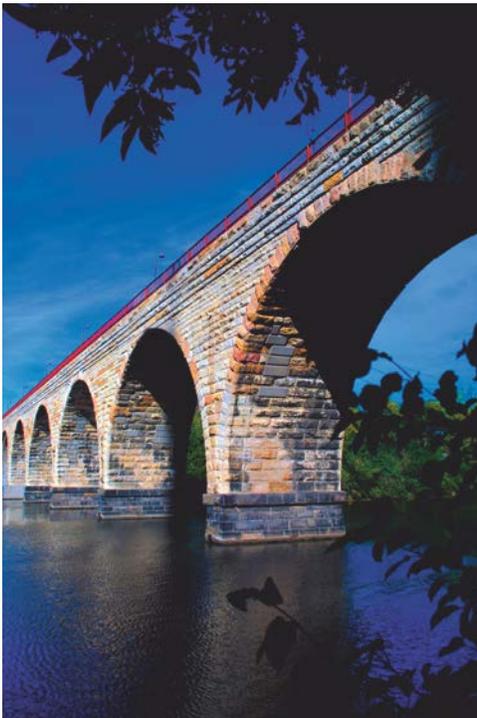




Comprehensive Annual Financial Report



**City of Minneapolis, Minnesota
For the year ended December 31, 2011**

COMPREHENSIVE ANNUAL FINANCIAL REPORT



CITY OF
MINNEAPOLIS, MINNESOTA

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011

FINANCE & PROPERTY SERVICES DEPARTMENT

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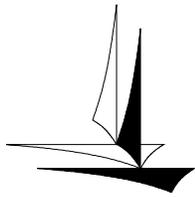
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Minneapolis
City of Lakes

**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

July, 27, 2012

Mayor R. T. Rybak,
Council President Barbara Johnson,
City Council Members,
And Citizens of the City of Minneapolis, Minnesota

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, 2011. The purpose of the report is to provide the Mayor, City Council, City Staff, citizens, bondholders, and other interested parties with useful information concerning the City’s operations and financial position. The City is responsible for the accuracy, completeness, and fairness of the data presented in this report.

To the best of our knowledge, the following report is accurate in all material respects. It has been prepared in accordance with standards 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. We believe the report contains all disclosures necessary for the reader to understand the City’s financial affairs.

The transmittal letter is designed to complement the Management Discussion and Analysis (“MD&A”) and should be read in conjunction with it. The City’s MD&A can be found immediately following the independent auditor’s report.

STEWARDSHIP

The City prepares financial reports to promote *accountability*. The City’s elected officials are accountable to the citizens; City management is accountable to the elected officials. This report gives citizens and other interested parties one means of assessing 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 in order to:

- 1) Safeguard City assets from loss or unauthorized use or disposal.
- 2) Provide reliable financial records for preparing internal and external financial reports and for maintaining accountability over City assets.
- 3) Ensure compliance with applicable federal and state laws and regulations related to programs for which the City receives assistance.

No system of internal controls can be perfect. Therefore, internal controls are meant to provide “reasonable assurance” rather than absolute assurance. Reasonable assurance means:

- 1) The cost of a control should not exceed the benefits likely to be derived from that control.
- 2) The costs and benefits of internal controls are subject to estimates and judgments by management.

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.

As the City’s governing board, the Mayor and City Council are responsible to:

- 1) Ensure that the City administration fulfills its responsibilities in the preparation of the financial statements;
- 2) Review the scope of the City’s audits and the accounting principles applied in the City’s financial reporting.

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 CITY AND ITS SERVICES

Physical Description

The City, located in Hennepin County, 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 is 59 square miles, including five square miles of inland water. The City drapes 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.

There are 81 residential neighborhoods within the City offering a broad range of housing to more than 163,000 households. 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 383,000 people (2010 Census data). According to 2010 Census data, the population within the City grew by just over 1.0 percent from 2000 to 2010, continuing a trend of increasing population in the last two decades.

Minneapolis, as the major city within the larger metropolitan area, 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 information above is from the *Minneapolis Fast Facts*, and the *State of the City*, both publications of the City’s Community Planning and Economic Development Department. The *State of the City* contains a wealth of demographic and other data, which paint a detailed and thorough picture of the City. The *State of the City* 2012 and *Minneapolis Fast Facts* can be accessed from the City’s web site.

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.

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 that 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.

Departments

The City organizes itself by departments, which are managed by department heads (see 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; and management support services.

THE REPORTING ENTITY

The City organizes its financial activities in a variety of funds. In accordance with GASB Statement No. 14, 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 part of City government in substance. 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. 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 components in the City’s financial statements.

FINANCIAL POLICES

The City has a policy to maintain an unassigned fund balance in the General Fund that is 15% of the following year’s 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 fund balance of the General Fund at December, 31, 2011, was \$ 72.4 million, which is \$15.5 million more than policy requires. For additional information on the 2011 fund balance in the General Fund, see the MD&A.

ECONOMIC CONDITION AND OUTLOOK

A discussion and analysis of City's overall financial condition during the fiscal year ended 2011 is included as part of the MD&A.

LONG-TERM FINANCIAL PLANNING

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 - Aaa

INDEPENDENT AUDIT

Minnesota law requires the Office of the State Auditor ("OSA") to perform the City's annual audit. The OSA's report on the City's financial statements is based on their audit in accordance with generally accepted auditing standards. The Auditor's unqualified audit opinion is included as page one through three in the financial section of this report.

In addition to meeting the State and City's financial audit requirements, the OSA's audit was 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 OSA prepares a separate report on covered activities.

CERTIFICATE OF ACHIEVEMENT

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, 2010. A Certificate of Achievement is valid for a period of one year only. The City has received this prestigious award for 42 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.

In addition, the City also received the GFOA's Distinguished Budget Presentation Award for its annual budget for the year 2011.

ACKNOWLEDGEMENTS

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

Respectfully submitted,

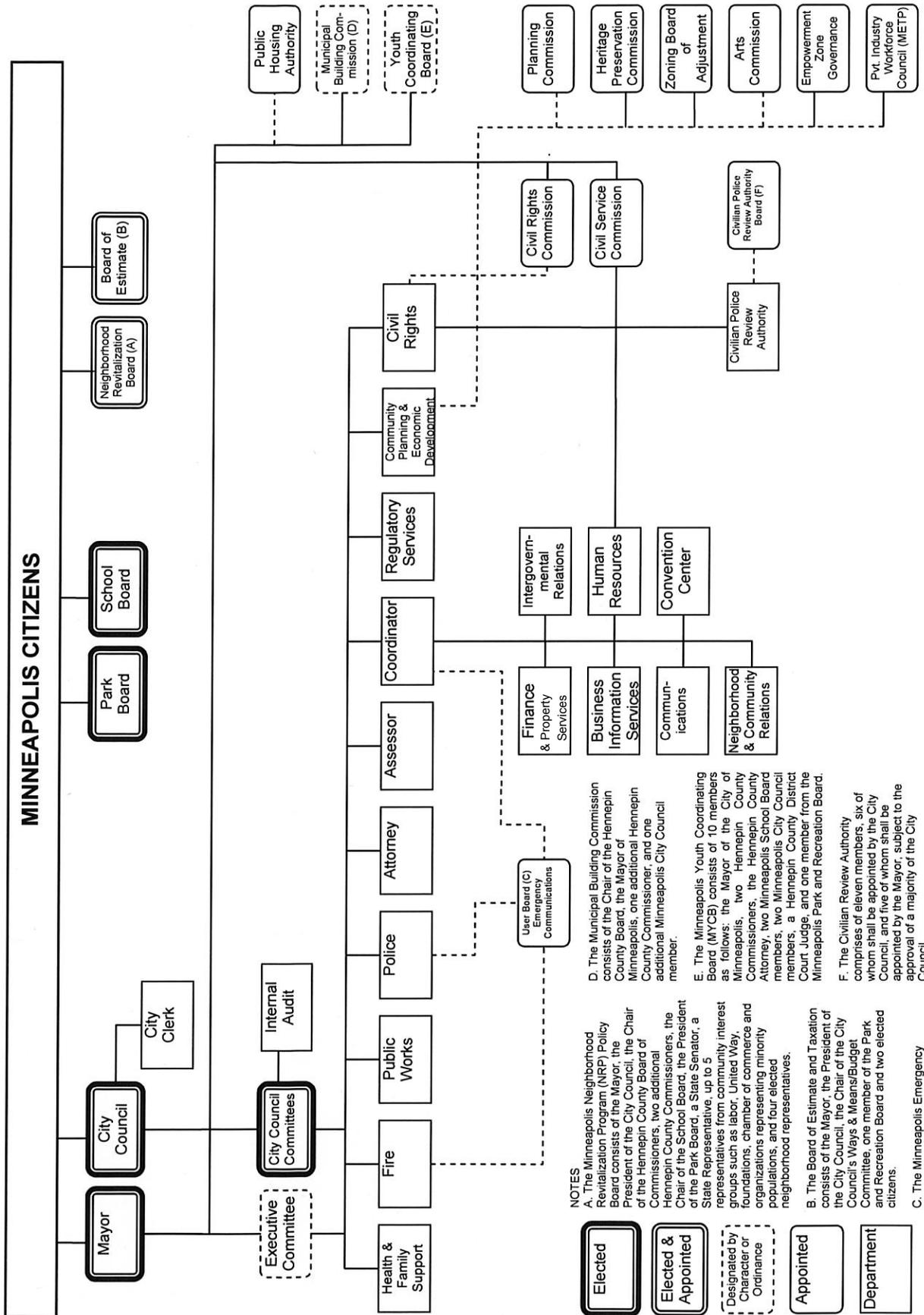


Kevin D. Carpenter
Finance Officer



Connie L. Griffith
Controller

City of Minneapolis



NOTES

A. The Minneapolis Neighborhood Revitalization Program (NRP) Policy Board consists of the Mayor, the President of the City Council, the Chair of the Hennepin County Board of Commissioners, two additional Hennepin County Commissioners, the Hennepin County Attorney, two Minneapolis City Council members, a Hennepin County District Court Judge, and one member from the Minneapolis Park and Recreation Board.

B. The Board of Estimate and Taxation consists of the Mayor, the President of the City Council, the Chair of the City Council's Ways & Means/Budget Committee, one member of the Park and Recreation Board and two elected citizens.

C. The Minneapolis Emergency Communications Center (911) is managed by a User Board chaired by the City Coordinator. Members are the Police Chief, the Fire Chief and the Hennepin County Administrator.

D. The Municipal Building Commission consists of the Chair of the Hennepin County Board, the Mayor of Minneapolis, one additional Hennepin County Commissioner, and one additional Minneapolis City Council member.

E. The Minneapolis Youth Coordinating Board (MYCB) consists of 10 members as follows: the Mayor of the City of Minneapolis, two Hennepin County Commissioners, the Hennepin County Attorney, two Minneapolis School Board members, two Minneapolis City Council members, a Hennepin County District Court Judge, and one member from the Minneapolis Park and Recreation Board.

F. The Civilian Review Authority comprises of eleven members, six of whom shall be appointed by the City Council, and five of whom shall be appointed by the Mayor, subject to the approval of a majority of the City Council.

Department of Finance, August, 2011

MAYOR AND COUNCIL

CITY OF MINNEAPOLIS, MINNESOTA

2011

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

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, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda C. Dandson

President

Jeffrey R. Emer

Executive Director



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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

Mayor and Members of the City Council
City of Minneapolis, Minnesota

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, 2011, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City's management. 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 represents less than 1 percent, a negative 2 percent, and 8 percent, respectively, of the assets, net assets, and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our 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, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1.N. to the financial statements for 2011, the City of Minneapolis adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as of and for the year ended December 31, 2011. GASB Statement 54 establishes new fund balance classifications and clarifies governmental fund type definitions.

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. In accordance with auditing standards generally accepted in the United States of America, we have applied certain limited procedures to the required supplementary information, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Minneapolis' basic financial statements taken as a whole. 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. This 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 presented in all material respects in relation to the basic financial statements taken 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 27, 2012, on our consideration of the City of Minneapolis' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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* and should be considered in assessing the results of our audit. It does not include Meet Minneapolis which was audited by other auditors.



REBECCA OTTO
STATE AUDITOR



GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

July 27, 2012



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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, 2011. 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

- Assets of the City of Minneapolis exceeded liabilities at the close of the 2011 fiscal year by \$1,756,111 (net assets). Of this amount, \$1,358,912 is invested in capital assets net of related debt and \$227,796 is restricted for specific purposes (restricted net assets) leaving \$169,403 in unrestricted net assets.
- The City's total net assets increased by \$236,781 in 2011. Governmental activities increased the City's net assets by \$196,342 and the business-type activities increased the net assets by \$40,439.
- As of December 31, 2011, total fund balance in the general fund was \$72,371 of which \$69,891 was unassigned.
- The City's total long-term bond and note liability decreased by \$104,056 from the prior year. Total bonds and notes issued in 2011 was \$233,000 including \$186,550 of refunding transactions. Total debt retirement was \$337,056, including refunding transactions. Major new debt issuances included bonds of \$27,570 for various infrastructure improvements in the five-year capital plan; \$8,495 for special assessment projects; and \$10,385 of general obligation water revenue notes for water infrastructure projects.

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 3 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 assets presents information on all City assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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 and economic development. The business-type activities of the City include sanitary sewer, stormwater, solid waste and recycling, water works, community planning and economic development, and municipal parking.

The government-wide financial statements include not only the City of Minneapolis (known as primary government), but also legally separate entities for which the City is accountable. For the City of Minneapolis, component units are included in the basic financial statements of the City, and consist of legally separate entities for which the City is financially accountable

and have substantially the same board as the City (discretely presented component units) or provide services almost entirely to the primary government (blended 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 26-27 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 governmental fund 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 16 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 balance for the General Fund, the Community Planning and Economic Development Special Revenue Fund, the Convention Center Special Revenue Fund, the Permanent Improvement Capital Project Fund, the Development Debt Service Fund, the General Debt Service Fund, and the Special Assessment Debt Service Fund, all of which are considered to be major funds. Data from the other 9 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 28-31 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 Works, Municipal Parking, Solid Waste and Recycling, and Community Planning and 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 purchase 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 32-35 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 36 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 39-83 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 85-88 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 Assets

The City's assets exceeded liabilities by \$1,756,111 at the close of the fiscal year ending December 31, 2011 compared to \$1,519,330 at the end of the previous year.

Statement of Net Assets
December 31, 2011

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 674,225	\$ 631,081	\$ 245,442	\$ 243,174	\$ 919,667	\$ 874,255
Capital assets	1,099,001	1,031,177	960,214	939,842	2,059,215	1,971,019
Total assets	<u>\$ 1,773,226</u>	<u>\$ 1,662,258</u>	<u>\$ 1,205,656</u>	<u>\$ 1,183,016</u>	<u>\$ 2,978,882</u>	<u>\$ 2,845,274</u>
Current and other liabilities	\$ 142,287	\$ 141,663	\$ 56,867	\$ 62,192	\$ 199,154	\$ 203,855
Long-term liabilities	654,532	740,530	369,085	381,559	1,023,617	1,122,089
Total liabilities	<u>796,819</u>	<u>882,193</u>	<u>425,952</u>	<u>443,751</u>	<u>1,222,771</u>	<u>1,325,944</u>
Net assets:						
Invested in capital, net of related debt	691,926	631,808	666,986	634,686	1,358,912	1,266,494
Restricted net assets	192,829	152,952	34,967	34,674	227,796	187,626
Unrestricted net assets	91,652	(4,695)	77,751	69,905	169,403	65,210
Total net assets	<u>976,407</u>	<u>780,065</u>	<u>779,704</u>	<u>739,265</u>	<u>1,756,111</u>	<u>1,519,330</u>
Total liabilities and net assets	<u>\$ 1,773,226</u>	<u>\$ 1,662,258</u>	<u>\$ 1,205,656</u>	<u>\$ 1,183,016</u>	<u>\$ 2,978,882</u>	<u>\$ 2,845,274</u>

The largest portion of the City's net assets reflects its \$1,358,912 investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt that is still outstanding used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investments in capital assets 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 assets increased to \$227,796 in 2011 largely due to increases in grants and the community planning and economic development programs offset by a reduction in debt service. Net assets are 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).

Unrestricted net assets of \$169,403 represent another portion of the City's net assets. For the third straight year, the City continues to report a positive unrestricted net assets balance.

Statement of Activities

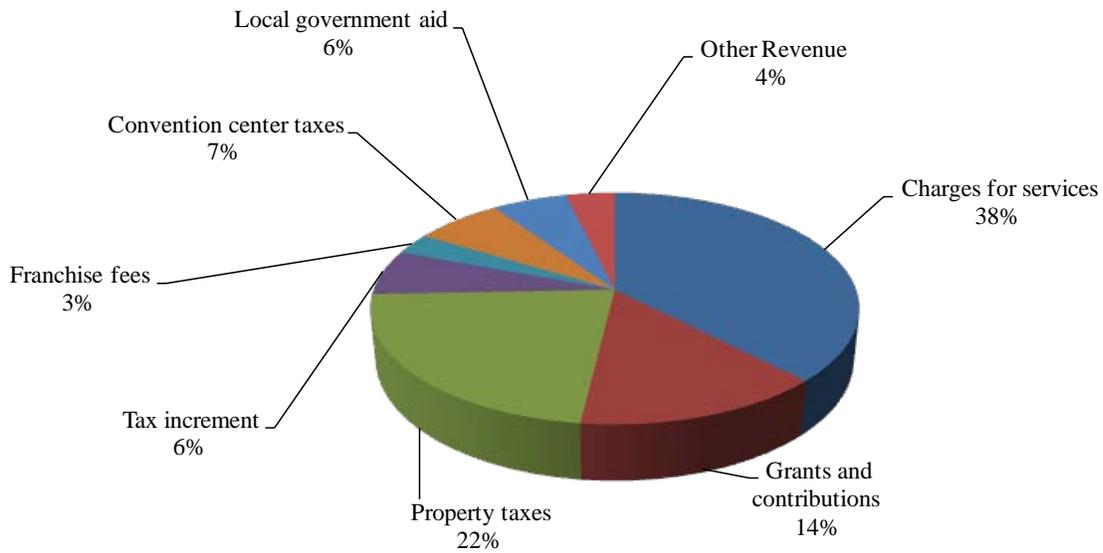
The following table presents the changes in net assets for governmental and business-type activities:

	Statement of Activities For the Year Ended December 31, 2011					
	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues						
Program revenues:						
Charges for services	\$ 115,441	\$ 161,814	\$ 251,336	\$ 252,563	\$ 366,777	\$ 414,377
Operating grants and contributions	115,622	118,118	-	-	115,622	118,118
Capital grants and contributions	20,630	28,198	2,146	1,215	22,776	29,413
General revenues:						
Property taxes	218,756	217,519	-	-	218,756	217,519
Property tax increment	61,003	42,117	-	-	61,003	42,117
Franchise fees	29,128	27,855	-	-	29,128	27,855
Convention center taxes	65,850	61,307	-	-	65,850	61,307
Other taxes	218	42	-	-	218	42
Local government aid	56,378	56,578	-	-	56,378	56,578
Interest and investment earnings	5,088	5,961	438	271	5,526	6,232
Miscellaneous	31,078	1,440	20	-	31,098	1,440
Total revenues	719,192	720,949	253,940	254,049	973,132	974,998
Expenses						
General government	82,897	120,378	-	-	82,897	120,378
Public safety	269,036	263,806	-	-	269,036	263,806
Public works	5,210	73,848	-	-	5,210	73,848
Culture and recreation	7,287	13,861	-	-	7,287	13,861
Health and welfare	16,260	14,240	8,266	6,472	24,526	20,712
Community & economic development	138,537	146,439	-	-	138,537	146,439
Interest on long-term debt	21,916	26,152	-	-	21,916	26,152
Sanitary Sewer	-	-	33,659	35,233	33,659	35,233
Storm Water	-	-	24,502	26,273	24,502	26,273
Solid waste and recycling	-	-	29,784	27,804	29,784	27,804
Water works	-	-	52,891	55,980	52,891	55,980
Municipal parking	-	-	46,106	49,920	46,106	49,920
Total expenses	541,143	658,724	195,208	201,682	736,351	860,406
Excess (deficiency) before transfers	178,049	62,225	58,732	52,367	236,781	114,592
Transfers	18,293	20,178	(18,293)	(20,178)	-	-
Change in net assets	196,342	82,403	40,439	32,189	236,781	114,592
Net assets - January 1 -restated (note 1)	780,065	697,662	739,265	707,076	1,519,330	1,404,738
Net assets - December 31, 2011	\$ 976,407	\$ 780,065	\$ 779,704	\$ 739,265	\$ 1,756,111	\$ 1,519,330

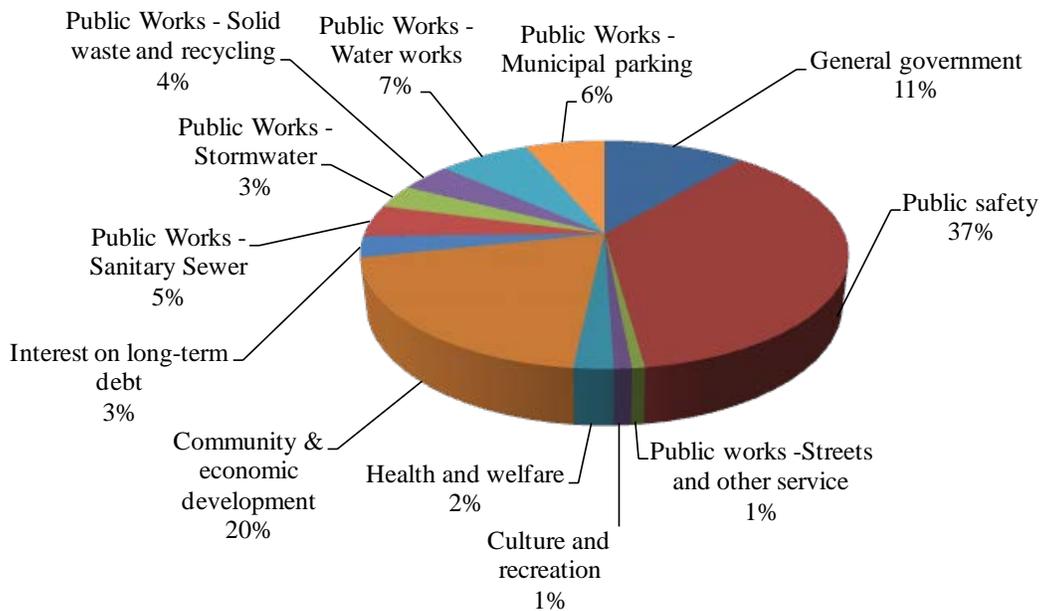
Governmental Activities—Governmental activities increased the City’s net assets by \$196,342 compared to an increase of \$82,403 in 2010. This increase was primarily due to an increase in the capital assets along with a comparable decrease in debt. Governmental activities are supported by charges for services, grants, and contributions. Additionally, general revenues cover any net expense after program specific revenues are applied. In 2011, 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 \$46,020.

