 6 with elevated lead levels	384	374	351	282	217	170	161	76	120	50
Public Safety										
Coordinator - 311 - 911										
911 answer time, seconds	6.51	6.40	7.53	7.90	7.10	6.23	5.98	6.15	7.33	10.43
911 pending time to dispatch, high priority calls, minutes	2.28	2.85	2.97	3.17	1.82	1.24	1.14	1.16	1.34	0.07
Percent of 311 calls answered in 20 seconds or less	NAP	NAP	90%	74%	80%	82%	71%	66%	72%	63%
Percent of 311 calls resolved at first call	NAP	NAP	70%	76%	80%	83%	83%	83%	82%	82%
Attorney - Criminal Prosecution										
Number of chronic offenders convicted	83	81	129	130	145	136	134	127	133	139
Domestic violence conviction rate	48%	48%	58%	54%	61%	66%	70%	70%	72%	64%
Prosecution caseload	29,117	21,688	27,195	27,377	32,076	30,467	28,352	24,509	25,731	24,092
Fire										
Number of emergency responses	21,433	22,423	22,199	34,019	34,146	32,165	33,561	35,204	37,011	38,137
Number of fires extinguished (all non EMS runs prior to 2002)	2,068	1,775	1,808	1,859	1,489	1,401	1,373	1,348	1,347	1,210
Number of hazard, false alarms, and other non EMS/ fire runs	9,129	9,672	9,638	9,961	10,165	9,403	10,410	9,818	10,071	11,108
Number of inspections	9,460	7,802	8,271	4,821	7,337	10,447	10,298	7,763	2,992	3,083
Percent of time response is five minutes or less	88.1%	85.8%	84.8%	83.0%	86.5%	86.1%	84.0%	81.8%	81.0%	82.8%
Lives lost due to fires	6	5	2	2	6	2	13	5	3	2
Civilian injuries due to fire	37	31	29	21	21	15	29	33	33	27

Schedule 17
 City of Minneapolis
 Operating Indicators by Function/Program - Last 10 Fiscal Years
 December 31, 2013

Function/Description	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Public Safety - Continued										
Police										
Number of major crimes	25,457	28,941	29,474	28,458	25,894	22,472	22,646	23,256	23,345	NA
Number of livability crimes	37,000	36,676	40,294	38,184	35,135	33,168	31,942	30,109	25,523	NA
Number of violent crimes (subset of major crimes)	4,825	5,572	6,480	5,660	4,884	4,331	4,135	3,811	3,950	NA
Number of guns seized	1,093	1,032	1,458	1,087	1,002	929	867	637	792	NA
Regulatory Services - Building permits										
Permits issued	13,497	45,163	34,587	10,787	11,022	12,200	13,249	17,178	12,864	12,100
Estimated value, in millions \$	927	777	840	761	773	778	548	753	1,118	1,212
Public Works										
Refuse Collection										
Refuse collected, tons	143,111	139,953	135,714	130,583	125,423	122,453	121,589	120,246	114,797	115,293
Compostable material collected, tons	20,511	18,521	17,089	15,696	19,523	19,076	15,875	16,116	16,967	18,635
Non-recyclable construction material collected, tons	9,358	8,483	8,363	7,462	6,125	6,661	6,154	5,961	5,493	4,479
Recyclables, tons	27,424	26,226	25,267	24,010	22,848	21,759	20,592	19,683	19,927	26,585
Percent of solid waste stream recycled, by weight	19.2%	18.7%	18.6%	18.4%	18.2%	17.8%	16.9%	16.4%	17.4%	23.3%
Water										
Average daily production, thousands of gallons	60,079	60,071	60,904	61,049	58,677	58,630	54,227	54,611	54,986	54,186
Sewer										
Number of sanitary sewer backups	21	23	23	22	10	16	15	24	12	8
Streets										
Safety and ride-ability pavement condition index (PCI), average of all city streets	75	74	74	73	73	73	70	71	72	71
Number of traffic crashes	6,802	6,443	5,712	6,170	5,640	5,923	6,177	6,127	5,894	6,144
Number of injuries in traffic crashes	3,144	2,844	2,535	2,383	2,171	2,103	1,886	2,027	1,935	2,351

Notes:

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

Source: Prepared by Finance Department using City department reports/personnel

(UNAUDITED)

Schedule 18
City of Minneapolis
Capital Assets Statistics by Function/Program
Last 10 Fiscal Years
December 31, 2013

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<u>Primary Government</u>										
<u>Public Safety:</u>										
Police stations	5	5	5	5	5	5	5	5	5	5
Patrol units	218	220	206	222	215	203	192	189	177	189
Unmarked, trucks, trailers, scooters, motorcycles	275	279	299	299	299	286	225	219	255	261
Fire Stations	19	19	19	19	19	19	19	19	19	19
Fire Trucks/Pumpers/Ladders/Engines/Cars	110	115	114	116	123	129	115	110	109	118
Regulatory Services Fleet	139	137	117	130	150	127	165	175	159	96
<u>Public Works:</u>										
Refuse collection trucks, heavy equipment, dumpsters	121	134	138	135	135	144	144	144	144	144
Streets (miles)	1,070	1,070	896	896	896	896	896	896	896	896
Alleys (miles)	379	379	380	380	380	380	380	380	380	380
Sidewalks (miles)	1,900	1,900	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Streetlights	17,500	17,750	18,000	18,500	19,000	19,000	19,000	19,000	19,000	19,000
Traffic signals	884	916	916	916	916	916	916	916	916	916
Buildings/Plants/Garages	28	31	31	31	31	31	31	32	32	33
Equipment, cars, trucks, tractors, vans	1,469	1,440	1,443	1,448	1,436	1,471	1,141	1,155	1,028	1,046
Community and Economic Development										
Convention Center	1	1	1	1	1	1	1	1	1	1
<u>Business-type Activities</u>										
<u>Water Treatment and Distribution Services</u>										
Water mains (miles)	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Fire hydrants	8,084	8,084	8,084	8,084	8,084	8,084	8,084	8,084	8,084	8,084
Storage capacity (thousands of gallons)	180,000	180,000	180,000	180,000	180,000	180,000	180,000	180,000	180,000	180,000
Buildings	14	14	14	13	13	13	13	13	13	13
Water basins	3	3	3	3	3	3	3	3	3	3
<u>Sanitary Sewer</u>										
Sanitary sewers (miles)	845	838	838	830	830	830	830	830	830	830
Sanitary Lift Stations	9	9	9	9	9	9	9	9	9	9
<u>Stormwater</u>										
Storm sewers (miles)	536	581	571	522	522	522	522	581	581	581
Stormwater Pump Stations	26	26	26	26	26	25	25	25	25	25
Holding Ponds	3	3	3	3	3	3	3	18	18	18
Number of parking ramps	22	22	24	15	14	14	14	14	14	14

Source: Minneapolis Finance and Property Services Department and Department of Public Works

(UNAUDITED)



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