Government-wide Revenues



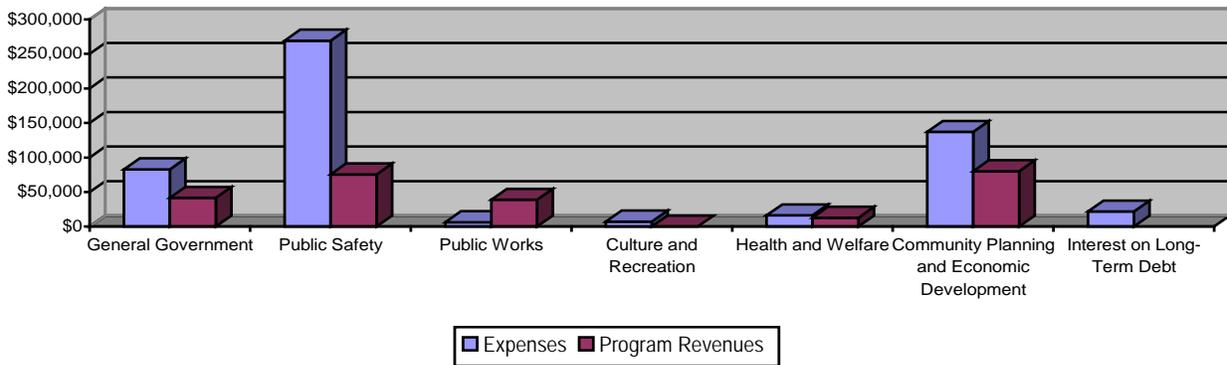
Government-wide Expenses



Summary of expenses and program revenues - Governmental Activities
For the Year ended December 31, 2011

Functions/Programs	Expenses	Program revenues	Net (Expense) Revenue by Program
General government	\$ 82,897	\$ 44,139	\$ (38,758)
Public safety	269,036	75,610	(193,426)
Public works	5,210	39,007	33,797
Culture and recreation	7,287	-	(7,287)
Health and welfare	16,260	12,777	(3,483)
Community & economic development	138,537	80,160	(58,377)
Interest on long term debt	21,916	-	(21,916)
	<u>\$ 541,143</u>	<u>\$ 251,693</u>	<u>\$ (289,450)</u>
General revenues and transfers supporting governmental activities			<u>485,792</u>
Change in net assets			<u>196,342</u>
Net assets - January 1, 2011			<u>780,065</u>
Net assets - December 31, 2011			<u>\$ 976,407</u>

Summary of Expenses and Program Revenues - Governmental Activities

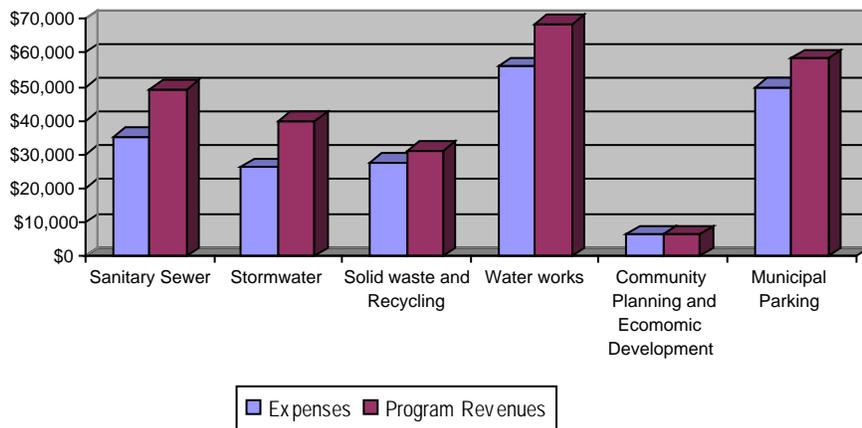


Business-Type Activities—Business-type activities increased the City’s net assets by \$40,439 compared with an increase of \$32,189 in 2010.

**Summary of expenses and program revenues - Business-Type Activities
For the Year ended December 31, 2011**

Functions/Programs	Expenses	Program Revenues	Net (Expense) Revenue by Program
Sanitary sewer	\$ 33,659	\$ 48,456	\$ 14,797
Stormwater	24,502	41,936	17,434
Solid waste and recycling	29,784	32,857	3,073
Water works	52,891	69,674	16,783
Community planning & economic development	8,266	7,872	(394)
Municipal parking	46,106	52,687	6,581
	<u>\$ 195,208</u>	<u>\$ 253,482</u>	<u>\$ 58,274</u>
General revenues net of transfers out supporting business-type activities			<u>(17,835)</u>
Change in net assets			<u>40,439</u>
Net assets - January 1, 2011			<u>739,265</u>
Net assets - December 31, 2011			<u>\$ 779,704</u>

Summary of Expenses and Program Revenues - Business-Type Activities



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 2011, seven governmental funds, including the General Fund, are presented as major funds. These funds include two Special Revenue Funds (Community Planning and Economic Development Fund, and Convention Center Fund), the Permanent Improvement Capital Project Fund, and three Debt Service Funds (Development, General Debt Service, and Special Assessment).

In 2011 the City implemented GASB 54 which changed how fund balance in the governmental funds is classified. Fund balance is divided into four classifications based primarily on the extent to which the City is bound to observe constraints imposed on the use of its resources. The classifications are nonspendable, restricted, committed and assigned. All other fund balance is unassigned. At December 31, 2011, the City's governmental funds reported combined ending fund balances of \$431,169, a decrease of \$3,965 compared with the prior year. Approximately 16 percent of this total amount (\$69,891) 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 (\$55,640) for land development and other legal and contractual requirements; restricted (\$192,829) for debt service, community planning and economic development, capital improvements, grants, and law enforcement legal requirements; committed (\$7,058) to accelerated infrastructure projects; and assigned (\$105,751) for specific purposes not meeting a more restricted criteria for community planning and 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 2011		FY 2010		Increase/ (Decrease)
	Amount	Percent of Total	Amount	Percent of Total	Amount
	Taxes	\$ 374,123	53.59 %	\$ 343,956	49.49 %
Licenses and permits	32,851	4.71	29,301	4.22	3,550
Intergovernmental revenues	167,316	23.96	189,510	27.27	(22,194)
Charges for services and sales	58,722	8.41	56,776	8.17	1,946
Fines and forfeits	10,620	1.52	9,934	1.43	686
Special assessments	22,678	3.25	23,849	3.43	(1,171)
Interest	5,050	0.72	6,269	0.90	(1,219)
Miscellaneous revenue	26,831	3.84	35,366	5.09	(8,535)
Total	\$ 698,191	100.00 %	\$ 694,961	100.00 %	\$ 3,230

Expenditures by Function Governmental Funds					
Expenditures by Function	FY 2011		FY 2010		Increase/ (Decrease)
	Amount	Percent of Total	Amount	Percent of Total	Amount
	General government	\$ 72,546	10.33 %	\$ 72,746	8.81 %
Public safety	260,307	37.07	258,507	31.31	1,800
Public works	49,918	7.11	50,165	6.08	(247)
Culture and recreation	7,287	1.04	13,808	1.67	(6,521)
Health and welfare	16,014	2.28	13,822	1.67	2,192
Community & economic development	128,338	18.28	146,082	17.70	(17,744)
Capital outlay	44,633	6.35	60,659	7.35	(16,026)
Debt service - principal retirement	96,947	13.80	179,242	21.71	(82,295)
Debt service - interest and fiscal charges	26,247	3.74	30,505	3.70	(4,258)
Total	\$ 702,237	100.00 %	\$ 825,536	100.00 %	\$ (123,299)

General Fund—The General Fund is the general operating fund of the City. Because the City implemented GASB 54, certain new activity is required to be reported in the General Fund that is 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. The assigned fund balance in the General Fund is related to this activity. As of December 31, 2011, unassigned fund balance in the General Fund was \$69,891, while total fund balance was \$72,371. The fund balance of the City’s General Fund increased by \$11,009 during the current fiscal year. As a measure of the General Fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures.

The following table provides changes in revenues by source from 2010 to 2011:

Revenues by Source	General Fund Revenues By Source				Increase/ (Decrease) Amount
	2011		2010		
	Amount	Percent of Total	Amount	Percent of Total	
Taxes	\$ 199,703	52.20 %	\$ 198,020	53.69 %	\$ 1,683
Licenses and permits	30,384	7.94	26,541	7.20	3,843
Intergovernmental revenues	68,432	17.89	69,480	18.84	(1,048)
Charges for services and sales	37,948	9.92	37,303	10.11	645
Fines and forfeits	9,500	2.48	8,825	2.39	675
Special assessments	3,166	0.83	2,792	0.76	374
Interest	1,968	0.51	1,844	0.50	124
Miscellaneous revenues	1,495	0.39	1,314	0.36	181
Total revenues	\$ 352,596	92.16	\$ 346,119	93.85	\$ 6,477
Transfers in	30,000	7.84	22,673	6.15	7,327
Total revenues and other financing sources	\$ 382,596	100.00 %	\$ 368,792	100.00 %	\$ 13,804

In 2011, General Fund revenues and transfers increased by about 4% from the previous year. Some highlights include:

- Taxes are higher because the City levied more in 2011, but collections were \$2,192 under revenue estimates.
- Licenses and permits are higher because a large number of building permits were issued.
- Transfers in are higher due to a higher budgeted amount, and increased entertainment tax collections that are transferred from the Convention Center Special Revenue Fund.
- Intergovernmental revenues are lower due to cuts in State Aid.

The following table provides the changes in expenditures by function from 2010 to 2011:

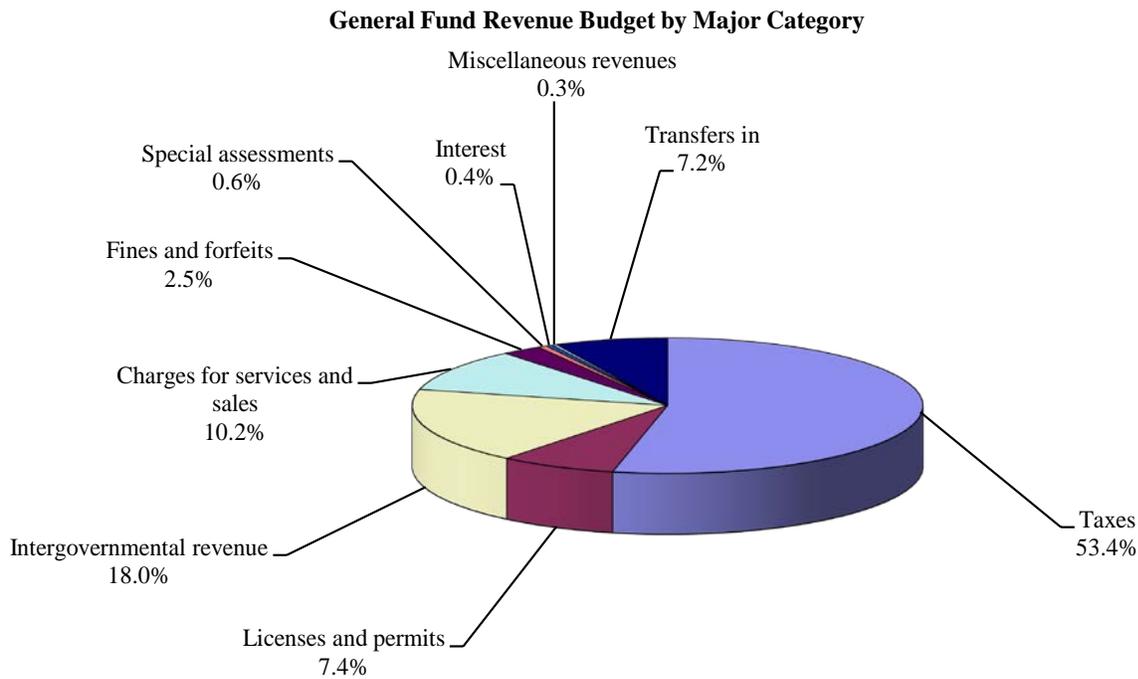
Expenditures by Function	General Fund Expenditures by Function				Increase/ (Decrease) Amount
	2011		2010		
	Amount	Percent of Total	Amount	Percent of Total	
General government	\$ 59,751	16.08 %	\$ 58,766	15.64 %	\$ 985
Public safety	214,573	57.74	214,301	57.04	272
Public works	44,204	11.90	44,642	11.88	(438)
Culture and recreation	5,873	1.58	6,747	1.80	(874)
Health and welfare	3,300	0.89	3,313	0.88	(13)
Community & economic development	3,257	0.88	3,527	0.94	(270)
Total expenditures	330,958	89.07	331,296	88.18	(338)
Transfers out	40,629	10.93	44,401	11.82	(3,772)
Total expenditures and other financing uses	\$ 371,587	100.00 %	\$ 375,697	100.00 %	\$ (4,110)

Overall, general fund expenditures decreased by 1% from the previous year due to appropriation savings. Appropriations were underspent by more than \$2,000 each in Contingency and the Coordinator - Neighborhood and Community Relations department. In addition, the Police department had over \$1 million in remaining appropriation.

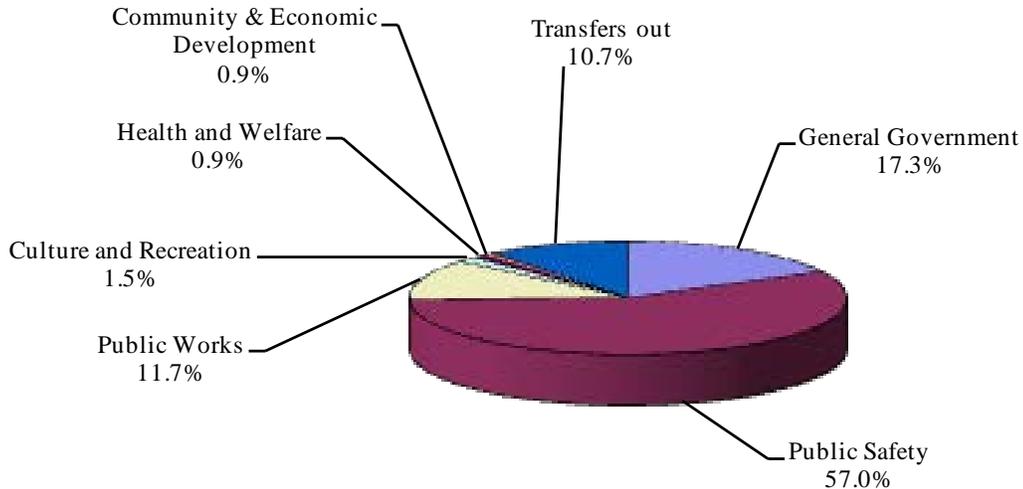
General Fund Budgetary Highlights—The final budget for the City’s General Fund represents the original budget plus any previously appropriated funds set aside for the purpose of honoring legally incurred obligations (prior year encumbrances and commitments), and any additional supplemental appropriations that may occur during the fiscal year. In 2011, the following were significant budget actions:

- The original General Fund appropriation for fiscal year 2011 was \$397,336, which included projected transfers out of \$57,160. The final appropriation was \$380,011. General revenues and other resources were originally estimated at \$397,646, which included projected transfers of \$26,462. The final revenue estimate was \$377,889 including transfers of \$27,075.
- Significant budgetary variances between the final amended budget and the actual results included:
 - 1) Tax revenues were below budgeted amounts by \$2,192 due to the large number of property tax abatements awarded in 2011.
 - 2) License and permit revenues were \$2,519 above estimates due to the increased number of permits related to construction.
 - 3) The Coordinator-Neighborhood and community relations department expenditures were under budget by \$2,611 because the department is new and has not yet implemented all of its programs.
 - 4) The Police department did not spend \$1,170 due to reduced overtime and a transfer of contingency funds in the last half of the year that will be rolled into the 2012 budget.

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



General Fund Expenditure Budget by Function



Community Planning and Economic Development (CPED) Special Revenue Fund— The Community Planning and 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 UDAG repayments.

The total revenues of the CPED Special Revenue fund in 2011 were \$78,970. Property tax increment financing provided 72% of the fund’s revenue. The remaining revenue was derived from a variety of miscellaneous sources. Property tax increment revenue increased by \$14,891 in 2011. The increase resulted from collections from a new tax increment district intended to provide debt service resources for the outstanding bonded debt of the Target Center, and to provide operating support to the City’s Coordinator - Neighborhood and Community Relations Department. The expenditures for the fund in 2011 were \$45,687. 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 2011 was comparable to the prior year.

The fund’s transfers to other funds of \$39,627 were primarily to provide resources for the debt service of obligations issued by the City for community development programs and to provide a \$5,000 operating transfer for the City’s accelerated infrastructure program. The CPED also transferred \$5,132 to the City’s Coordinator - Neighborhood and Community Relations Department to support ongoing activities.

At year end, the fund balance of the CPED Special Revenue fund was \$209,604 of which \$38,360 was in a nonspendable form, primarily for the inventory of land held for development; \$141,654 was restricted for specific programs by State law; \$7,058 was committed to the City’s accelerated infrastructure program; and the remaining \$22,532 was assigned to community and 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% food and liquor tax applied to core downtown establishments;
- 3% citywide entertainment tax;
- 2.625% citywide lodging tax for motels and hotels with 50 units or more

Overall tax proceeds for 2011 were nearly 8% above 2010 levels and nearly 12% over budget.

Minneapolis Convention Center Taxes

<u>Taxes</u>	<u>2011 Budget</u>	<u>2011 Actual</u>	<u>2010 Actual</u>
Sales and Use	\$ 27,593	\$ 29,922	\$ 27,266
Entertainment	11,300	13,997	13,175
Food	10,306	11,032	10,491
Liquor	3,929	4,599	4,586
Lodging	5,911	6,300	5,790
Total	<u>\$ 59,039</u>	<u>\$ 65,850</u>	<u>\$ 61,308</u>

The total 2011 Convention Center revenue was \$81,307 which was \$6,061 or 8% over 2010 and \$7,058 or nearly 10% over budget. The increased revenue can be attributed to better than expected operating revenue and, more significantly, to better than expected local tax revenue.

For 2011, total expenditures finished the year 15% under 2010 levels and nearly 17% under budget with Ongoing Equipment and Improvement seeing the largest decrease when compared to 2010 and the 2011 budget. Overall, operating expenses finished slightly below 2010 levels as the Convention Center continued working on the ‘no waste’ initiative which included goals to increase recycling and reduce energy usage and water use.

During 2011, the Convention Center transferred \$14,247 to the General Fund, \$1,528 over 2010 and \$2,778 over the 2011 budget. The increase over 2010 can be attributed to the reduced transfer to the Target Center and better than expected entertainment tax revenue. The Convention Center also transferred \$7,589 to the Parking Fund, nearly \$4,000 less than the 2010 level, and \$22,214 to pay off debt service, \$3,178 higher than in 2010.

The 2011 fund balance ended the year at \$49,684, which was \$10,691 higher than budgeted, and \$3,575 higher than 2010. The 2011 change can be attributed to better than expected operating and local tax revenue, in addition to lower than expected expenses.

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, sidewalks, streets, traffic signals, street lights, and to fund other capital projects. During 2011, \$44,633 of capital outlay occurred which was a 25% decrease from 2010.

The key assets constructed with these funds include:

- Bridges - \$4,848
- Streets - \$22,075
- Traffic Signals & Street Lighting - \$6,331
- Bike Trails- \$4,266
- Heritage Park (Near North) project - \$117
- Property Service - \$2,289

The fund balance increased from \$20,830 in 2010 to \$27,388, the increase was due to the transfer of funds from other funds and unspent bond proceeds. Additionally, revenues for the fund decreased from \$31,378 in 2010 to \$28,784 in 2011 due to decreased funding from state and federal sources for capital projects.

Development Debt Service Fund- Development Fund

The Development Debt Service Fund is used to pay debt service on the City's Convention Center, Target Center Arena and other economic development projects. Resources to pay debt service on the Convention Center come from several sales tax sources including a special one-half percent City-wide sales tax and a three percent sales taxes on entertainment, restaurants, liquor and lodging in the downtown district. Target Center Arena debt is paid for with tax increments, entertainment taxes within the facility, property taxes and parking revenues. Economic development project debt is paid with tax increment collections specific to a stand-alone tax increment district or sometimes several tax increment districts are pooled to support a given project.

At the end of 2011, the City had \$301,795 of debt outstanding for the Convention Center, Target Center Arena and other development related projects. During 2011, the City issued \$144,350 of refunding bonds for the Convention Center, the details of which can be found in Note 5 - Long-term Debt on page 64, and paid total debt service of \$186,607 on the bonds included in the Development fund, of which \$174,360 was principal repayment including refunded bonds paid.

General Debt Service Fund

The General Debt Service Fund is used to pay debt service on the City's property tax supported bonds including capital infrastructure, library referendum and pension obligation bonds, and governmental activity revenue notes. Resources to pay debt service on the bonds come from specific tax levies dedicated for bond redemption and, in the case of pension bonds, transfers from other City funds for a share of pension debt service costs associated with internal service fund and enterprise fund activities. Resources to pay debt service on the revenue notes come from tax increment collections.

At the end of 2011, the City had \$188,340 of outstanding bonds and \$15,276 of outstanding revenue notes related to the General Debt Service Fund. During 2011, the City issued \$11,482 of new infrastructure bonds and \$42,200 of library referendum refunding bonds, and paid total debt service of \$113,124 including \$60,192 of bond principal, \$309 of note principal and \$42,200 of bond refunding principal.

Special Assessment Debt Service Fund—The City of Minneapolis 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 2011, the City had \$50,975 of debt outstanding for special assessment improvements, including \$8,495 of new bonds issued during the year. During 2011, the City received debt related assessment collections and interest earnings of \$8,551, and paid total debt service of \$7,486 on special assessment bonds, of which \$5,726 was principal repayment.

Enterprise Funds—The City operates six enterprise funds: Sanitary Sewer, Stormwater, Water Works, Municipal Parking, Solid Waste and Recycling, and Community Planning and Economic Development (CPED).

Overall, the enterprise funds had positive net assets of \$799,230 at December 31, 2011, an increase of \$41,831 over 2010.

The following table summarizes the total assets, total liabilities, operating income, changes in net assets, and net asset balances for each of the enterprise funds, from 2010 to 2011:

Enterprise Funds
Key Balance Sheet Account Balances and Operating Activities
December 31, 2011

	Sanitary Sewer	Stormwater	Water Works	Municipal Parking	Solid Waste & Recycling	CPED	Total	
							2011	2010
Assets	\$ 118,484	\$ 304,885	\$ 314,269	\$ 316,238	\$ 32,878	\$ 139,138	\$ 1,225,892	\$ 1,201,160
Liabilities	17,646	19,988	128,310	159,029	2,339	99,349	426,662	443,761
Operating Income (loss)	5,596	17,227	14,288	9,436	2,440	4,883	53,870	45,263
Changes in net assets	4,682	17,029	9,065	8,890	2,620	(455)	41,831	32,329
Net Assets	\$ 100,838	\$ 284,897	\$ 185,959	\$ 157,208	\$ 30,539	\$ 39,789	\$ 799,230	\$ 757,399

Sanitary Sewer Fund—The Sanitary Sewer Fund accounts for the majority of the payments to the Metropolitan Council Environmental Services (MCES) for sewage interceptor and treatment services. It also accounts for the sanitary sewer maintenance and design. The net asset balance as of December 31, 2011 was \$100,838, a \$4,682 increase over 2010. Revenues remained at 2010 levels whereas operating expenses increased by \$2,000.

Stormwater Fund—The Stormwater Fund accounts for stormwater activities including the Combined Sewer Overflow (CSO) program. The net asset balance as of December 31, 2011 was \$284,897, an increase of \$17,029 over 2010. Revenues increased by \$2,033 and expenses decreased by \$1,771.

Solid Waste and Recycling Fund—The Solid Waste and Recycling Fund accounts for solid waste collection, disposal, and recycling operations. The fund also includes “clean city” activities such as neighborhood clean sweeps, litter and graffiti removal, and litter control in the business districts. City crews provide approximately one-half of the solid waste collection services, while the remaining services are provided through contracts with private operators. The net asset balance in the fund increased by \$2,620 to \$30,539 due to an increase in operating revenues of \$1,708 and a decrease in operating expenses of \$1,005.

Water Works Fund—The Water Works Fund accounts for the operation and maintenance of a water 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 assets increased by \$9,065 for the year, resulting in a net asset balance at December 31, 2011 of \$185,959.

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. The net asset balance for December 31, 2011 was \$157,208, which is an increase of \$8,890 from 2010.

A revised parking fund financial plan is being developed due to successful parking initiatives and financial efforts that include installation of multi-space parking meters, refinancing of debt, and parking system initiatives to increase revenues and decrease expenses.

Community Planning and 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 assets decreased by \$455 during the year. Operating transfers in the amount of \$499 in 2011 and \$398 in 2010 were made from the resources generated by the programs of the CPED Enterprise Fund for the benefit of other development activities of the City.

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 charge user fees to recover the cost of operations and accumulate equity for purposes of maintaining the on-going operations provided to the government.

While the financial condition of the internal service funds continues to represent a financial challenge for the City, key measures taken in 2001 have resulted in continued financial performance improvement. The financial condition of these funds had reached a low point at year-end 2000 when the combined net asset deficit had declined to \$(54,407). At the end of 2011, the combined net assets in the internal service funds had improved to \$83,468. 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 \$120,320 can be credited to the deficit reduction plans implemented by the managers of each of their respective funds. Another milestone reached in 2011 is that the six Internal Service Funds have a positive combined cash balance that continues to increase. The following table provides a summary of cash balances, total assets, total liabilities, operating income, changes in net assets, and net asset balances for each of the internal service funds:

**Internal Service Funds
Key Balance Sheet Account Balances and Operating Activities
December 31, 2011**

	<u>Eng. Materials & Testing</u>	<u>Intergovern- mental Services</u>	<u>Property Services</u>	<u>Equipment Services</u>	<u>Public Work Stores</u>	<u>Self-Insurance</u>	<u>Total 2011</u>	<u>Total 2010</u>
Cash	\$ 1,164	\$ 11,860	\$ 699	\$ 12,303	\$ 3	\$ 47,541	\$ 73,570	\$ 58,855
Assets	1,252	57,209	32,918	62,305	4,375	49,687	207,746	204,238
Liabilities	123	35,018	6,855	27,147	1,349	53,786	124,278	133,366
Operating Income(Loss)	483	(8,531)	(922)	1,697	(147)	(5,327)	(12,747)	(14,297)
Changes in net assets	395	5,288	72	4,550	(198)	2,489	12,596	15,176
Net Assets	\$ 1,129	\$ 22,191	\$ 26,063	\$ 35,158	\$ 3,026	\$ (4,099)	\$ 83,468	\$ 70,872

Engineering Materials and Testing Fund—This fund accounts for operation of the City’s Engineering Laboratory testing and inspection services along with the purchases of asphalt and ready-mix concrete. In 2003, the City Council took action to indefinitely discontinue operations of the asphalt plant. As a result, the Fund continues to account for the outside purchases of asphalt and ready-mix concrete.

In 2009, 2010 and 2011, the fund earned operating incomes of \$520, \$301 and \$483, respectively, after sustaining an operating loss of \$115 in 2008. After a reduction to net assets of \$168 in 2008, the fund has consistently increased net assets from 2009 through 2011 by a total of \$1,101 to achieve an ending net asset balance of \$1,129. The fund maintains a positive cash balance, increasing the 2010 balance of \$802 by \$362 to achieve a 2011 ending balance of \$1,164.

Intergovernmental Services Fund—This fund accounts for information technology services, central mailing and printing services, and telecommunication operations. In 2003, the fund’s beginning net asset balance 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 asset deficit from (\$40,850) to (\$32,984). The fund has since recorded a total increase in net assets of \$55,175 through 2011, attaining a positive net asset balance for the first time in 2008. The updated long-term financial plan forecast the fund to attain a net asset balance at year-end 2011 of \$17,002. This

fund has performed better than projected for the last six years. The actual cash balance at year-end 2011 is \$11,860 compared to the projected cash balance of \$5,176. The cash balance increased due to collection of \$1,175 on the note receivable and prepayments totaling \$2,658 for scheduled technology projects. In 2010, \$4,560 of refunding bonds was issued to retire old debt and achieve a lower interest rate for current debt. In 2011, bonds totaling \$1,000 were issued as new debt to fund approved capital projects.

Property Services Fund—The Property Service Fund is responsible for the management and maintenance of City-owned real estate, including police precinct structures, fire stations, public works buildings, office buildings, parking structures, and properties held for development purposes. The fund is not financially responsible for City Hall, the Convention Center, parking facilities, Water plant or 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. Ownership of some of the City's properties is recorded as assets of this fund resulting in a depreciation expense. Currently, the Property Services Fund does not have rental and maintenance rates sufficient to fully recover depreciation, which results in an operating loss and a decrease to net assets each year. The fund incurred a total decrease to net assets of \$4,165 from the 2003 ending net asset balance of \$30,228 to the 2011 balance of \$26,063. In 2011, net assets increased \$72, from the 2010 ending balance of \$25,991 resulting in a 2011 year-end balance of \$26,063. The cash balance increased from \$126 at year-end 2010 to \$699 at year-end 2011.

Equipment Services Fund—The Equipment Services Fund accounts for the City's fleet of vehicles and related equipment and accessories. In addition, the fund manages the dispatch of City-owned and contractual equipment. A long-term financial plan was developed for the fund in 2003 and the fund has progressively increased its net asset balance from \$13,266 in 2004 to \$35,158 in 2011 ahead of ending balance projected for 2011 in the fund's updated long-term financial plan. This represents an increase in net assets of \$4,550 or 14.9% in 2011 from the ending balance of \$30,608 in 2010. The 2011 ending cash balance is \$12,303, an increase of \$4,068 from the ending balance of \$8,235 in 2010. The increase in cash is primarily due to a decrease in the acquisition of fleet vehicles and equipment.

The Fleet Services Division uses an activity based cost recovery model to calculate equipment and labor rental rates charged to customers based on actual expenses related to the vehicle and the replacement cost of the vehicle. A new financial subsystem was implemented in 2008 to account for the multitude of transactions related to the maintenance and repair of the vehicles in a more efficient manner. Since 2006, this fund has eliminated the use of the sale of bonds to support the equipment purchases.

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. For 2011, the fund reported a net asset loss of (\$198), decreasing the net asset balance from \$3,224 in 2010 to \$3,026 in 2011. The fund decreased its cash balance from \$9 reported in 2010 to \$3 recorded at year-end 2011. In 2011, the fund increased the amount due to other funds by \$195, or 23.4%, resulting in a 2011 balance of \$1,030 compared to the 2010 balance of \$835.

Self-Insurance Fund—The Self-Insurance Fund accounts for employee COBRA insurance benefits programs, occupational health services, severance payments, the tort liability program, workers' compensation program, and the related administrative costs. With the implementation of the new financial system, benefit payments for medical, dental, long-term disability and life insurance are paid directly from payroll and no longer pass through this fund. The net asset balance at year-end 2011 is a deficit of \$(4,099), an increase of \$2,489 from the 2010 deficit of \$(6,588). The cash balance increased from \$41,245 in 2010 to \$47,541 at year-end 2011. In 2003, when the fund's net asset balance was a deficit of \$(40,983), a long-term financial improvement plan was implemented. The plan was updated in 2011. The performance of the fund over the past six years compared to the original long-term financial plan resulted in a net asset balance that is ahead of plan and a cash balance that is significantly increased over the original forecast.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets— As of December 31, 2011, the City’s investment in capital assets for its governmental and business-type activities was \$2,059,215 (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 4% consisting of a 7% increase for governmental activities and a 2% increase for business-type activities.

The following table summarizes capital assets for governmental and business-type activities for 2011 and 2010:

Capital Assets (Net of depreciation)

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Land and easements	\$ 110,789	\$ 111,084	\$ 128,382	\$ 126,615	\$ 239,171	\$ 237,699
Infrastructure	292,679	181,449	-	-	292,679	181,449
Construction in progress	232,813	279,478	39,937	95,219	272,750	374,697
Buildings and structures	393,220	385,204	321,282	310,828	714,502	696,032
Public improvements	800	397	439,868	400,449	440,668	400,846
Machinery and equipment	37,976	39,569	30,721	6,682	68,697	46,251
Computer equipment	12,546	10,860	19	42	12,565	10,902
Software	18,178	23,136	2	4	18,180	23,140
Other capital outlay	-	-	3	3	3	3
Total	\$ 1,099,001	\$ 1,031,177	\$ 960,214	\$ 939,842	\$ 2,059,215	\$ 1,971,019

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

- The green renovation of the Public Works Hiawatha Maintenance facility.
- Participation in the Parkway Paving, Victory Drive North.
- Reconstruction of Riverside Ave Phase 1.
- Reconstruction of 25th Ave SE Granary Road.
- Sidewalk on 3-2 above.
- Participation with MNDOT on Lyndale and Hennepin Avenues overlay.

Additional information on the City’s capital assets can be found in Note 4 on pages 58-61 of this report.

Long-term debt—As of December 31, 2011, the City had total long-term bonds and notes outstanding of \$1,016,919 compared to \$1,120,975 in the prior year. Of this amount, \$627,766 related to governmental activities and \$389,153 related to business activities. The City had \$45,700 or approximately 5% of the outstanding bonds in variable rate mode at year-end. In addition to bonded debt, the City had \$106,838 of long-term revenue notes outstanding at December 31, 2011, of which \$15,276 related to governmental activities and \$91,561 related to business activities.

The table on the following page shows various classifications of the City’s long-term debt at December 31, 2011 and the amount of principal due in 2012.

<u>Summary of Outstanding Bonds and Notes</u>	<u>Balance 1/1/2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/2011</u>	<u>Due in 2012</u>
General Obligation (GO) Bonds and Notes:					
Property Tax Supported GO Bonds	\$ 236,570	\$ 53,682	\$ 101,912	\$ 188,340	\$ 18,310
Self Supporting GO Bonds	197,780	144,350	163,265	178,865	5,335
GO Improvement Bonds	47,806	8,895	5,726	50,975	7,220
Tax Increment GO Bonds	139,830	-	11,575	128,255	12,385
Internal Service Fund Related GO Bonds	51,940	1,000	12,875	40,065	12,160
Enterprise Fund Related GO Bonds	223,863	14,688	32,944	205,607	28,955
Water Fund GO Notes	84,521	10,385	3,655	91,251	3,550
Total General Obligation Bonds and Notes	<u>982,310</u>	<u>233,000</u>	<u>331,952</u>	<u>883,358</u>	<u>87,915</u>
Revenue Bonds and Notes:					
Economic Development Revenue Bonds	26,700	-	710	25,990	780
Other Community Development Related Bonds	95,925	-	3,940	91,985	3,800
Revenue Notes	16,040	-	454	15,586	734
Total Outstanding Bonds and Notes	<u>\$ 1,120,975</u>	<u>\$ 233,000</u>	<u>\$ 337,056</u>	<u>\$ 1,016,919</u>	<u>\$ 93,229</u>

The City maintained an “AAA” rating from Standard & Poor’s and Fitch Ratings and an “Aaa” from Moody’s for its general obligation debt in 2011. Additional information on the City’s Long-term debt can be found in Note 5 on page 61 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 future costs:

- The City adopted long-term financial plans for three of the internal service funds (Intergovernmental Services, Equipment Services, and Self-Insurance) to increase net assets 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.
- 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 2011, health premiums remained flat due to implementation of a new contract. Also in 2011, for City positions, not including independent boards, growth in salary and wages were budgeted at no increase for most bargaining units.
- 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 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 is 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.
- For 2012 – 2016, the five year capital program totals \$641.7 million including all funding sources. The 2012 portion of this program is \$100.1 million. The City could no longer afford to postpone needed improvements to infrastructure and the 2012 budget recommended a \$56.565 million increase in net debt bond funding. This increase will allow for \$150 million of capital programming over the next five years.

The City’s payments to its closed pension funds are not projected to increase for 2012. However, without the legislation that merged the Minneapolis Police Relief Association (MPRA) and Minneapolis Fire Relief Association (MFRA) into the Public Employees Retirement Association Police & Firefighters Fund (PERA P&F), these costs would have otherwise increased. Costs for these two funds are actually projected to drop from 2011 to 2012 now that the merger legislation has been approved by the two funds, their membership, PERA, and the City. Overall costs between 2011 and 2012 decreased only slightly, however, because of the increased obligation to the Minneapolis Employee’s Retirement Fund (MERF) which

merged into PERA in 2010. MERF costs are expected to remain nearly steady from 2013 – 2032 after large increases from 2011 – 2012.

Without the legislatively approved changes to the MPRA and MFRA, City payments provided from property taxes would be \$20.5 million higher in 2012, at \$23.1 million, versus the actual payment due in 2012 of only \$2.6 million for obligations to those two plans. The overall obligation for all three closed funds falls from \$23 million in 2011 to \$20.1 million in 2012.

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.

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. In 2012, City positions, not including independent boards, did not have a growth in salary and wages. Health insurance costs are budgeted to increase from \$53.9 million to \$55.8 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 2012 is 4% due to implementation of a new contract. The five-year financial direction includes an average 9.5% annual health insurance cost increase.

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. The 2012 budget includes \$20.1 million in property tax for closed pension fund expenses. 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 2012.

During the 1990s, due to other external demands, the revenue to support the internal services did not keep pace with the growth in expenditures. Significant negative cash balances resulted because annual expenses exceeded revenues. Today, the combined balance is no longer negative. This is a significant improvement over the position of the funds since 2000 when the net asset deficit was \$61.7 million. At year-end 2011, the City's three internal services funds with long-term financial plans had combined net assets of \$53.3 million. Additionally, all three funds had positive cash balances at 2011 year-end.

Although the City continues to have a net deficit in one of its internal service funds, future budgets will continue to address this deficit through a Council-adopted long-term financial plan. In order to create capacity in 2012, the General Fund prepaid \$5.5 million in obligations to the Self-Insurance Fund in 2011. There will be a postponement of 2012 obligations (\$2.2 million) to the Fleet Services Fund and a partial prepayment of 2014 obligations (\$1.2 million) in 2013.

Economic Outlook and Tax Trends

Minneapolis has 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 Commercial/Industrial (C/I) tax base is \$7.0 billion dollars, of which \$4.01 billion resides in the Minneapolis Central Business District (CBD).

Between January 2011 and January 2012 the Minneapolis CBD experienced a 1.23% increase in commercial and industrial tax base growth. This is the first positive sign of growth in the CBD commercial and industrial market since the market downturn in 2009. Citywide, Minneapolis's C/I tax base has declined 16.67% from \$4.8 billion dollars in 2008 to \$4.0 billion dollars in 2012. On a good note, the Minneapolis CBD ended 2011 with positive absorption of vacant office space. This is the second consecutive year the CBD has posted positive absorption and improved vacancy. While these positive indicators are only incremental improvements over 2010, they may indicate the bottom of the CBD commercial and industrial market decline.

Lender repossessions of C/I property will continue throughout the metropolitan area in 2012. Lenders repossessed 15-18 office properties in 2011, the majority located in neighboring suburban communities. One notable Minneapolis CBD Class "A" office building to sell in foreclosure was Fifth Street Towers. This \$1.1 million complex sold in April 2012 for \$110 million dollars, down from its 2007 sale price of \$186 million dollars. Overall, C/I foreclosures have had only a modest impact on the Minneapolis CBD commercial and industrial property values in 2011 and 2012.

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 2010, the vacancy rate in the CBD has decreased from 17.5% to 17% in the fourth quarter of 2011.

Employment:

The unemployment rate for the City of Minneapolis as of February 2012 is 6.9% according to the Minnesota Department of Employment and Economic Development. This economic indicator compares favorably to the national unemployment rate (8.9%) but is slightly higher than the State of Minnesota rate (5.7%).

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 ASSETS
December 31, 2011

CITY OF MINNEAPOLIS, MINNESOTA
(In Thousands)

	Primary Government			Discrete Component Units	Total
	Governmental Activities	Business-type Activities	Total		
ASSETS					
Cash and cash equivalents	\$ 428,851	\$ 96,556	\$ 525,407	\$ 23,594	\$ 549,001
Deposits with fiscal agents	136	-	136	-	136
Fund investments	3,335	-	3,335	-	3,335
Investments with trustees	3,324	41,500	44,824	-	44,824
Receivables (net)	102,321	28,384	130,705	9,085	139,790
Loans receivable from component unit	908	-	908	-	908
Due from other governmental agencies	40,537	1,193	41,730	958	42,688
Capital leases	205	3,800	4,005	-	4,005
Prepays and other assets	1,189	-	1,189	298	1,487
Inventories	5,448	6,294	11,742	136	11,878
Internal Balances	20,236	(20,236)	-	-	-
Long-term portion of loans and notes receivable	-	689	689	-	689
Long-term portion of loans due from component unit	6,060	-	6,060	-	6,060
Long-term portion of capital lease receivable	9,325	86,691	96,016	-	96,016
Long-term deferred charges	3,399	571	3,970	-	3,970
Properties held for resale	48,951	-	48,951	-	48,951
Capital assets:					
Nondepreciable	343,602	168,319	511,921	117,335	629,256
Depreciable, net	755,399	791,895	1,547,294	197,053	1,744,347
Total assets	<u>\$ 1,773,226</u>	<u>\$ 1,205,656</u>	<u>\$ 2,978,882</u>	<u>\$ 348,459</u>	<u>\$ 3,327,341</u>
LIABILITIES					
Accrued salaries and benefits	\$ 7,786	\$ 859	\$ 8,645	\$ 1,297	\$ 9,942
Accounts payable	15,760	8,730	24,490	4,481	28,971
Interest payable	3,005	1,973	4,978	141	5,119
Unpaid claims payable	-	-	-	4,317	4,317
Loans payable to primary government	-	-	-	1,918	1,918
Due to other governmental agencies	1,534	59	1,593	1	1,594
Unearned revenue	22,207	1,259	23,466	477	23,943
Deposits held for others	4,767	6,741	11,508	2	11,510
Long-term interest payable	-	6,728	6,728	-	6,728
Compensated absences:					
Due within one year	16,178	788	16,966	3,076	20,042
Due beyond one year	16,496	1,838	18,334	1,380	19,714
Other postemployment benefits - due beyond one year	15,028	2,225	17,253	2,531	19,784
Long-term portion of loan payable to primary government	-	-	-	5,050	5,050
Long-term liabilities:					
Due within one year	71,050	36,458	107,508	1,448	108,956
Due beyond one year	623,008	358,294	981,302	3,368	984,670
Total liabilities	<u>796,819</u>	<u>425,952</u>	<u>1,222,771</u>	<u>29,487</u>	<u>1,252,258</u>
NET ASSETS					
Invested in capital assets, net of related debt	691,926	666,986	1,358,912	309,772	1,668,684
Restricted:					
Debt service	49,205	34,967	84,172	-	84,172
Community & economic development	141,654	-	141,654	-	141,654
Law enforcement	1,003	-	1,003	-	1,003
Grants	967	-	967	-	967
Capital improvements	-	-	-	554	554
Project and Grant programs	-	-	-	132	132
Special trust	-	-	-	87	87
Special reserves	-	-	-	3,628	3,628
Unrestricted	91,652	77,751	169,403	4,799	174,202
Total net assets	<u>976,407</u>	<u>779,704</u>	<u>1,756,111</u>	<u>318,972</u>	<u>2,075,083</u>
Total liabilities and net assets	<u>\$ 1,773,226</u>	<u>\$ 1,205,656</u>	<u>\$ 2,978,882</u>	<u>\$ 348,459</u>	<u>\$ 3,327,341</u>

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

STATEMENT OF ACTIVITIES
For the Fiscal Year Ended December 31, 2011

CITY OF MINNEAPOLIS, MINNESOTA
(In Thousands)

	Net (Expenses) Revenues and Changes in Net Assets									
	Program Revenues			Primary Government			Discrete Component Units			Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Discrete Component Units	Total	
FUNCTIONS/PROGRAMS										
Primary government										
Governmental Activities:										
General government	\$ 82,897	\$ 23,537	\$ 20,602	\$ -	\$ (38,758)	\$ -	\$ (38,758)	\$ -	\$ (38,758)	
Public safety	269,036	49,673	25,937	-	(193,426)	-	(193,426)	-	(193,426)	
Public works	5,210	5,998	12,379	20,630	33,797	-	33,797	-	33,797	
Culture and recreation	7,287	-	-	-	(7,287)	-	(7,287)	-	(7,287)	
Health and welfare	16,260	-	12,777	-	(3,483)	-	(3,483)	-	(3,483)	
Community & economic development	138,537	36,233	43,927	-	(58,377)	-	(58,377)	-	(58,377)	
Interest on long-term debt	21,916	-	-	-	(21,916)	-	(21,916)	-	(21,916)	
Total governmental activities	541,143	115,441	115,622	20,630	(289,450)	-	(289,450)	-	(289,450)	
Business-type activities:										
Sanitary sewer	33,659	48,456	-	-	-	14,797	14,797	-	14,797	
Stormwater	24,502	41,063	-	873	-	17,434	17,434	-	17,434	
Solid waste and recycling	29,784	31,957	-	900	-	3,073	3,073	-	3,073	
Water works	52,891	69,301	-	373	-	16,783	16,783	-	16,783	
Community planning & economic development	8,266	7,872	-	-	-	(394)	(394)	-	(394)	
Municipal parking	46,106	52,687	-	-	-	6,581	6,581	-	6,581	
Total business-type activities	195,208	251,336	-	2,146	-	58,274	58,274	-	58,274	
Total primary government	\$ 736,351	\$ 366,777	\$ 115,622	\$ 22,776	\$ (289,450)	\$ 58,274	\$ (231,176)	\$ -	\$ (231,176)	
Component units:										
Discrete component units	\$ 106,517	\$ 29,163	\$ 10,437	\$ 16,886					\$ (50,031)	\$ (50,031)
General Revenues:										
Taxes:										
General property tax and fiscal disparities					218,756		218,756		58,322	277,078
Property tax increment					61,003		61,003		-	61,003
Franchise fees					29,128		29,128		-	29,128
Convention center taxes					65,850		65,850		-	65,850
Other taxes					218		218		-	218
Local government aid - unrestricted					56,378		56,378		200	56,578
Grants and contributions not restricted to programs					-		-		8,506	8,506
Unrestricted interest and investment earnings					5,088	438	5,526		-	5,526
Other					31,078		31,078		90	31,168
Gain on sale of capital assets					-	20	20		244	244
Gain on lease termination					-		-		208	208
Transfers					18,293	(18,293)	-		-	-
Total general revenues and transfers					485,792	(17,835)	467,957		67,550	535,507
Change in net assets					196,342	40,439	236,781		17,519	254,300
Net assets- January 1, 2011 restated (see Note 1-A)					780,065	739,265	1,519,330		301,453	1,820,783
Net assets- December 31, 2011					\$ 976,407	\$ 779,704	\$ 1,756,111	\$ 318,972	\$	\$ 2,075,083

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

**GOVERNMENTAL FUNDS
BALANCE SHEET
December 31, 2011**

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

	General	Community Planning and Economic Development	Convention Center	Permanent Improvement	Development	General Debt Service	Special Assessment	Non-Major Governmental	Total
ASSETS									
Cash and cash equivalents	\$ 76,313	\$ 167,599	\$ 31,113	\$ 27,372	\$ 44	\$ 20,557	\$ 9,954	\$ 22,329	\$ 355,281
Deposits with fiscal agents	-	-	-	-	-	-	-	136	136
Fund investments	-	3,335	-	-	-	-	-	-	3,335
Investments with trustees	-	-	-	-	-	-	-	3,324	3,324
Receivables:									
Accounts - net	4,013	1,403	6,806	2,217	-	-	-	250	14,689
Taxes	3,773	644	-	39	-	614	-	336	5,406
Special assessments	854	-	-	3,197	-	-	37,258	1,806	43,115
Intergovernmental	2,645	-	-	20,454	-	-	-	17,072	40,171
Loans	-	24,920	-	-	-	-	-	12,621	37,541
Loans due from component unit	-	-	6,968	-	-	-	-	-	6,968
Accrued interest	656	450	67	100	-	45	27	36	1,381
Due from other funds	286	700	-	179	-	-	-	10,734	11,899
Advances to other funds	-	10	7,750	-	-	-	-	-	7,760
Land held for development	-	38,242	-	-	-	-	-	10,276	48,518
Prepaid items	36	118	-	-	-	-	-	-	154
Total assets	\$ 88,576	\$ 237,421	\$ 52,704	\$ 53,558	\$ 44	\$ 21,216	\$ 47,239	\$ 78,920	\$ 579,678
LIABILITIES and FUND BALANCES									
Liabilities:									
Salaries payable	\$ 6,015	\$ 170	\$ 293	\$ 169	\$ -	\$ -	\$ -	\$ 391	\$ 7,038
Accounts payable	3,405	687	1,160	885	-	1	13	4,298	10,449
Intergovernmental payable	-	533	9	-	-	-	-	946	1,488
Due to other funds	258	-	-	-	-	-	-	10,941	11,199
Deposits held for others	2,792	422	1,533	-	-	-	-	-	4,747
Deferred Revenue - unavailable	3,735	25,564	25	23,398	-	475	37,171	14,497	104,865
Deferred Revenue - unearned	-	441	-	1,718	-	-	-	6,564	8,723
Total liabilities	16,205	27,817	3,020	26,170	-	476	37,184	37,637	148,509
Fund balances:									
Nonspendable	36	38,360	6,968	-	-	-	-	10,276	55,640
Restricted	-	141,654	-	14,844	44	20,740	10,055	5,492	192,829
Committed	-	7,058	-	-	-	-	-	-	7,058
Assigned	2,444	22,532	42,716	12,544	-	-	-	25,515	105,751
Unassigned	69,891	-	-	-	-	-	-	-	69,891
Total fund balances	72,371	209,604	49,684	27,388	44	20,740	10,055	41,283	431,169
Total liabilities and fund balances	\$ 88,576	\$ 237,421	\$ 52,704	\$ 53,558	\$ 44	\$ 21,216	\$ 47,239	\$ 78,920	\$ 579,678

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

**Reconciliation of the Governmental Funds Balance Sheet to the
Government-Wide Statement of Net Assets - Governmental Activities
December 31, 2011**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

Fund balances - total governmental funds	\$	431,169
<p>Amounts reported for governmental activities in the statement of net assets 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	312,207	
Depreciable	1,216,324	
Accumulated Depreciation	<u>(549,159)</u>	979,372
Capital Lease Receivable for parking ramp		9,530
<p>Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds, primarily deferred special assessments.</p>		
		104,865
<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>		
		83,468
<p>Receivable from business-type funds for internal service fund activity.</p>		
		19,526
<p>Accruals to record an accounts receivable allowance, interest receivable on loans and notes, and an adjustment to loans and notes receivable balances.</p>		
		(5,875)
<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	(599,014)	
Other postemployment benefits payable	(13,272)	
Operating and Capital leases payable	(57)	
Bond Interest Payable	(2,895)	
Compensated Absences	<u>(30,410)</u>	<u>(645,648)</u>
Net assets of governmental activities	\$	<u>976,407</u>

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

CITY OF MINNEAPOLIS, MINNESOTA

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES**

For the Fiscal Year Ended December 31, 2011

(In Thousands)

	General	Community Planning and Economic Development	Convention Center	Permanent Improvement	Development	General Debt Service	Special Assessment	Non-Major Governmental	Total
REVENUES:									
Taxes	\$ 199,703	\$ 56,735	\$ 65,850	\$ 1,878	\$ -	\$ 26,919	\$ -	\$ 23,038	\$ 374,123
Licenses and permits	30,384	-	-	243	-	-	-	2,224	32,851
Intergovernmental revenues	68,432	327	-	21,004	-	27	-	77,526	167,316
Charges for services and sales	37,948	9,590	5,348	3,587	-	-	-	2,249	58,722
Fines and forfeits	9,500	-	-	-	-	-	-	1,120	10,620
Special assessments	3,166	-	-	1,325	-	1	8,459	9,727	22,678
Interest	1,968	1,760	521	58	33	340	92	278	5,050
Miscellaneous revenues	1,495	10,558	9,588	689	302	908	-	3,291	26,831
Total revenues	352,596	78,970	81,307	28,784	335	28,195	8,551	119,453	698,191
EXPENDITURES:									
Current:									
General government	59,751	-	-	615	-	-	-	12,180	72,546
Public safety	214,573	-	-	-	-	-	-	45,734	260,307
Public works	44,204	-	-	-	-	-	-	5,714	49,918
Culture and recreation	5,873	-	-	1,414	-	-	-	-	7,287
Health and welfare	3,300	-	-	-	-	-	-	12,714	16,014
Community & economic development	3,257	45,687	33,529	-	-	-	-	45,865	128,338
Capital outlay	-	-	-	44,633	-	-	-	-	44,633
Debt Service:									
Principal retirement	-	-	-	-	30,010	60,501	5,726	710	96,947
Interest and fiscal charges	-	-	-	-	12,247	10,423	1,760	1,817	26,247
Total expenditures	330,958	45,687	33,529	46,662	42,257	70,924	7,486	124,734	702,237
Excess (deficiency) of revenues over (under) expenditures	21,638	33,283	47,778	(17,878)	(41,922)	(42,729)	1,065	(5,281)	(4,046)
OTHER FINANCING SOURCES (USES):									
Transfers from other funds	30,000	1,147	-	4,197	39,198	17,099	103	14,056	105,800
Bonds issued	(40,629)	(39,627)	(44,203)	(684)	-	(2,533)	-	(2,127)	(129,803)
Premium (Discount)	-	-	-	20,377	-	-	-	-	20,377
Refunding bonds issued	-	-	-	546	2,714	447	-	-	3,707
Payments to escrow agents	-	-	-	-	144,350	42,200	-	-	186,550
Total other financing sources (uses)	(10,629)	(38,480)	(44,203)	24,436	41,912	15,013	103	11,929	81
Net change in fund balances	11,009	(5,197)	3,575	6,558	(10)	(27,716)	1,168	6,648	(3,965)
Fund balances - January 1, 2011 restated (see No	61,362	214,801	46,109	20,830	54	48,456	8,887	34,635	435,134
Fund balances - December 31	\$ 72,371	\$ 209,604	\$ 49,684	\$ 27,388	\$ 44	\$ 20,740	\$ 10,055	\$ 41,283	\$ 431,169

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, 2011**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

Net increase (decrease) in fund balances - total governmental funds	\$	(3,965)
Amounts reported for governmental activities in the statement of activities are different because:		
Interest receivable is not recorded within the fund level statements.		207
Loan C program revenue is not recorded within the fund level statements.		29,871
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.		12,596
Transfers from business-type funds for internal service fund activity.		1,392
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:		104,491
Less loss on retirement of capital assets		(10)
Less current year depreciation		(26,286)
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.		4,503
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets:		
Bonds Principal Payments	283,497	
Bond Proceeds	<u>(210,634)</u>	72,863
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	4,331	
Change in other postemployment benefits payable	(4,261)	
Change in compensated absences	<u>610</u>	<u>680</u>
Increase (decrease) in net assets of governmental activities	\$	<u>196,342</u>

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

**PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
December 31, 2011**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Business-type Activities - Enterprise Funds						Total	Governmental Activities
	Sanitary Sewer	Stormwater	Water Works	Municipal Parking	Solid Waste and Recycling	Community Planning and Economic Development		Internal Service Funds
ASSETS								
Current assets:								
Cash and cash equivalents	\$ 20,769	\$ 26,588	\$ 15,158	\$ 11,649	\$ 22,372	\$ 20	\$ 96,556	\$ 73,570
Investments with trustees	-	-	-	-	-	41,500	41,500	-
Receivables:								
Accounts - net	3,090	3,561	4,660	2,759	2,837	232	17,139	189
Special assessments:								
Current	203	395	1,073	1	253	-	1,925	-
Delinquent	28	92	110	6	1	-	237	-
Deferred	-	-	859	8,152	1	-	9,012	-
Intergovernmental	-	693	374	-	126	-	1,193	366
Loans	-	-	-	-	-	35	35	-
Notes	-	-	-	-	-	-	-	5,875
Accrued interest	-	-	-	-	-	36	36	-
Capital leases	-	-	-	-	-	3,800	3,800	-
Due from other funds	-	-	-	-	-	-	-	1,030
Inventories	-	-	4,728	-	1,566	-	6,294	5,448
Properties held for resale	-	-	-	-	-	-	-	433
Prepaid items	-	-	-	-	-	-	-	1,035
Total current assets	24,090	31,329	26,962	22,567	27,156	45,623	177,727	87,946
Long-term assets:								
Receivables:								
Loans	-	-	-	-	-	689	689	-
Capital leases	-	-	-	-	-	86,691	86,691	-
Deferred charges	13	13	26	519	-	-	571	171
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	3,726	10,199	25,869	-	143	-	39,937	8,388
Depreciable								
Buildings and structures	-	-	204,387	281,284	2,047	12,743	500,461	55,649
Less accumulated depreciation	-	-	(59,837)	(106,854)	(2,032)	(10,456)	(179,179)	(27,865)
Public improvements	146,638	354,065	153,493	4,682	-	-	658,878	3,056
Less accumulated depreciation	(56,096)	(98,015)	(64,776)	(123)	-	-	(219,010)	(2,852)
Machinery and equipment	1,295	1,470	28,660	4,566	13,250	393	49,634	81,586
Less accumulated depreciation	(1,183)	(1,387)	(3,529)	(2,858)	(9,563)	(393)	(18,913)	(51,949)
Computer equipment	10	193	124	1,041	178	-	1,546	67,541
Less accumulated depreciation	(10)	(193)	(105)	(1,041)	(178)	-	(1,527)	(55,068)
Software	-	1,488	277	130	955	-	2,850	47,423
Less accumulated depreciation	-	(1,488)	(275)	(130)	(955)	-	(2,848)	(29,287)
Other capital outlay	-	-	19	15	-	-	34	50
Less accumulated depreciation	-	-	(19)	(12)	-	-	(31)	(50)
Total long-term assets	94,394	273,556	287,307	293,671	5,722	93,515	1,048,165	119,800
Total assets	\$ 118,484	\$ 304,885	\$ 314,269	\$ 316,238	\$ 32,878	\$ 139,138	\$ 1,225,892	\$ 207,746

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
December 31, 2011

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

	Business-type Activities - Enterprise Funds						Total	Governmental
	Sanitary Sewer	Stormwater	Water Works	Municipal Parking	Solid Waste and Recycling	Community Planning and Economic Development		Internal Service Funds
LIABILITIES								
Current liabilities:								
Salaries payable	\$ 75	\$ 147	\$ 373	\$ 87	\$ 177	\$ -	\$ 859	\$ 748
Accounts payable	2,021	719	2,777	2,101	1,010	102	8,730	5,311
Intergovernmental payable	11	1	44	3	-	-	59	46
Due to other funds	-	-	-	-	-	700	700	1,030
Deposits held for others	21	281	-	1,834	5	4,600	6,741	20
Advances from other funds	-	-	-	-	-	10	10	-
Interest payable	51	50	960	478	-	434	1,973	110
Unearned revenue	-	-	-	-	64	1,195	1,259	13,484
Bonds payable-current portion	4,600	6,265	2,250	15,840	-	3,800	32,755	12,160
Notes payable-current portion	-	-	3,550	-	-	153	3,703	-
Compensated absences payable-current portion	65	121	363	71	164	4	788	679
Unpaid claims payable-current portion	-	-	-	-	-	-	-	14,279
Total current liabilities	6,844	7,584	10,317	20,414	1,420	10,998	57,577	47,867
Long-term liabilities:								
Interest payable	-	1,830	2,898	2,000	-	-	6,728	-
Bonds payable	9,800	9,221	24,271	133,360	-	88,185	264,837	27,905
Unamortized premium (discounts)	718	657	1,353	2,871	-	-	5,599	1,644
Advances from other funds	-	-	-	-	-	-	-	7,750
Notes payable	-	-	87,701	-	-	157	87,858	-
Compensated absences payable	151	282	846	167	383	9	1,838	1,585
Other postemployment benefits	133	414	924	218	536	-	2,225	1,756
Unpaid claims payable	-	-	-	-	-	-	-	35,771
Total long-term liabilities	10,802	12,404	117,993	138,616	919	88,351	369,085	76,411
Total liabilities	17,646	19,988	128,310	159,030	2,339	99,349	426,662	124,278
NET ASSETS								
Invested in capital assets, net of related debt	84,600	259,457	168,258	142,814	5,722	6,135	666,986	78,739
Restricted - debt service	-	-	-	-	-	34,967	34,967	-
Unrestricted	16,238	25,440	17,701	14,394	24,817	(1,313)	97,277	4,729
Total net assets	100,838	284,897	185,959	157,208	30,539	39,789	799,230	83,468
Total liabilities and net assets	\$ 118,484	\$ 304,885	\$ 314,269	\$ 316,238	\$ 32,878	\$ 139,138	\$ 1,225,892	\$ 207,746

Net assets - total enterprise funds \$ 799,230

Some amounts reported for business-type activities in the statement of net assets are different because certain internal service fund assets and liabilities are included with business-type activities. (19,526)

Net assets of business-type activities \$ 779,704

**PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS
For the Fiscal Year Ended December 31, 2011**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Business-type Activities - Enterprise Funds						Governmental Activities	
	Sanitary Sewer	Stormwater	Water Works	Municipal Parking	Solid Waste and Recycling	Community Planning and Economic Development	Total	Internal Service Funds
Operating revenues:								
Licenses and permits	\$ 101	\$ -	\$ 6	\$ 269	\$ -	\$ -	\$ 376	\$ -
Intergovernmental revenues	-	1,407	-	-	107	-	1,514	251
Charges for services and sales	49,044	38,842	68,482	52,350	31,379	2,595	242,692	74,368
Special assessments	351	810	1,058	-	476	-	2,695	-
Interest	-	-	-	-	-	5,277	5,277	-
Rents and commissions	-	-	-	2	-	-	2	36,950
Total operating revenues	49,496	41,059	69,546	52,621	31,962	7,872	252,556	111,569
Operating expenses:								
Personnel costs	3,260	5,948	19,872	4,249	9,974	14	43,317	40,329
Contractual services	8,443	11,137	16,350	30,031	16,877	2,611	85,449	42,336
Materials, supplies, services and other	30,904	2,818	9,129	2,172	1,955	16	46,994	20,159
Rent	-	-	169	-	-	-	169	1,758
Depreciation	1,293	3,929	9,738	6,733	716	348	22,757	19,734
Total operating expenses	43,900	23,832	55,258	43,185	29,522	2,989	198,686	124,316
Operating income (loss)	5,596	17,227	14,288	9,436	2,440	4,883	53,870	(12,747)
Non-operating revenues (expenses):								
Intergovernmental	-	873	373	-	900	-	2,146	-
Interest revenue	-	-	-	-	-	438	438	-
Interest expense	(518)	(670)	(3,569)	(4,846)	-	(5,277)	(14,880)	(1,152)
Gain (loss) on disposal of capital assets	-	-	-	-	20	-	20	695
Special assessments	-	-	-	57	-	-	57	-
Other revenues	-	4	15	9	-	-	28	1,949
Total non-operating revenues (expenses)	(518)	207	(3,181)	(4,780)	920	(4,839)	(12,191)	1,492
Income (loss) before contributions and transfers	5,078	17,434	11,107	4,656	3,360	44	41,679	(11,255)
Transfers in (out):								
Transfers from other funds	181	295	-	15,196	196	-	15,868	26,999
Transfers to other funds	(577)	(700)	(2,042)	(10,962)	(936)	(499)	(15,716)	(3,148)
Total transfers	(396)	(405)	(2,042)	4,234	(740)	(499)	152	23,851
Change in net assets	4,682	17,029	9,065	8,890	2,620	(455)	41,831	12,596
Net assets - January 1	96,156	267,868	176,894	148,318	27,919	40,244		70,872
Net assets - December 31	\$ 100,838	\$ 284,897	\$ 185,959	\$ 157,208	\$ 30,539	\$ 39,789		\$ 83,468

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.

(1,392)

Change in net assets of business-type activities

\$ 40,439

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, 2011**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Sanitary Sewer	Stormwater	Water Works	Municipal Parking	Solid Waste and Recycling	Community Planning and Economic Development	Total	Governmental Activities Internal Service Funds
Cash flows from operating activities:								
Cash received from customers and users	\$ 49,938	\$ 40,250	\$ 68,938	\$ 53,828	\$ 31,835	\$ 10,931	\$ 255,720	\$ 113,650
Loans issued	-	-	-	-	-	(11,293)	(11,293)	-
Payments to suppliers and users	(38,089)	(13,514)	(30,428)	(32,991)	(19,265)	(1,841)	(136,128)	(60,983)
Payments to employees	(3,154)	(5,638)	(19,225)	(4,104)	(9,545)	(8)	(41,674)	(39,159)
Other non-operating revenues	-	-	15	-	-	-	15	1,949
Net cash provided (used) by operating activities	8,695	21,098	19,300	16,733	3,025	(2,211)	66,640	15,457
Cash flows from non-capital financing activities:								
Transfers from other funds	181	295	-	15,196	196	-	15,868	26,999
Principal paid on bonds and notes	-	-	-	-	-	(4,085)	(4,085)	-
Interest paid on bonds and notes	-	-	-	-	-	(5,282)	(5,282)	-
Transfers to other funds	(577)	(700)	(2,042)	(10,962)	(936)	(499)	(15,716)	(3,148)
Intergovernmental	-	966	-	-	891	-	1,857	-
Other non-operating revenues	-	4	-	9	-	-	13	-
Repayment of advances from other funds	-	-	-	-	-	-	-	(2,364)
Net cash provided (used) by non-capital financing activities	(396)	565	(2,042)	4,243	151	(9,866)	(7,345)	21,487
Cash Flows from capital and related financing activities:								
Bonds issued	4,000	8,988	-	1,700	-	-	14,688	1,000
Notes issued	-	-	10,385	-	-	-	10,385	-
Principal paid on bonds	(4,100)	(11,773)	(2,251)	(14,820)	-	-	(32,944)	(12,875)
Interest paid on bonds	(714)	(1,341)	(4,132)	(5,245)	-	-	(11,432)	(1,683)
Premium (discount)	101	226	-	(485)	-	-	(158)	(7)
Principal paid on notes	-	-	(3,655)	-	-	-	(3,655)	-
Special assessments	-	-	-	605	-	-	605	-
Acquisition and construction of capital assets	(3,466)	(17,331)	(15,674)	(3,905)	(2,748)	-	(43,124)	(9,661)
Bond issuance costs	(2)	(4)	-	42	-	-	36	-
Proceeds from sale of capital assets	-	-	-	-	20	-	20	997
Net cash provided (used) by capital and related financing activities	(4,181)	(21,235)	(15,327)	(22,108)	(2,728)	-	(65,579)	(22,229)
Cash flows from investing activities:								
Purchase of investments	-	-	-	-	-	(1,565)	(1,565)	-
Sale of investments	-	-	-	-	-	13,279	13,279	-
Interest	-	-	-	-	-	229	229	-
Net cash provided (used) by investing activities	-	-	-	-	-	11,943	11,943	-
Net increase (decrease) in cash and cash equivalents	4,118	428	1,931	(1,132)	448	(134)	5,659	14,715
Cash and cash equivalents, beginning of year	16,651	26,160	13,227	12,781	21,924	154	90,897	58,855
Cash and cash equivalents, end of year	\$ 20,769	\$ 26,588	\$ 15,158	\$ 11,649	\$ 22,372	\$ 20	\$ 96,556	\$ 73,570
Reconciliation of operating income to net cash provided (used) by operating activities								
Operating income (loss)	\$ 5,596	\$ 17,227	\$ 14,288	\$ 9,436	\$ 2,440	\$ 4,883	\$ 53,870	\$ (12,747)
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:								
Depreciation	1,293	3,929	9,738	6,733	716	348	22,757	19,734
Accounts receivable (net)	569	(334)	(253)	717	21	(195)	525	(57)
Intergovernmental receivable	-	(497)	-	-	(107)	-	(604)	67
Loans receivable	-	-	-	-	-	36	36	-
Notes receivable	-	-	-	-	-	405	405	682
Special assessments receivable	(130)	48	(355)	-	(105)	-	(542)	-
Capital lease receivable	-	-	-	-	-	(7,758)	(7,758)	-
Inventories	-	-	(2,439)	-	(175)	-	(2,614)	121
Prepaid items	-	-	-	-	-	-	-	159
Due from other funds	-	-	-	-	-	-	-	(195)
Properties held for development	-	-	-	-	-	12	12	-
Salaries payable	8	44	60	(12)	85	-	185	(36)
Accounts payable	1,260	440	(2,305)	(739)	(175)	86	(1,433)	2
Due to other funds	-	-	-	-	-	700	700	195
Intergovernmental payable	(3)	1	(37)	(48)	(87)	-	(174)	10
Deposits held for others	3	(26)	-	489	1	(1,068)	(601)	20
Unearned revenue	-	-	-	-	63	334	397	1,588
Compensated absences payable	67	126	358	74	168	6	799	723
Other postemployment benefits	32	140	230	83	180	-	665	484
Unpaid claims	-	-	-	-	-	-	-	2,758
Other non-operating revenues	-	-	15	-	-	-	15	1,949
Net cash provided (used) by operating activities	\$ 8,695	\$ 21,098	\$ 19,300	\$ 16,733	\$ 3,025	\$ (2,211)	\$ 66,640	\$ 15,457
Non-cash investing, capital and financing activities:								
Gain (Loss) on disposal of capital assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (6)

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
December 31, 2011**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 2,715
Receivables:	
Accounts-net	474
Total assets	\$ 3,189
LIABILITIES	
Accounts payable	\$ 2,912
Intergovernmental payable	155
Deposits held for others	122
Total liabilities	\$ 3,189

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

**COMBINING STATEMENT OF NET ASSETS
DISCRETE COMPONENT UNITS
December 31, 2011**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Park Board	Municipal Building Commission	Meet Minneapolis	Total Discrete Component Units
<u>ASSETS</u>				
Cash and investments	\$ 21,411	\$ 1,185	\$ 998	\$ 23,594
Receivables (net)	8,397	-	688	9,085
Due from other governmental agencies	-	958	-	958
Prepays and other assets	179	-	119	298
Inventories	136	-	-	136
Capital assets:				
Nondepreciable	108,445	8,877	13	117,335
Depreciable, net	175,424	21,403	226	197,053
Total assets	<u>\$ 313,992</u>	<u>\$ 32,423</u>	<u>\$ 2,044</u>	<u>\$ 348,459</u>
<u>LIABILITIES</u>				
Accrued salaries and benefits	\$ 800	\$ 88	\$ 409	\$ 1,297
Accounts payable	3,269	908	304	4,481
Interest payable	54	-	87	141
Unpaid claims payable	4,317	-	-	4,317
Loans payable to primary government	-	-	1,918	1,918
Due to other governmental agencies	-	1	-	1
Unearned revenue	-	-	477	477
Deposits held for others	-	2	-	2
Compensated absences:				
Due within one year	2,953	123	-	3,076
Due beyond one year	1,323	57	-	1,380
Other postemployment benefits - due beyond one year	2,328	203	-	2,531
Long-term portion of loan payable -				
Due to primary government	-	-	5,050	5,050
Long-term liabilities:				
Due within one year	1,368	-	80	1,448
Due beyond one year	3,115	-	253	3,368
Total liabilities	<u>19,527</u>	<u>1,382</u>	<u>8,578</u>	<u>29,487</u>
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	279,386	30,280	106	309,772
Restricted				
Capital Improvements	554	-	-	554
Project and Grant programs	132	-	-	132
Special Trust	87	-	-	87
Special Reserves	3,628	-	-	3,628
Unrestricted	10,678	761	(6,640)	4,799
Total net assets	<u>294,465</u>	<u>31,041</u>	<u>(6,534)</u>	<u>318,972</u>
Total liabilities and net assets	<u>\$ 313,992</u>	<u>\$ 32,423</u>	<u>\$ 2,044</u>	<u>\$ 348,459</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, 2011

CITY OF MINNEAPOLIS, MINNESOTA
(In Thousands)

FUNCTIONS/PROGRAMS	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets				Total Discrete Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Park Board	Municipal Building Commission	Meet Minneapolis	
Park Board	\$ 88,323	\$ 17,903	\$ 2,862	\$ 16,271	\$ (51,287)	\$ -	\$ -	\$ (51,287)
Municipal Building Commission	8,953	8,664	-	615	-	326	-	326
Meet Minneapolis	9,241	2,596	7,575	-	-	-	930	930
Total discrete component unit activities	\$ 106,517	\$ 29,163	\$ 10,437	\$ 16,886	\$ (51,287)	\$ 326	\$ 930	\$ (50,031)
General Revenues:								
Taxes:								
General property tax and fiscal disparities					58,322	-	-	58,322
Local government aid					-	200	-	200
Grants and contributions not restricted to specific programs					8,506	-	-	8,506
Other					-	90	-	90
Gain on sale of capital assets					224	-	-	224
Gain on lease termination					-	-	208	208
Total general revenues					67,052	290	208	67,550
Change in net assets					15,765	616	1,138	17,519
Net assets- January 1, 2011 restated (see Note 1)					278,700	30,425	(7,672)	301,453
Net assets- December 31, 2011					\$ 294,465	\$ 31,041	\$ (6,534)	\$ 318,972

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

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 and maintains responsibility for the internal audit function for the City including boards and commissions that are component units of the City.

DISCRETELY PRESENTED COMPONENT UNITS

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

▪ Minneapolis Park and Recreation Board

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**▪ Minneapolis Park and Recreation Board (continued)**

The 2010 fund balance and net assets were restated in 2011. The detail of this restatement can be found in Note 2 of the Minneapolis Park 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.

▪ Municipal Building Commission

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

▪ 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. The 2010 net assets were restated in 2011. The detail of this restatement can be found in Note 13 of the Meet Minneapolis financial statements. Complete financial statements for Meet Minneapolis and 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:

▪ Metropolitan Sports Facilities Commission

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

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

The Minneapolis Public Housing Authority (MPHA) is the public agency responsible for administering public housing and Section 8 rental assistance programs for eligible individuals and families in Minneapolis. A nine-member Board of Commissioners governs MPHA. The Mayor of Minneapolis appoints the Board Chairperson and four Commissioners; four Commissioners (one of whom must be a public housing family development resident) are appointed by the City Council.

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

JOINT VENTURES

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

• Minneapolis/Saint Paul Housing Finance Board

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

• Minneapolis Neighborhood Revitalization Program Policy Board

The Minneapolis Neighborhood Revitalization Program Policy Board (NRP) was established in accordance with a Joint Powers Agreement entered into between the Hennepin County Board of Commissioners, the Board of Directors of Special School District No. 1, the Park Board, and the Mayor and City Council under authority of State of Minnesota laws. The NRP is composed of 20 members and includes public officials as well as representatives of neighborhood and community interest organizations. NRP was dissolved as of December 31, 2011. All financial functions will be administered by the City.

• 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 Park 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.

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

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

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

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

FUND FINANCIAL STATEMENTS

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

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

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

GOVERNMENTAL FUNDS

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

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

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

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

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

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

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

The City reports the following major governmental funds:

- **General Fund**

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

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

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

- **Special Revenue Fund - Convention Center**

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

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

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

▪ Debt Service Fund – General

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.

▪ 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.

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

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

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

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

Proprietary funds distinguish *operating* revenues and expenses from *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.

For the Fiscal Year Ended December 31, 2011

(Dollar Amounts Expressed in Thousands)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**B - BASIS OF PRESENTATION (continued)****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 Works Fund**
This fund is used to account for the operation, maintenance and construction projects related to the water delivery system. This fund also accounts for the operations related to the billings for water, sewage and solid waste fees.
- **Municipal Parking Fund**
This fund is used to account for the operation, maintenance and construction of the City's parking facilities as well as on-street parking and the Municipal Impound Lot.
- **Solid Waste and Recycling Fund**
This fund is used to account for the revenues and expenses for solid waste collection, disposal and recycling activities.
- **Community Planning and Economic Development Fund**
This fund is used to account for the enterprise fund activities of the Department of Community Planning and Economic Development.

NON-MAJOR FUNDS

The City reports the following non-major governmental funds:

Special Revenue Funds:

Arena Reserve
Board of Estimate and Taxation
HUD Consolidated Plan
Downtown Improvement District
Employee Retirement
Grants-Federal
Grants-Other
Police

Debt Service Funds:

Community Development Agency

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

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.

Agency Funds

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

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

For the Fiscal Year Ended December 31, 2011

(Dollar Amounts Expressed in Thousands)

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

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

The 2010 process for the 2011 budget involved the following:

January - March	City department heads presented annual work plans and accomplishments to Executive Committee; referred then to relevant Policy Committee for review and file. Finance Department presented preliminary year-end budget status report to Ways and Means/Budget Committee.
March - April	Capital Improvement Budget Development – Capital improvement proposals were reviewed by the Budget Coordination Unit, the City Planning Commission and the Capital Long-Range Improvement Committee (CLIC).
April - June	Operating Budget Development – Departments prepared department operating budget requests; “Current Service Level Budgets” reflected current year costs of providing the same level of service as provided in the prior year, and proposals which described policy and organizational changes with financial implications.
June - August	The Mayor held departmental hearings to review operating budgets and met with representatives from CLIC in preparation of finalizing the capital budget recommendation. The Mayor prepared and submitted a budget framework to the City Council no later than August 15, including a recommendation on annual property tax levy amounts.
September – October	The Board of Estimate and Taxation set the maximum property tax levy for the City, Municipal Building Commission, Public Housing Authority and Park Board by September 15, as required by state law.
November – December	“Truth in Taxation” property tax statements mailed by the County to property owners indicating the maximum amount of property taxes that the owner will be required to pay.
December	“Truth in Taxation” public hearings held. The City Council adopted a final budget and tax levy.

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

Purchase orders, contracts and other commitments are recorded as encumbrances, which represents appropriation authority. This accounting practice is an extension of formal budgetary integration in the general and special revenue funds.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C - BUDGETS (continued)

	Expenditure		Expenditure
	Budget at	Changes	Budget at
	beginning of	during year	end of year
	year		
General	\$ 340,176	\$ (760)	\$ 339,416
CPED Special Revenue	47,466	72,240	119,706
Convention Center Special Revenue	40,184	19	40,203
HUD Consolidated Plan Special Revenue	20,425	3,082	23,507
Employee Retirement Special Revenue	24,721	2,833	27,554
Grants – Federal Special Revenue	21,468	22,405	43,873
Grants – Other Special Revenue	13,317	18,929	32,246
Police Special Revenue	2,559	283	2,842
TOTAL	\$ 510,316	\$ 119,031	\$ 629,347

D - NON-CURRENT GOVERNMENTAL ASSETS/LIABILITIES

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

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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. 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. Due to the uncertain collectability of these loans, they were not recorded in previous financial statements. This year, these loans were reviewed and an allowance for doubtful was calculated, they are shown net of this allowance on the financial statements.

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. No estimates of salvage values are made, and the City depreciates 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

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

I - COMPENSATED ABSENCES

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**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 nonspendable fund balance to indicate the asset is not in spendable form in the General Fund, and in restricted, committed, or assigned fund balance in the other governmental funds to indicate the level of constraint placed upon the proceeds from the repayment of the advance. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when a fund incurs costs that are eventually repaid through charges to the benefiting fund. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

K - PROPERTIES HELD FOR RESALE - ENTERPRISE FUNDS

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

L - DEBT SERVICE AND REQUIREMENTS

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

M - ESTIMATES

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

The City has issued loans to several developers under various financial arrangements. These developers have agreed to pay back these loans only if certain events occur. These loans were not presented in the financial statements in prior years. The City has recorded these loans in the current financial statements. They are presented net of an estimated allowance for doubtful accounts.

N - ACCOUNTING CHANGE AND RESTATEMENT OF PRIOR YEAR'S FUND BALANCE

GASB Statement No. 54 -“Fund Balance Reporting and Governmental Fund Type Definitions” enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. Changes to the government fund type fund balance reporting is reflected in the financial statements and schedules and related disclosures are included in Note 1 and Note 10.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

N - ACCOUNTING CHANGE AND RESTATEMENT OF PRIOR YEAR'S FUND BALANCE (continued)

The implementation of GASB Statement 54 resulted in the reclassification of certain funds and restatement of the City's financial statements. This statement had the following effect on fund balances of the major and nonmajor funds as they were previously reported:

	Fund Balance at December 31, 2010	Reclassification of Fund due to GASB 54	Fund Balance at December 31, 2010 as Restated
General	\$ 61,362	\$ -	\$ 61,362
Community Planning and Economic Development	214,801	-	214,801
Convention Center	40,009	6,100	46,109
Permanent Improvement	20,830	-	20,830
Development	54	-	54
Special Assessment	8,887	-	8,887
Non-Major Governmental	89,191	(6,100)	83,091
	<u>\$ 435,134</u>	<u>\$ -</u>	<u>\$ 435,134</u>

NOTE 2 - DEPOSITS AND INVESTMENTS

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

Deposits, per book	\$ (5,139)
Investments	605,126
Imprest cash held by City	24
Total	<u>\$ 600,011</u>
Primary Government:	
Cash and cash equivalents	\$ 525,407
Cash in Agency Funds	2,715
Deposits with fiscal agents	136
Fund investments	3,335
Investments with trustees	44,824
Total primary government	<u>\$ 576,417</u>
Discretely Presented Component Units:	
Park and Recreation Board:	
Cash and cash equivalents	<u>21,411</u>
Municipal Building Commission:	
Cash and cash equivalents	<u>1,185</u>
Meet Minneapolis	
Cash and cash equivalents	<u>998</u>
Total	<u>\$ 600,011</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, 2011, totaled \$5,305. The Dodd-Frank Wall Street Reform and Consumer Protection Act provides temporary unlimited deposit insurance coverage for noninterest-bearing transaction accounts at all FDIC-insured depository institutions. The separate coverage for noninterest-bearing transaction accounts became effective on December 31, 2010 and terminates on December 31, 2012.

NOTE 2 - DEPOSITS AND INVESTMENTS

A. Deposits (continued)

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, 2011, the City was not exposed to custodial credit risk.

B. Investments

In accordance with Minnesota Statutes Chapter 118A, and with the City Charter, the City invested in (1) direct, guaranteed or insured obligations of the U.S. Treasury, (2) shares of an investment company (with restrictions), (3) general obligations of government jurisdictions (with restrictions), (4) bankers acceptances, (5) commercial paper and (6) repurchase agreements (with restrictions).

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.

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, 2011, and information relating to interest rate risks:

Investment Type	Weighted Average Maturity (Years)	Carrying (Fair) Value
U.S. Federal Agency obligations	1.3	\$ 238,202
U.S. Treasury obligations	1.6	166,024
U.S. Mortgage obligations	0.3	4,765
Municipal bonds	0.5	14,780
Commercial paper	0.1	71,794
Corporate securities	0.0	441
Mutual funds	0.1	107,647
Negotiable certificates of deposit	0.1	1,473
Portfolio Weighted Average Maturity	1.0	
Total investments		\$ 605,126
Deposits per book		(5,139)
Imprest cash		24
Total cash and investments		<u>\$ 600,011</u>

NOTE 2 - DEPOSITS AND INVESTMENTS

B. Investments (continued)

Credit Risk

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

“INVESTMENTS.

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

Subd. 2. United States securities. Public funds may be invested in governmental bonds, notes, bills, mortgages (excluding high-risk mortgage-backed securities), and other securities, 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.”

At December 31, 2011, the City’s investments were rated by Moody’s and Standard & Poor’s as follows:

Investment Type	Standard & Poor’s		Moody’s	
U.S. Federal agency obligations	AAA	\$ 228,202	Aaa	\$ 228,202
	Not rated	<u>10,000</u>	Not rated	<u>10,000</u>
Total U.S. Federal agency obligations		<u>\$ 238,202</u>		<u>\$ 238,202</u>
U.S. Treasury obligations	AAA	<u>\$ 166,024</u>	Aaa	<u>\$ 166,024</u>
U.S. Agency Mortgage obligations	Agency	<u>\$ 4,765</u>	Agency	<u>\$ 4,765</u>
Municipal bonds	AAA	\$ 3,383	Aaa	\$ 4,631
	AA+	3,770	Aa1	4,337
	AA	2,053	Aa2	3,180
	AA-	1,271	Aa3	1,677
	A+	1,150	A1	267
	A-	267	A3	-
	BBB+	-	Baa1	362
	Not rated	<u>2,886</u>	Not rated	<u>326</u>
Total Municipal bonds		<u>\$ 14,780</u>		<u>\$ 14,780</u>

NOTE 2 - DEPOSITS AND INVESTMENTS

B. Investments

Credit Risk (continued)

Investment Type	Standard & Poor's		Moody's	
Commercial paper	A-1+	\$ 19,996	P-1	\$ 71,794
	A-1	51,798		-
Total Commercial paper		\$ 71,794		\$ 71,794
Corporate securities	Not rated	\$ 441	Not rated	\$ 441
Mutual funds	AAA-m	\$ 107,647	Aaa-mf	\$ 107,647
Negotiable certificates of deposit	Not rated	\$ 1,473	Not rated	\$ 1,473
Total		\$ 605,126		\$ 605,126

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 it uses a third party financial institution for safekeeping of securities.

Concentration of Credit Risk

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

NOTE 2 - DEPOSITS AND INVESTMENTS

B. Investments (continued)

Investment derivative instruments:

At December 31, 2011, one of the City’s Investment Managers held six “to-be-announced” (TBA) Fannie Mae mortgage-backed securities. These securities are investments within the general cash pool of the City. The change in the fair value of these securities would flow through to the City’s funds participating in the cash pool and reported in interest earnings on the fund’s statement of activities. The fair value would be reported with the fund’s cash on the statement of net assets. Generally, the risks associated with investments apply to derivatives. The change in fair value during FY 2011, the fair value at December 31, 2011, and the notional amount of these investments is shown below.

	Changes in Fair Value during FY 2011		Fair Value at December 31, 2011		Notional Amount
Governmental Activities	\$	12	\$	2,872	\$ 2,823
Business-Type Activities		3		647	635
Discrete Component Units:					
Minneapolis Park and Recreation Board		1		143	141
Municipal Building Commission		-		8	8
Fiduciary Funds		-		18	18
Total	\$	16	\$	3,688	\$ 3,625

NOTE 3 - RECEIVABLES

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

	General Fund	Convention Center	Permanent Improvement	General Debt Service	Special Assessment Debt Service	Non-Major Governmental Funds	Internal Service Funds	Total Governmental
Governmental Activities								
Accounts	\$ 4,868	\$ 1,412	\$ 6,982	\$ 2,295	\$ -	\$ 250	\$ 246	\$ 16,053
Taxes	3,773	644	-	39	614	-	336	5,406
Special assessments	854	-	-	3,197	-	37,258	1,806	43,115
Intergovernmental	2,645	-	-	20,454	-	-	17,072	40,537
Loans	-	193,985	-	-	-	-	55,713	249,698
Loans due from component unit	-	-	908	-	-	-	-	908
Notes	-	-	-	-	-	-	-	5,875
Interest	656	450	67	100	45	27	36	1,381
Gross receivables	12,796	196,491	7,957	26,085	659	37,285	75,213	362,973
Less: Allowance for uncollectibles	(855)	(169,074)	(176)	(78)	-	-	(43,092)	(57)
Total receivables (due within one year)	\$ 11,941	\$ 27,417	\$ 7,781	\$ 26,007	\$ 659	\$ 37,285	\$ 32,121	\$ 149,641

Long-term portion of loans and notes receivable	\$ -	\$ -	\$ 6,060	\$ -	\$ -	\$ -	\$ -	\$ 6,060
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	Sanitary Sewer	Stormwater	Water Works	Municipal Parking	Solid Waste and Recycling	CPED	Total Business-type
Business-type Activities							
Accounts	\$ 3,091	\$ 3,562	\$ 4,966	\$ 2,909	\$ 2,837	\$ 232	\$ 17,597
Special assessments	231	487	2,042	8,159	255	-	11,174
Intergovernmental	-	693	374	-	126	-	1,193
Loans	-	-	-	-	-	35	35
Interest	-	-	-	-	-	36	36
Gross receivables	3,322	4,742	7,382	11,068	3,218	303	30,035
Less: Allowance for uncollectibles	(1)	(1)	(306)	(150)	-	-	(458)
Total receivables (due within one year)	\$ 3,321	\$ 4,741	\$ 7,076	\$ 10,918	\$ 3,218	\$ 303	\$ 29,577

Long-term portion of loans and notes receivable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 689	\$ 689
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NOTE 3 - RECEIVABLES (continued)

Governmental Activities:

In 2002 the City issued \$10,100 in Self-Supporting General Obligation bonds to provide funding for the Minneapolis Library Board to build a parking ramp. The City has entered into an agreement with the Minneapolis Library Board. The agreement was in the form of a capitalized lease. The capitalized lease agreement continues under the Minneapolis Library Board's successor, Hennepin County Library.

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

The future payment requirements for these agreements are as follows:

	Capitalized Lease
Scheduled Lease Payments:	
2012	\$ 642
2013	664
2014	684
2015	714
2016	737
2017-2021	4,094
2022-2026	4,837
2027-2028	<u>2,171</u>
Subtotal	14,543
Less: Interest over lease term	<u>(5,013)</u>
 Total Principal	 9,530
 Less: Current Portion	 <u>205</u>
 Noncurrent Portion	 <u><u>\$ 9,325</u></u>

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, 2011

(Dollar Amounts Expressed in Thousands)

NOTE 3 - RECEIVABLES (Continued)

The future payment requirements for these agreements are as follows:

	<u>Capitalized Leases</u>
Scheduled Lease Payments:	
2012	\$ 9,002
2013	8,846
2014	8,847
2015	8,717
2016	8,712
2017-2021	38,183
2022-2026	30,533
2027-2031	23,158
2032-2036	19,492
2037-2041	<u>10,553</u>
Subtotal	166,043
Less: Interest over lease term	<u>(74,058)</u>
 Total Principal	 91,985
Less: Unexpended construction funds	 <u>(1,494)</u>
 Net Capitalized Leases and Notes receivable	 90,491
Less: Current Portion	<u>(3,800)</u>
 Noncurrent Portion	 <u><u>\$ 86,691</u></u>

For the Fiscal Year Ended December 31, 2011

(Dollar Amounts Expressed in Thousands)

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2011 was as follows:

	Balance January 1, 2011	Additions	Retirements	Balance December 31, 2011
Governmental activities				
<i>Capital assets, not being depreciated</i>				
Land and easements	\$ 111,084	-	\$ (295)	\$ 110,789
Construction in progress	279,478	44,074	(90,739)	232,813
Total capital assets, not being depreciated	390,562	44,074	(91,034)	343,602
<i>Capital assets, being depreciated</i>				
Infrastructure	540,264	125,618	-	665,882
Buildings and structures	551,754	18,957	-	570,711
Public improvements	6,140	500	-	6,640
Machinery and equipment	108,599	7,059	(3,730)	111,928
Computer equipment	62,403	6,766	-	69,169
Software	45,823	2,144	-	47,967
Other capital outlay	51	-	-	51
Total capital assets, being depreciated	1,315,034	161,044	(3,730)	1,472,348
Less accumulated depreciation for:				
Infrastructure	(358,815)	(14,388)	-	(373,203)
Buildings and structures	(166,550)	(10,941)	-	(177,491)
Public improvements	(5,743)	(97)	-	(5,840)
Machinery and equipment	(69,030)	(8,412)	3,490	(73,952)
Computer equipment	(51,543)	(5,080)	-	(56,623)
Software	(22,687)	(7,102)	-	(29,789)
Other capital outlay	(51)	-	-	(51)
Total accumulated depreciation	(674,419)	(46,020)	3,490	(716,949)
Total capital assets, being depreciated, net	640,615	115,024	(240)	755,399
Governmental activities capital assets, net	\$ 1,031,177	\$ 159,098	\$ (91,274)	\$ 1,099,001

For the Fiscal Year Ended December 31, 2011

(Dollar Amounts Expressed in Thousands)

NOTE 4 - CAPITAL ASSETS (continued)

	Revised Balance January 1, 2011	Additions	Retirements	Balance December 31, 2011
Business-type Activities				
<i>Capital assets, not being depreciated</i>				
Land and easements	\$ 126,615	\$ 1,767	\$ -	128,382
Construction in progress	95,219	39,971	(95,253)	39,937
Total capital assets, not being depreciated	<u>221,834</u>	<u>41,738</u>	<u>(95,253)</u>	<u>168,319</u>
<i>Capital assets, being depreciated</i>				
Buildings and structures	478,436	22,025	-	500,461
Public improvements	610,980	47,898	-	658,878
Machinery and equipment	23,124	26,721	(211)	49,634
Computer equipment	1,738	-	(192)	1,546
Software	4,429	-	(1,579)	2,850
Capital outlay	34	-	-	34
Total capital assets, being depreciated	<u>1,118,741</u>	<u>96,644</u>	<u>(1,982)</u>	<u>1,213,403</u>
Less accumulated depreciation for:				
Buildings and structures	(168,383)	(10,796)	-	(179,179)
Public improvements	(210,531)	(8,479)	-	(219,010)
Machinery and equipment	(15,667)	(3,457)	211	(18,913)
Computer equipment	(1,696)	(23)	192	(1,527)
Software	(4,425)	(2)	1,579	(2,848)
Other capital outlay	(31)	-	-	(31)
Total accumulated depreciation	<u>(400,733)</u>	<u>(22,757)</u>	<u>1,982</u>	<u>(421,508)</u>
Total capital assets, being depreciated, net	<u>718,008</u>	<u>73,887</u>	<u>-</u>	<u>791,895</u>
Business-type Activities capital assets, net	<u>\$ 939,842</u>	<u>\$ 115,625</u>	<u>\$ (95,253)</u>	<u>\$ 960,214</u>

January 1, 2011 amounts for Buildings and Structures and Machinery and Equipment were adjusted by \$815 each to reflect a reclassification of assets between the two categories. The related accumulated depreciation of \$40 was also reclassified from Buildings and Structures Accumulated depreciation to Machinery and Equipment Accumulated Depreciation. The total capital assets for January 1, 2011 did not change.

Depreciation expense was charged to governmental functions as follows:

General government	\$ 48
Public Safety	1,406
Public Works	14,640
Health and Welfare	11
Community Development	10,181
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>19,734</u>
Total depreciation expense – governmental functions	<u>\$ 46,020</u>

NOTE 4 - CAPITAL ASSETS (continued)

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

Sanitary Sewer	\$ 1,293
Stormwater	3,929
Water Works	9,738
Municipal Parking	6,733
Solid Waste and Recycling	716
Economic Development	348
Total depreciation expense – business-type functions	<u>\$ 22,757</u>

Construction in Progress

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

Property Services	\$ 25,824
Convention Center	2,963
Traffic Signals & Lighting	1,273
Bicycle Trail	20,271
Street Construction	99,249
Bridge Construction	11,784
Heritage Park	63,061
Equipment Services	500
Property Services	17
Business Information Services	7,871
Total CIP for Governmental Activities	<u>\$232,813</u>

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

Sewers – Sanitary	\$ 3,726
Sewers – Stormwater	10,199
Water	25,869
Parking	143
Total CIP for Business-type Activities	<u>\$ 39,937</u>

Capital Project Commitments

For the year 2012, the City of Minneapolis made Capital Project Commitments for the following:

Property Services	\$ 2,675
Sewer Construction	20,750
Street Construction	35,118
Bridge Construction	300
Sidewalk Construction	3,070
Street Lighting	1,400
Traffic Signals	8,885
Bicycle Trails	100
Non-Departmental	11,452
Information Technology	3,275
Water	11,400
Parking	1,700
Total Capital Project Commitments	<u>\$100,125</u>

NOTE 4 - CAPITAL ASSETS (continued)

Discretely Presented Component Unit

Activity for the Minneapolis Park and Recreation Board for the year ended December 31, 2010, was as follows:

	Revised Balance			Balance
	January 1, 2011	Additions	Retirements	December 31, 2011
Capital assets, not being depreciated	\$ 96,726	\$ 15,584	\$ (3,865)	\$ 108,445
Capital assets, being depreciated, net	180,604	(4,854)	(326)	175,424
	<u>\$ 277,330</u>	<u>\$ 10,730</u>	<u>\$ (4,191)</u>	<u>\$ 283,869</u>
Depreciation expense charged	\$ 10,849			

NOTE 5 - LONG-TERM DEBT

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

Property Tax Supported General Obligation Bonds

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

Self-Supporting General Obligation Bonds

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

General Obligation Improvement Bonds

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

Tax Increment General Obligation Bonds

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

Revenue Bonds and Notes

Revenue bonds and notes are recorded in the Enterprise Funds or Governmental Funds. These bonds and notes are payable solely from revenues of the respective Enterprise Funds or tax increment districts. In addition, the City has pledged one-half percent of tax capacity to secure payment of bond principal and interest on all bonds issued after May 22, 1987, for the General Agency Reserve Fund System (GARFS) bonds within the Community Planning and Economic Development (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 the Fiscal Year Ended December 31, 2011

(Dollar Amounts Expressed in Thousands)

NOTE 5 - LONG-TERM DEBTSinking Fund Provisions (continued)

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.

2011 Bond Sales and Refunding Transactions

In 2011, the City of Minneapolis issued bonds & notes totaling \$233,000. Of this amount, \$186,550 was issued to refund existing debt. Below are details of the 2011 debt issuances.

In April 2011, the City issued \$33,800 of General Obligation Convention Center Refunding Bonds, Series 2011, and \$71,250 of Taxable General Obligation Convention Center Refunding Bonds, Series 2011. The proceeds from these refunding bonds along with funds on hand were used to complete current refundings of certain Convention Center bond series as well as to convert certain maturities of Convention Center variable rate bonds to fixed rate bonds. Details by series are further defined below.

From the sale of the \$33,800 of General Obligation Convention Center Refunding Bonds, Series 2011, the City received proceeds of \$35,619 including a net bond premium of \$1,819. On April 14, 2011, these proceeds along with funds on hand were used to refund the 2013 through 2017 maturities of the General Obligation Convention Center Bonds, Series 2002, totaling \$26,300 and the 2011 through 2012 maturities of the General Obligation Convention Center Bonds, Series 2002A, totaling \$9,785. As a result of this refunding transaction, the City realized a net present value debt service savings of \$4,189. The General Obligation Convention Center Refunding Bonds, Series 2011 were issued at a 3.00% tax exempt interest rate and a final maturity date of December 1, 2017.

From the sale of the \$71,250 of Taxable General Obligation Convention Center Refunding Bonds, Series 2011, the City received proceeds of \$71,001 including a net underwriter discount of \$249. On April 14, 2011, a portion of these proceeds were used to refund the 2018 through 2020 remaining maturities of the General Obligation Convention Center Bonds, Series 2002, totaling \$54,600 and on May 2, 2011 the remaining proceeds along with funds on hand were used to prepay a portion of the variable rate General Obligation Convention Center Bonds, Series 1999, in the amount of \$8,650 and a portion of the variable rate General Obligation Convention Center Bonds, Series 2000, in the amount of \$8,000. As a result of these refunding transactions, the City realized an estimated combined net present value debt service savings of \$6,854 using actual fixed rates on the 2002 refunded bonds and budgeted variable rates at 5% interest on the variable rate bonds refunded. The Taxable General Obligation Convention Center Refunding Bonds, Series 2011, had interest rates ranging from 3.25% to 3.80% and a final maturity date of December 1, 2020.

In May 2011, the City issued \$27,570 of General Obligation Various Purpose Bonds, Series 2011. The bonds were issued for a variety of public works infrastructure improvements, park, municipal building commission, technology, sewer, and parking ramp improvements. The bonds were issued in fixed rate mode and had interest rates ranging from 3.00% to 5.00% and a final maturity date of December 1, 2015.

In November 2011, the City issued \$42,200 of General Obligation Library Referendum Refunding Bonds, Series 2011. Proceeds of these bonds along with funds on hand were used on December 1, 2011 to refund the remaining \$44,475 of outstanding variable rate bonds from the General Obligation Library Bonds, Series 2003. This refunding was performed to convert variable rate bonds to historically low fixed rates. Because the refunded bonds were in variable rate mode and due to a significantly shorter maturity structure, it is not possible to accurately calculate a net present value savings for this refunding. The refunding series was issued in fixed rate mode at a 2.00% interest rate and a final maturity date of December 1, 2019.

For the Fiscal Year Ended December 31, 2011

(Dollar Amounts Expressed in Thousands)

NOTE 5 - LONG-TERM DEBT2011 Bond Sales and Refunding Transactions (continued)

In November 2011, the City also issued \$39,300 of General Obligation Convention Center Refunding Bonds, Series 2011A. Proceeds of these bonds were used on December 1, 2011 to redeem the remaining \$17,300 of General Obligation Convention Center Bonds, Series 1999, and remaining \$22,000 of General Obligation Convention Center Bonds, Series 2000. Both of the refunded series were in variable rate mode. This refunding was performed to convert variable rate bonds to historically low fixed rates. Because the refunded bonds were in variable rate mode, it is not possible to accurately calculate a net present value savings for this refunding but based on the budgeted 5% interest rate, the City estimates a net present value savings of \$6,678. The refunding series was issued in fixed rate mode at a 2.00% interest rate and a final maturity date of December 1, 2019.

In November 2011, the City also issued \$8,495 of General Obligation Improvement Bonds, Series 2011. These bonds were issued for a variety of special assessment projects including several street paving programs, street lighting, water main and sanitary sewer projects. The bonds were issued in fixed rate mode and had interest rates ranging from 2.00% - 3.50% and a final maturity date of December 1, 2031.

2011 Notes Issued

Over the past several years, the City 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. During 2011, the City received additional proceeds of \$10,145 on Note 5 and \$240 on Note 6. Note 5 is authorized for \$21,960 with \$19,406 drawn through December 31, 2011 and has a subsidized interest rate of 2.688% and a final maturity date of August 20, 2027. Note 6 is authorized for \$7,055 with \$6,230 drawn through December 31, 2011 and has a subsidized interest rate of 1.00% and a final maturity date of August 20, 2021. At December 31, 2011, the outstanding balance of the six general obligation notes in this program was \$91,251.

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, 2011, \$109,225 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, \$102,700 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 Assets, with the exception of the library assets now held by Hennepin County.

Long-term liabilities at December 31, 2011 (in thousands) are detailed below.

For the Fiscal Year Ended December 31, 2011

(Dollar Amounts Expressed in Thousands)

NOTE 5 - LONG-TERM DEBT (continued)

Long-term liabilities at December 31, 2011 (in thousands) are detailed below.

	Balance 1/1/2011	Additions	Retirements	Balance 12/31/2011	Amounts Due Within One Year
Governmental Activities:					
<u>Bonds and Notes</u>					
Property Tax Supported GO Bonds	\$ 236,570	\$ 53,682	\$ 101,912	\$ 188,340	\$ 18,310
Self Supporting GO Bonds	197,780	144,350	163,265	178,865	5,335
GO Improvement Bonds	47,806	8,895	5,726	50,975	7,220
Tax Increment GO Bonds	139,830	-	11,575	128,255	12,385
Revenue Bonds	26,700	-	710	25,990	780
Revenue Notes	15,585	-	309	15,276	581
Internal Service Fund Related GO Bonds	51,940	1,000	12,875	40,065	12,160
Total Governmental Bonds and Notes	716,211	207,927	296,372	627,766	56,771
<u>Other Long-term Liabilities</u>					
Operating Lease Payable	86	9	38	57	-
Unpaid Claims Payable	47,292	17,037	14,279	50,050	-
Unamortized Premium (Discount)	15,846	5,375	5,036	16,185	-
Compensated Absences Payable	32,561	18,394	18,281	32,674	16,178
Other Postemployment Benefits	10,283	4,745	-	15,028	-
Total Other Long-term Liabilities	106,068	45,560	37,634	113,994	30,457
Total Long-term Liabilities Governmental	822,279	253,487	334,006	741,760	87,228
Business-type activities:					
<u>Bonds and Notes</u>					
Stormwater Fund GO Bonds	18,271	8,988	11,773	15,486	6,265
Sanitary Sewer GO Bonds	14,500	4,000	4,100	14,400	4,600
Water Fund GO Bonds	28,772	-	2,251	26,521	2,250
Water Fund GO Note	84,521	10,385	3,655	91,251	3,550
Municipal Parking Fund GO Bonds	162,320	1,700	14,820	149,200	15,840
CPED Related Non GO Fund					
General Agency Reserve Fund System	95,925	-	3,940	91,985	3,800
Revenue Notes	455	-	145	310	153
Total Bonds and Notes	404,764	25,073	40,684	389,153	36,458
<u>Other Long-term Liabilities</u>					
Unamortized Premium (Discount)	6,449	370	1,220	5,599	-
Compensated Absences Payable	1,828	3,142	2,344	2,626	788
Other Postemployment Benefits	1,561	664	-	2,225	-
Total Other Long-term Liabilities	9,838	4,176	3,564	10,450	788
Total Long-term Liabilities Business-type	414,602	29,249	44,248	399,603	37,246
Total Long-term Liabilities	\$ 1,236,881	\$ 282,736	\$ 378,254	\$ 1,141,363	\$ 124,474

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.

NOTE 5 - LONG-TERM DEBT (continued)

Amortization of Outstanding Governmental City Debt

As of December 31, 2011, 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:				
2012	\$ 44,030	\$ 21,647	\$ 581	\$ 308
2013	51,266	19,897	310	276
2014	47,811	18,137	330	260
2015	47,000	16,569	360	241
2016	39,991	14,881	380	224
2017 - 2021	231,492	51,632	2,330	797
2022 - 2026	98,615	15,557	1,785	163
2027 - 2031	12,010	1,075	9,200	-
2032	210	5	-	-
	<u>\$ 572,425</u>	<u>\$ 159,400</u>	<u>\$ 15,276</u>	<u>\$ 2,269</u>

Year Ending	Internal Service Fund Bonds		Total Governmental Activities Bonds & Notes	
	Principal	Interest	Principal	Interest
Dec 31:				
2012	\$ 12,160	\$ 1,318	\$ 56,771	\$ 23,273
2013	3,735	918	55,311	21,091
2014	3,750	783	51,891	19,180
2015	3,525	649	50,885	17,459
2016	3,080	528	43,451	15,633
2017 - 2021	13,815	784	247,637	53,213
2022 - 2026	-	-	100,400	15,720
2027 - 2031	-	-	21,210	1,075
2032	-	-	210	5
	<u>\$ 40,065</u>	<u>\$ 4,980</u>	<u>\$ 627,766</u>	<u>\$ 166,649</u>

NOTE 5 - LONG-TERM DEBT (continued)

Amortization of Outstanding Business-type Activities City Debt

As of December 31, 2011, annual debt service requirements for Business-type activities to maturity (in thousands) are as follows:

Year Ending Dec 31:	Bonds		Notes		Total		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 32,755	\$ 16,111	\$ 3,703	\$ 2,402	\$ 36,458	\$ 18,513		
2013	26,195	14,989	3,892	2,306	30,087	17,295		
2014	21,125	14,031	3,891	2,205	25,016	16,236		
2015	17,880	12,304	4,360	2,104	22,240	14,408		
2016	17,469	9,914	4,530	1,997	21,999	11,911		
2017 - 2021	55,047	40,714	38,490	7,543	93,537	48,257		
2022 - 2026	67,685	26,847	29,080	2,843	96,765	29,690		
2027 - 2031	29,995	13,608	3,616	97	33,611	13,705		
2032 - 2036	19,005	5,049	-	-	19,005	5,049		
2037 - 2040	10,435	1,863	-	-	10,435	1,863		
Total	\$ 297,591	\$ 155,430	\$ 91,562	\$ 21,497	\$ 389,153	\$ 176,927		

Discretely Presented Component Unit

Activity for the Minneapolis Park and Recreation Board for the year ended December 31, 2011, was as follows:

	Balance			Retirements	Balance		Amounts due Within one year
	January 1, 2011	Additions			December 31, 2011		
Notes payable	\$ 5,849	\$ -	\$ 1,366	\$ 4,483	\$ 1,368		
Compensated absences	4,279	2,539	2,542	4,276	2,953		
Postemployment benefits	1,661	1,142	475	2,328	-		
Total	\$ 11,789	\$ 3,681	\$ 4,383	\$ 11,087	\$ 4,321		

Activity for the Minneapolis Park and Recreation Board for the year ended December 31, 2011, was as follows:
(continued)

Year Ending	Principal	Interest
December 31:		
2012	\$ 1,368	\$ 133
2013	1,370	95
2014	1,372	56
2015	50	18
2016	52	15
2017-2021	271	35
Total	\$ 4,483	\$ 352

For the Fiscal Year Ended December 31, 2011

(Dollar Amounts Expressed in Thousands)

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

As of December 31, 2011, outstanding industrial, commercial, and housing revenue bonds and notes approximated \$2,421 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 - DEMAND BONDSGeneral Obligation Demand Bonds

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

The remaining redemption schedule for these bonds is as follows:

Year	Amount
2012	500
2013	520
2014	390
2015	515
2016	1,820
2017	1,940
2018	2,170
2019	2,295
2020	2,525
2021	1,050
2022	1,095
2023	1,145
2024	510
2025	3,145
2026	3,465
2027	3,820
2028	4,190
2029	2,545
2030	2,765
2031	2,985
2032	3,210
2033	3,100
Total	\$ 45,700

The bonds are subject to purchase on demand of the holder at a price equal to principal plus accrued interest on delivery to the City's Remarketing agent. The Remarketing agent is authorized to use their best effort to sell the repurchased bonds at a price equal to 100 percent of the principal amount by adjusting the interest rate. These demand bonds are backed by the full faith, credit and taxing power of the City and are included in long-term debt. Under irrevocable Standby Bond Purchase Agreements issued by Dexia Credit Local, acting through its New York branch, the trustee is entitled to draw an amount sufficient to pay the purchase price of bonds delivered to it. The letters of credit are for the original sale amount and are subject to extension with the agreement of the Bank. They carry a rate equal to the Federal Funds rate plus one-half of one percent per annum with respect to amounts advanced. The expiration dates for the Standby Bond Purchase Agreements are October 31, 2012. The City has the option to convert all of the bonds from a variable interest rate to a fixed interest rate by giving written notice to Dexia Credit Local, the Tender Agent, the Remarketing Agent and the Trustee. The conversion date must be on a business day not less than 15 days from the date of the written notice.

NOTE 8 – LEASES

Operating Leases

The City of Minneapolis leases office space for its community development operations. The lease for office space expires in the year 2016 and the office space lease payments were \$1,233 in 2011.

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

Year ending December 31	Government Activity Amount
2012	\$ 2,590
2013	2,437
2014	2,428
2015	1,985
2016	1,701
2017–2020	<u>3,278</u>
Total minimum lease payments	<u>\$ 14,419</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 \$1,472 over the lease terms results in a total annual lease amount of \$187.

For 2011 the amount of lease expenditures is as follows:

	<u>Amount</u>
Operating leases	\$ 192
Additional Straight Line Basis	<u>(5)</u>
Total expenditures	<u>\$ 187</u>

NOTE 8 – LEASES (continued)

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

<u>Year</u>	<u>Government Activity Amount</u>
2012	\$ 156
2013	147
2014	154
2015	61
2016	63
2017-2019	<u>149</u>
Total minimum lease payments	<u>\$ 730</u>

NOTE 9 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables

The composition of interfund balances as of December 31, 2011 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	\$ 286
CPED Special Revenue Fund	CPED Enterprise Fund	700
Permanent Improvement Fund	General Fund	179
Non-Major Governmental Funds	General Fund	79
	Non-Major Governmental Funds	10,655
Internal Service Funds	Internal Service Funds	<u>1,030</u>
	Total	<u>\$ 12,929</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	Community Development Agency Enterprise Fund	\$ 10
Convention Center Special Revenue Fund	Internal Service Funds	<u>7,750</u>
	Total	<u>\$ 7,760</u>

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

NOTE 9 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (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	CPED Special Revenue Fund	\$ 6,133	
	Convention Center Fund	14,247	
	Non-Major Governmental Funds	1,102	
	Municipal Parking Fund	7,818	
	Solid Waste & Recycling Fund	700	30,000
CPED Special Revenue Fund	Non-Major Governmental Funds	648	
	CPED Enterprise Fund	499	1,147
Permanent Improvement	General Fund	4	
	CPED Special Revenue Fund	4,000	
	Internal Service Funds	193	4,197
Development Debt Service Fund	CPED Special Revenue Fund	16,916	
	Convention Center Fund	22,214	
	Permanent Improvement Fund	12	
	General Debt Service Fund	56	39,198
General Debt Service Fund	General Fund	10,425	
	CPED Special Revenue Fund	301	
	Convention Center Fund	153	
	Permanent Improvement Fund	470	
	Internal Service Funds	1,955	
	Sanitary Sewer Fund	577	
	Stormwater Fund	700	
	Water Works Fund	2,042	
	Municipal Parking Fund	240	
	Solid Waste & Recycling Fund	236	17,099
Special Assesment Debt Service Fund	Permanent Improvement Fund	103	103
Non-Major Governmental Funds	General Fund	6,628	
	CPED Special Revenue Fund	4,670	
	Municipal Parking Fund	2,758	14,056
Total Governmental Funds		\$	105,800

NOTE 9 - INTERFUND TRANSACTIONS

Transfers (continued)

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Total Transfers In</u>	
Proprietary Funds:			
Business-type Activities			
Sanitary Sewer Fund	Non-Major Governmental Funds	\$ 181	\$ 181.00
Stormwater Fund	Permanent Improvement Fund	99	
	Non-Major Governmental Funds	196	295
Municipal Parking Fund	CPED Special Revenue Fund	7,607	
	Convention Center Fund	7,589	15,196
Solid Waste & Recycling Fund	General Fund	50	
	Municipal Parking Fund	146	196
	Total Business Type Activities	\$ 15,868	
Governmental Type Activities			
Internal Service Funds	General Fund	23,522	
	General Debt Service Fund	2,477	
	Internal Service Funds	1,000	26,999
	Total Governmental Type Activities	\$ 26,999	

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 10 - NET ASSETS/FUND BALANCES

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

- Invested in capital assets, net of related debt – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- Restricted net assets – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net assets – This category represents net assets of the City, not restricted for any project or other purpose.

In the governmental 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. It also includes the long-term amount of Interfund loans in the General Fund

NOTE 10 - NET ASSETS/FUND BALANCES (continued)

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 (ordinance or 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 (ordinance or 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.

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.

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 balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are as follows.

NOTE 10 - NET ASSETS/FUND BALANCES (continued)

Fund Balances	General	Community Planning and Economic Development	Convention Center	Permanent Improvement
<u>Nonspendable</u>				
Loans due from component unit	\$ -	\$ -	\$ 6,968.00	\$ -
Land held for development	-	38,242	-	-
Prepaid items	36	118	-	-
<i>Total nonspendable</i>	<u>36</u>	<u>38,360</u>	<u>6,968</u>	<u>-</u>
<u>Restricted for:</u>				
Community and economic development	-	141,654	-	-
Capital improvements	-	-	-	14,844
<i>Total restricted</i>	<u>-</u>	<u>141,654</u>	<u>-</u>	<u>14,844</u>
<u>Committed to:</u>				
Accelerated Infrastructure	-	7,058	-	-
<u>Assigned to:</u>				
Community & economic development	-	22,532	42,716	-
Neighborhood & community relations	2,444	-	-	-
Capital improvements	-	-	-	12,544
<i>Total assigned</i>	<u>2,444</u>	<u>22,532</u>	<u>42,716</u>	<u>12,544</u>
<u>Unassigned</u>	<u>69,891</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>\$ 72,371</u>	<u>\$ 209,604</u>	<u>\$ 49,684</u>	<u>\$ 27,388</u>

Fund Balances	Development	General Debt Service	Special Assessment	Non-Major Governmental	Total
<u>Nonspendable</u>					
Loans due from component unit	\$ -	\$ -	\$ -	\$ -	\$ 6,968
Land held for development	-	-	-	10,276	48,518
Prepaid items	-	-	-	-	154
<i>Total nonspendable</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,276</u>	<u>55,640</u>
<u>Restricted for:</u>					
Debt service	44	20,740	10,055	3,522	34,361
Community and economic development	-	-	-	-	141,654
Capital improvements	-	-	-	-	14,844
Grants	-	-	-	967	967
Law enforcement	-	-	-	1,003	1,003
<i>Total restricted</i>	<u>44</u>	<u>20,740</u>	<u>10,055</u>	<u>5,492</u>	<u>192,829</u>
<u>Committed to:</u>					
Accelerated Infrastructure	-	-	-	-	7,058
<u>Assigned to:</u>					
General government	-	-	-	385	385
Public safety	-	-	-	5,743	5,743
Community & economic development	-	-	-	2,610	67,858
Neighborhood & community relations	-	-	-	-	2,444
Pension obligations	-	-	-	16,777	16,777
Capital improvements	-	-	-	-	12,544
<i>Total assigned</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,515</u>	<u>105,751</u>
<u>Unassigned</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>69,891</u>
Total fund balances	<u>\$ 44</u>	<u>\$ 20,740</u>	<u>\$ 10,055</u>	<u>\$ 41,283</u>	<u>\$ 431,169</u>

NOTE 11 - RESTRICTED NET ASSETS – GOVERNMENTAL ACTIVITIES

Certain net assets are classified on the statement of net assets as restricted because their use is limited. The Governmental Activities report restricted net assets for amounts that are not available for operations or are legally restricted by outside parties for use for a specific purpose. As of December 31, 2011, the Governmental Activities restricted net assets are as follows:

Debt service	\$ 49,205
Community & economic development	141,654
Law enforcement	1,003
Grants	<u>967</u>
Total restricted net assets	<u>\$ 192,829</u>

NOTE 12 - RESTRICTED NET ASSETS – BUSINESS-TYPE ACTIVITIES

Certain net assets are classified on the statement of net assets as restricted because their use is limited. The Business-type Activities report restricted net assets for amounts that are not available for operations or are legally restricted by outside parties for use for a specific purpose. As of December 31, 2011, the Business-type Activities restricted net assets are as follows:

Debt service	<u>\$ 34,967</u>
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NOTE 13 - DEFICIT BALANCES

The following fund has a deficit net asset balance as of December 31, 2011:

Internal Service Funds	
Self-Insurance	<u>\$(4,099)</u>

The City intends to fund the actuarially determined liability in the Self Insurance Internal Service Fund by maintaining a cash reserve equal to the claims liability plus 10% of the annual department operating budgets within the fund. In 2003, the City adopted a long-term financial plan to increase the cash reserve and achieve a net asset balance that does not fall below zero. For fiscal year 2011, the cash reserve, including Due from Other Funds, is \$48,571, representing an increase of \$6,490 from the 2010 balance of \$42,081. The 2011 net asset balance in the Self-Insurance Fund increased \$2,489 from the 2010 deficit balance of (\$6,588).

For the Fiscal Year Ended December 31, 2011

(Dollar Amounts Expressed in Thousands)

NOTE 14 - DEFINED BENEFIT PENSION PLAN – STATEWIDE PUBLIC EMPLOYEES RETIREMENT ASSOCIATION**Plan Description**

All firefighters and police officers hired after June 15, 1980 and full-time and certain part-time employees of the City hired after June 30, 1978, 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.

The full-time and certain part-time employees, except for police officers and firefighters, are covered by the General Employees Retirement Fund. General Employees Retirement Fund members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security. 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).

The police officers, and firefighters, 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 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 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 General Employees Retirement Fund members, 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 at, 60 Empire Drive, Suite 200, Saint Paul, Minnesota 55103-2088; or by calling 651- 296-7460 or 1-800-652-9026.

NOTE 14 - 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 Coordinated Plan members are required to contribute 6.25 percent of their annual covered salary. Public Employees Police and Fire Fund members are required to contribute 9.60 percent of their annual covered salary in 2011.

The City is required to contribute the following percentages of annual covered payroll in 2011:

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, 2011, 2010, and 2009, for the General Employees Retirement Fund and the Public Employees Police and Fire Fund were:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
General Employees Retirement Fund	\$ 9,347	\$ 8,986	\$ 9,327
Public Employees Police and Fire Fund	\$ 14,058	\$ 13,884	\$ 13,867

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

NOTE 15 - DEFINED BENEFIT PENSION PLAN - MULTIPLE EMPLOYER MINNEAPOLIS EMPLOYEES RETIREMENT FUND

Plan Description

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

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

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

NOTE 15 - DEFINED BENEFIT PENSION PLAN - MULTIPLE EMPLOYER MINNEAPOLIS EMPLOYEES RETIREMENT FUND

Plan Description (continued)

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

On June 30, 2010 MERF was consolidated under PERA. Legislation extended the full funding date to 2031 and set a minimum annual payment from the employers of \$27,000 and maximum annual payment of \$34,000. PERA issues a publicly available financial report that includes financial statements that includes MERF activity. 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.

Funding Policy

Minnesota Statutes Chapter 422A sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. Employees contribute 9.25% of salary into the Deposit Accumulation Reserve and .50% of salary (subject to annual adjustment) into the Survivor Benefits Reserve. Employers, including the City contribute any excess of normal cost contributions of 10.09% of salary. The unfunded actuarial liability is funded partially by payments each year of 2.68% of salary plus \$3,900 from all employers. MERF has a target date of June 30, 2020 to fully amortize the unfunded liability. The City levies taxes to finance the employer’s share of pension costs for the General Fund.

The City's contributions for the years ended June 30, 2009, 2010, and 2011 for the MERF were:

2009	\$4,740
2010	\$4,145
2011	\$3,132

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

For the Fiscal Year Ended December 31, 2011

(Dollar Amounts Expressed in Thousands)

**NOTE 16 - DEFINED BENEFIT PENSION PLAN - SINGLE EMPLOYER
MINNEAPOLIS FIREFIGHTER'S RELIEF ASSOCIATION,
MINNEAPOLIS POLICE RELIEF ASSOCIATION****Plan Description**

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

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

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

On December 31, 2011 both MFRA and MPRA were consolidated under PERA.

Funding Policy

Authority for contributions to the MFRA and the MPRA pension plans is established by Minnesota Statutes, section 69.77 and may be amended only by the Minnesota State Legislature. The MFRA and the MPRA funding policies provide for contributions from the City, the State of Minnesota, and active plan members. City contributions are actuarially determined and require full funding of the MFRA's accrued liability with a 15-year amortization of any unfunded liabilities and full funding of the MPRA's accrued liability by the year 2020. The City contributed and \$3,672 to MFRA and \$15,212 to MPRA for the fiscal year ended December 31, 2010. Employees under these plans contribute annually an amount equal to eight percent of the maximum first grade firefighter's salary or eight percent of the maximum top grade patrol officer's salary from which pension benefits are determined. The State of Minnesota annually contributes two percent fire premium insurance aid and the amortization state aid to the MFRA and two percent peace officers' state aid to the MPRA.

**NOTE 16 - DEFINED BENEFIT PENSION PLAN - SINGLE EMPLOYER
MINNEAPOLIS FIREFIGHTER’S RELIEF ASSOCIATION,
MINNEAPOLIS POLICE RELIEF ASSOCIATION**

Funding Policy (continued)

The City's annual pension cost for the fiscal year ended December 31, 2010, and related information for each plan is as follows:

	<u>MFRA</u>	<u>MPRA</u>
Contributions made	\$ 3,672	\$ 15,212
Actuarial valuation date	12/31/2010	12/31/2010
Actuarial cost method	Entry Age Normal Cost	Entry Age Normal Cost
Amortization method	Level Percentage of Payroll	Level Percentage of Payroll
Remaining amortization period	15 years, closed	15 years, closed
Asset valuation method	Book value plus the average unrealized gain for the last three years minus excess investment income as defined by state law.	Book value plus the average unrealized gain for the last three years minus excess investment income as defined by state law.
Actuarial assumptions:		
Investment rate of return	6% per annum	6% per annum
Projected salary increases:	4% per annum	4% per annum
Inflation	NA	NA
Cost-of-living adjustments	NA	NA

Three-Year Trend Information:

	<u>Year</u> <u>Ending</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed (%)</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
MFRA	2008	\$ 4,750	100	
	2009	\$ 4,123	100	-
	2010	\$ 3,672	100	
MPRA	2008	\$ 5,811	100	-
	2009	\$ 6,295	100	-
	2010	\$ 15,212	100	-

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

**NOTE 16 - DEFINED BENEFIT PENSION PLAN - SINGLE EMPLOYER
MINNEAPOLIS FIREFIGHTER'S RELIEF ASSOCIATION,
MINNEAPOLIS POLICE RELIEF ASSOCIATION**

Funding Policy (continued)

Schedules of Funding Progress:

MFRA:

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Liability (AAL) --Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (%) (a/b)	Annual Covered Payroll (Previous Fiscal Year) (c)	UAAL as a Percentage of Covered Payroll (%) ((b - a)/c)
2008	\$ 237,401	\$ 263,389	\$ 25,988	90.1	\$ 2,325	1117.8
2009	\$ 201,087	\$ 254,317	\$ 53,231	79.1	\$ 1,896	2807.2
2010	\$ 186,988	\$ 241,737	\$ 54,749	77.4	\$ 1,818	3011.5

MPRA:

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Liability (AAL) --Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (%) (a/b)	Annual Covered Payroll (Previous Fiscal Year) (c)	UAAL as a Percentage of Covered Payroll (%) ((b - a)/c)
2008	\$ 324,723	\$ 441,799	\$ 117,076	73.5	\$ 1,249	9373.6
2009	\$ 277,847	\$ 415,484	\$ 137,637	66.9	\$ 923	14911.9
2010	\$ 254,934	\$ 406,256	\$ 151,323	62.8	\$ 685	22090.8

NOTE 17 - 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, 2011, was \$2,080 and the CPED's total payroll was \$10,035.

NOTE 17 - DEFINED CONTRIBUTION PLAN – CPED (continued)

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 \$115 and \$106 respectively to the plan during the year, which amounts represented 5.53% and 5.1% respectively of the covered payroll.

NOTE 18 - 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.

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 2011, the City contributed \$4,023 to the plan. As of January 1, 2011, there were approximately 1,024 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	\$ 9,500
Interest on net OPEB obligation	355
Adjustment to annual required contribution	(423)
Annual OPEB cost (expense)	<u>9,432</u>
Contributions made	<u>4,023</u>
Increase in net OPEB obligation	5,409
Net OPEB obligation – beginning of year	<u>11,844</u>
Net OPEB obligation – end of year	<u><u>\$ 17,253</u></u>

For the Fiscal Year Ended December 31, 2011

(Dollar Amounts Expressed in Thousands)

NOTE 18 - POSTEMPLOYMENT BENEFITS PLAN**Annual OPEB Cost and Net OPEB Obligation (continued)**

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011, 2010 and 2009 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage Of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2011	\$ 9,432	42.3%	\$ 17,253
12/31/2010	\$ 7,412	54.6%	\$ 11,844
12/31/2009	\$ 7,428	51.0%	\$ 8,473

Funded Status and Funding Progress

As of January 1, 2011, the most recent actuarial valuation date, the City had no assets deposited to fund the plan. The actuarial accrued liability for benefits was \$96,450 and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$96,450. The covered payroll (annual payroll of active employees covered by the plan) was \$287,649, and the ratio of the UAAL to the covered payroll was 33.5%.

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, 2011, 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% to 8.5%, long-term, similar to a pension plan) or unfunded (3.0% to 5%, 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 9% initially, reduced incrementally to an ultimate rate of 5% after eight 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 19 - 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 20 - RISK MANAGEMENT & CLAIMS

The City is self-insured and exposed to a variety of risks related to liability claims; theft of, damage to, and destruction of assets, bodily injuries, and accidents. The City is self-insured for workers' compensation, general liability and re-employment. Claims under \$25 and unrepresented are handled by Risk Management & Claims. Claims 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 programs. The City, CPED and the BET are self-insured for general liability. The MBC and the Park Board maintain their separate liability programs. 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 \$50,050 reported in the Self-Insurance Internal Service Fund at December 31, 2011, 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 February 2012 for claim exposure and settlements payments, calculated that the claims liability at December 31, 2011 is \$50,050 an increase of \$2,758 from the liability amount of \$47,292 at December 31, 2010.

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 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 2010 and 2011 are:

	2010	2011
Liability balance – January 1	\$ 42,513	\$ 47,292
Current year claims and changes in estimates	14,151	17,037
Claim payments	(9,372)	(14,279)
Liability balance – December 31	\$ 47,292	\$ 50,050

NOTE 21 - 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.

NOTE 22 - OTHER COMMITMENTS AND CONTINGENCIES

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

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

- The City is a defendant in four cases that allege wrongful death, as a result of police misconduct.
- A notice of claim has been filed against the city by one of the major corporations arising from damage to property caused by water infiltration due to a water main break.
- The City is a defendant in a multiple plaintiff case of denial of civil rights and employment discrimination.

NOTE 23 - SUBSEQUENT EVENTS

The City issued the following notes since December 31, 2011.

In January 2012, the City issued two general obligation term loan notes totaling \$43,820 to refund and redeem all of the remaining balances of five series of variable rate bonds. The general obligation tax-exempt variable rate refunding notes were issued to replace Dexia Credit Local as the standby bond purchase agreement liquidity provider with direct purchase loan agreements with US Bank. Below are details about each note.

On January 3, 2012, the City issued a \$15,840 General Obligation Term Loan Note Series 2011A to US Bank. On this date, proceeds of the note along with funds on hand were used to redeem \$5,820 of General Obligation Block E Bonds, Series 2000A, \$7,110 of General Obligation Various Purpose Refunding Bonds, Series 2003 and \$3,860 of General Obligation Tax Increment Bonds (Mill Quarter Ramp), Series 2005 bonds. Since the bonds and note series are both in variable rate mode, there is no accurate way to calculate net present value savings nor is there an expectation of interest savings. The interest rate on the refunding note is reset monthly and is calculated as 70% of the one-month LIBOR rate plus a spread. The final maturity date on the Series 2011A note is December 1, 2032.

On January 3, 2012, the City issued a \$27,980 General Obligation Term Loan Note Series 2011B to US Bank. On this date, proceeds of the note along with funds on hand were used to redeem \$15,610 of General Obligation Guthrie Parking Ramp Bonds, Series 2003 and \$13,300 General Obligation Guthrie Parking Ramp Bonds, Series 2005. Since the bonds and note series are both in variable rate mode, there is no accurate way to calculate net present value savings nor is there an expectation of interest savings. The interest rate on the refunding note is reset monthly and is calculated as 70% of the one-month LIBOR rate plus a spread. The final maturity date on the Series 2011B note is December 1, 2033.

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended December 31, 2011**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES:				
Taxes	\$ 197,422	\$ 201,895	\$ 199,703	\$ (2,192)
Licenses and permits	27,865	27,865	30,384	2,519
Intergovernmental revenues	90,261	67,942	68,432	490
Charges for services and sales	36,306	38,556	37,948	(608)
Fines and forfeits	9,638	9,638	9,500	(138)
Special assessments	2,590	2,240	3,166	926
Interest	1,500	1,500	1,968	468
Miscellaneous revenues	5,602	1,178	1,495	317
Total revenues	<u>371,184</u>	<u>350,814</u>	<u>352,596</u>	<u>1,782</u>
CURRENT EXPENDITURES:				
Current:				
General government:				
Mayor	1,466	1,496	1,496	-
Council & Clerk	6,205	6,365	6,171	194
Assessor	4,040	4,011	4,009	2
Attorney	7,666	7,882	7,719	163
Civil rights	2,088	2,056	2,055	1
Clerk-Elections and registration	827	1,207	729	478
Coordinator	1,555	1,413	1,372	41
Coordinator-311	3,178	3,069	3,030	39
Coordinator-Communications	2,315	2,301	2,300	1
Coordinator-Finance	19,293	19,434	19,165	269
Coordinator-Human resources	5,683	5,940	5,913	27
Coordinator-Intergovernmental relations	1,421	1,417	1,403	14
Coordinator-Neighborhood and community relations	5,774	6,176	3,565	2,611
Internal audit	383	487	451	36
Contingency	6,736	2,654	373	2,281
Total general government	<u>68,630</u>	<u>65,908</u>	<u>59,751</u>	<u>6,157</u>
Public safety:				
Regulatory services and Emergency preparedness	36,934	36,533	35,823	710
Fire	52,267	52,936	52,617	319
Police	128,000	127,303	126,133	1,170
Total public safety	<u>217,201</u>	<u>216,772</u>	<u>214,573</u>	<u>2,199</u>
Public works:				
Administration	2,758	2,744	2,618	126
Engineering design	2,578	2,332	2,021	311
Field services	24,582	27,025	27,264	(239)
Transportation and special projects	11,922	12,205	12,301	(96)
Total public works	<u>41,840</u>	<u>44,306</u>	<u>44,204</u>	<u>102</u>
Culture and recreation - Library	<u>5,853</u>	<u>5,873</u>	<u>5,873</u>	<u>-</u>
Health and welfare - Health and family support	<u>3,324</u>	<u>3,300</u>	<u>3,300</u>	<u>-</u>
Community & economic development	<u>3,328</u>	<u>3,257</u>	<u>3,257</u>	<u>-</u>
Total expenditures	<u>340,176</u>	<u>339,416</u>	<u>330,958</u>	<u>8,458</u>
Excess (deficiency) of revenues over (under) expenditures	<u>31,008</u>	<u>11,398</u>	<u>21,638</u>	<u>10,240</u>
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	26,462	27,075	30,000	2,925
Transfers to other funds	(57,160)	(40,595)	(40,629)	(34)
Total other financing sources (uses)	<u>(30,698)</u>	<u>(13,520)</u>	<u>(10,629)</u>	<u>2,891</u>
Net change in fund balance	310	(2,122)	11,009	13,131
Fund balance - January 1	<u>61,362</u>	<u>61,362</u>	<u>61,362</u>	<u>-</u>
Fund balance - December 31	<u>\$ 61,672</u>	<u>\$ 59,240</u>	<u>\$ 72,371</u>	<u>\$ 13,131</u>

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

**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, 2011**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES:				
Taxes:				
Property tax increment	\$ 61,328	\$ 61,328	\$ 56,735	\$ (4,593)
Intergovernmental revenues:				
State grants and shared revenues	-	-	327	327
Charges for services and sales	6,579	6,729	9,590	2,861
Interest	297	297	1,760	1,463
Miscellaneous revenues:				
Rents and commissions	3,425	3,425	4,428	1,003
Sale of land	-	-	870	870
Loan recapture	4,275	4,275	5,253	978
Other	1,330	1,330	7	(1,323)
Total miscellaneous revenues	9,030	9,030	10,558	1,528
Total revenues	77,234	77,384	78,970	1,586
EXPENDITURES:				
Current:				
Community & economic development	47,466	119,706	45,687	74,019
Excess (deficiency) of revenues over (under) expenditures	29,768	(42,322)	33,283	75,605
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	3,389	3,389	1,147	(2,242)
Transfers to other funds	(41,327)	(41,327)	(39,627)	1,700
Total other financing sources (uses)	(37,938)	(37,938)	(38,480)	(542)
Net change in fund balance	(8,170)	(80,260)	(5,197)	75,063
Fund balance - January 1	214,801	214,801	214,801	-
Fund balance - December 31	\$ 206,631	\$ 134,541	\$ 209,604	\$ 75,063

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

**CONVENTION CENTER SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended December 31, 2011**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Budgeted Amount		Actual	Variance
	Original	Final		
REVENUES:				
Taxes:				
Sales and use tax	\$ 27,593	\$ 27,593	\$ 29,922	\$ 2,329
Entertainment tax	11,300	11,300	13,997	2,697
Food tax	10,306	10,306	11,032	726
Liquor tax	3,929	3,929	4,599	670
Lodging tax	5,911	5,911	6,300	389
Total taxes	59,039	59,039	65,850	6,811
Charges for services and sales	5,280	5,280	5,348	68
Interest	760	760	521	(239)
Miscellaneous revenues:				
Rents and commissions	6,400	6,400	6,580	180
Private contributions	-	250	250	-
Privileges	2,500	2,500	2,744	244
Other	20	20	14	(6)
Total miscellaneous revenues	8,920	9,170	9,588	418
Total revenues	73,999	74,249	81,307	7,058
CURRENT EXPENDITURES:				
Community & economic development	40,184	40,203	33,529	6,674
Excess (deficiency) of revenues over (under) expenditures	33,815	34,046	47,778	13,732
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	3,000	1,500	-	(1,500)
Transfers to other funds	(40,016)	(42,662)	(44,203)	(1,541)
Total other financing sources (uses)	(37,016)	(41,162)	(44,203)	(3,041)
Net change in fund balance	(3,201)	(7,116)	3,575	10,691
Fund balance - January 1	46,109	46,109	46,109	-
Fund balance - December 31	\$ 42,908	\$ 38,993	\$ 49,684	\$ 10,691

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

NOTE 1 – BUDGETS

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and 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)
1/1/2007	\$ -	\$ 61,251	\$ 61,251	0.0%	\$ 288,996	21.2%
1/1/2008	\$ -	\$ 61,198	\$ 61,198	0.0%	\$ 383,114	16.0%
1/1/2009	\$ -	\$ 72,210	\$ 72,210	0.0%	\$ 401,097	18.0%
1/1/2010	\$ -	\$ 75,901	\$ 75,901	0.0%	\$ 374,550	20.0%
1/1/2011	\$ -	\$ 96,450	\$ 96,450	0.0%	\$ 287,649	33.5%

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 (previously reported as the Community Development Block Grant 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 Fund.

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

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

Non-Major Debt Service Fund

Community Development Agency Debt Service – This fund is used to account for the debt service activity of Community Planning and Economic Development. It includes various tax increment revenue notes.

**GOVERNMENTAL FUNDS
BALANCE SHEET - NON-MAJOR FUNDS
December 31, 2011**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

<u>ASSETS</u>	<u>Special Revenue</u>	<u>Community Development Agency Debt Service</u>	<u>Total Non-Major Governmental</u>
Cash and cash equivalents	\$ 22,132	\$ 197	\$ 22,329
Deposits with fiscal agents	136	-	136
Investments with trustees	-	3,324	3,324
Receivables:			
Accounts - net	250	-	250
Taxes	336	-	336
Special assessments	1,806	-	1,806
Intergovernmental	17,072	-	17,072
Loans	12,621	-	12,621
Accrued interest	35	1	36
Due from other funds	10,734	-	10,734
Land held for development	10,276	-	10,276
Total assets	\$ 75,398	\$ 3,522	\$ 78,920
 <u>LIABILITIES and FUND BALANCES</u>			
Liabilities:			
Salaries payable	\$ 391	-	\$ 391
Accounts payable	4,298	-	4,298
Intergovernmental payable	946	-	946
Due to other funds	10,941	-	10,941
Deferred Revenue - unavailable	14,497	-	14,497
Deferred Revenue - unearned	6,564	-	6,564
Total liabilities	37,637	-	37,637
Fund balances:			
Nonspendable	10,276	-	10,276
Restricted	1,970	3,522	5,492
Assigned	25,515	-	25,515
Total fund balances	37,761	3,522	41,283
Total liabilities and fund balances	\$ 75,398	\$ 3,522	\$ 78,920

GOVERNMENTAL FUNDS **CITY OF MINNEAPOLIS, MINNESOTA**
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - NON-MAJOR FUNDS
For the Fiscal Year Ended December 31, 2011 **(In Thousands)**

	<u>Special Revenue</u>	<u>Community Development Agency Debt Service</u>	<u>Total Non-Major Governmental</u>
REVENUES:			
Taxes	\$ 23,038	\$ -	\$ 23,038
Licenses and permits	2,224	-	2,224
Intergovernmental revenues	77,526	-	77,526
Charges for services and sales	2,249	-	2,249
Fines and forfeits	1,120	-	1,120
Special assessments	9,727	-	9,727
Interest	278	-	278
Miscellaneous revenues	3,291	-	3,291
	<hr/>	<hr/>	<hr/>
Total revenues	119,453	-	119,453
EXPENDITURES:			
Current:			
General government	12,180	-	12,180
Public safety	45,734	-	45,734
Public works	5,714	-	5,714
Health and welfare	12,714	-	12,714
Community & economic development	45,865	-	45,865
Debt Service:			
Principal retirement	-	710	710
Interest and fiscal charges	-	1,817	1,817
	<hr/>	<hr/>	<hr/>
Total expenditures	122,207	2,527	124,734
Excess (deficiency) of revenues over (under) expenditures			
	<hr/>	<hr/>	<hr/>
	(2,754)	(2,527)	(5,281)
OTHER FINANCING SOURCES (USES):			
Transfers from other funds	10,776	3,280	14,056
Transfers to other funds	(1,479)	(648)	(2,127)
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	9,297	2,632	11,929
Net change in fund balance			
	<hr/>	<hr/>	<hr/>
	6,543	105	6,648
Fund balances - January 1	<hr/>	<hr/>	<hr/>
	31,218	3,417	34,635
Fund balances - December 31	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	\$ 37,761	\$ 3,522	\$ 41,283

SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET - NONMAJOR FUNDS
December 31, 2011

CITY OF MINNEAPOLIS, MINNESOTA
(In Thousands)

ASSETS	Arena Reserve	Board of Estimate and Taxation	HUD Consolidated Plan	Downtown Improvement District	Employee Retirement	Grants-Federal	Grants-Other	Police	Total
Cash and cash equivalents	\$ 2,646	\$ 310	\$ 87	\$ 51	\$ 17,222	\$ 49	\$ 571	\$ 1,196	\$ 22,132
Deposits with fiscal agents	-	-	-	-	-	-	136	-	136
Receivables:									
Accounts - net	-	-	25	-	-	7	5	213	250
Taxes	-	4	-	-	326	-	-	6	336
Special assessments	-	-	65	36	-	-	1,705	-	1,806
Intergovernmental	-	-	2,900	-	287	13,083	802	-	17,072
Loans	-	-	12,621	-	-	-	-	-	12,621
Accrued interest	3	-	-	2	30	-	-	-	35
Due from other funds	-	-	33	-	-	101	10,600	-	10,734
Land held for development	-	-	6,613	-	-	1,466	2,197	-	10,276
Total assets	\$ 2,649	\$ 314	\$ 22,344	\$ 89	\$ 17,865	\$ 14,706	\$ 16,016	\$ 1,415	\$ 75,398

LIABILITIES AND FUND BALANCES

Salaries payable	\$ -	\$ 5	\$ 111	\$ -	\$ -	\$ 109	\$ 134	\$ 32	\$ 391
Accounts payable	38	3	1,273	6	-	1,949	926	103	4,298
Intergovernmental payable	-	-	2	-	896	10	34	4	946
Due to other funds	-	-	994	-	-	9,702	245	-	10,941
Deferred Revenue - unavailable	1	4	12,684	-	192	-	1,616	-	14,497
Deferred Revenue - unearned	-	-	667	-	-	1,470	4,419	8	6,564
Total liabilities	39	12	15,731	6	1,088	13,240	7,374	147	37,637
Fund balances:									
Non-spendable	-	-	6,613	-	-	1,466	2,197	-	10,276
Restricted	-	-	-	-	-	-	967	1,003	1,970
Assigned	2,610	302	-	83	16,777	-	5,478	265	25,515
Total fund balances	2,610	302	6,613	83	16,777	1,466	8,642	1,268	37,761
Total liabilities and fund balances	\$ 2,649	\$ 314	\$ 22,344	\$ 89	\$ 17,865	\$ 14,706	\$ 16,016	\$ 1,415	\$ 75,398

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, 2011**

(In Thousands)

	Arena Reserve	Board of Estimate and Taxation	HUD Consolidated Plan	Downtown Improvement District	Employee Retirement	Grants-Federal	Grants-Other	Police	Total
REVENUES:									
Taxes	\$ 80	\$ 169	\$ -	\$ -	\$ 22,651	\$ -	\$ 1	\$ 137	\$ 23,038
Licenses and permits	-	-	-	-	-	-	1,486	738	2,224
Intergovernmental revenues	-	-	19,547	-	4,028	35,322	18,629	-	77,526
Charges for services and sales	-	-	651	-	-	385	629	584	2,249
Fines and forfeits	-	-	-	-	586	-	176	358	1,120
Special assessments	-	-	188	5,462	-	-	4,077	-	9,727
Interest	11	-	167	-	95	-	5	-	278
Miscellaneous revenues	-	-	471	4	748	192	1,876	-	3,291
Total revenues	91	169	21,024	5,466	28,108	35,899	26,879	1,817	119,453
CURRENT EXPENDITURES:									
General government	-	166	2,153	5,965	2,839	725	332	-	12,180
Public safety	-	-	2,191	-	24,715	8,285	8,268	2,275	45,734
Public works	-	-	1	-	-	5,212	501	-	5,714
Health and welfare	-	-	1,166	-	-	6,213	5,335	-	12,714
Community & economic development	3,018	-	15,334	-	-	14,526	12,987	-	45,865
Total expenditures	3,018	166	20,845	5,965	27,554	34,961	27,423	2,275	122,207
Excess (deficiency) of revenues over (under) expenditures	(2,927)	3	179	(499)	554	938	(544)	(458)	(2,754)
OTHER FINANCING SOURCES (USES):									
Transfers from other funds	4,240	4	-	-	6,532	-	-	-	10,776
Transfers to other funds	-	-	-	-	(401)	(378)	(700)	-	(1,479)
Total other financing sources (uses)	4,240	4	-	-	6,131	(378)	(700)	-	9,297
Net change in fund balances	1,313	7	179	(499)	6,685	560	(1,244)	(458)	6,543
Fund balances - January 1	1,297	295	6,434	582	10,092	906	9,886	1,726	31,218
Fund balances - December 31	\$ 2,610	\$ 302	\$ 6,613	\$ 83	\$ 16,777	\$ 1,466	\$ 8,642	\$ 1,268	\$ 37,761

ARENA RESERVE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended December 31, 2011

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES:				
Taxes:				
Entertainment tax	\$ -	\$ -	\$ 80	\$ 80
Interest	-	-	11	11
Total revenues	-	-	91	91
CURRENT EXPENDITURES:				
Community & economic development	8,286	8,286	3,018	5,268
Excess (deficiency) of revenues over (under) expenditures	(8,286)	(8,286)	(2,927)	5,359
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	2,930	2,930	4,240	1,310
Net change in fund balance	(5,356)	(5,356)	1,313	6,669
Fund balance - January 1	1,297	1,297	1,297	-
Fund balance - December 31	\$ (4,059)	\$ (4,059)	\$ 2,610	\$ 6,669

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, 2011 **(In Thousands)**

	<u>Budgeted Amount</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes:				
General property tax	\$ 167	\$ 167	\$ 169	\$ 2
CURRENT EXPENDITURES:				
General government	185	185	166	19
Excess (deficiency) of revenues over (under) expenditures	(18)	(18)	3	21
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	4	4	4	-
Net change in fund balance	(14)	(14)	7	21
Fund balance - January 1	295	295	295	-
Fund balance - December 31	<u>\$ 281</u>	<u>\$ 281</u>	<u>\$ 302</u>	<u>\$ 21</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, 2011 **(In Thousands)**

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES:				
Intergovernmental revenues:				
Federal grantor agencies	\$ 19,925	\$ 20,199	\$ 19,547	\$ (652)
Charges for services and sales	275	275	651	376
Special assessments	500	500	188	(312)
Interest	-	-	167	167
Miscellaneous revenues:				
Other	100	100	471	371
Total revenues	20,800	21,074	21,024	(50)
CURRENT EXPENDITURES:				
General government	2,341	2,353	2,153	200
Public safety	2,544	2,900	2,191	709
Public works	-	-	1	(1)
Health and welfare	1,124	1,166	1,166	-
Community & economic development	14,416	17,088	15,334	1,754
Total expenditures	20,425	23,507	20,845	2,662
Net change in fund balance	375	(2,433)	179	2,612
Fund balance - January 1	6,434	6,434	6,434	-
Fund balance - December 31	\$ 6,809	\$ 4,001	\$ 6,613	\$ 2,612

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, 2011 **(In Thousands)**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Special assessments	\$ 5,800	\$ 5,800	\$ 5,462	\$ (338)
Miscellaneous revenues:				
Other	-	-	4	4
Total revenues	<u>5,800</u>	<u>5,800</u>	<u>5,466</u>	<u>(334)</u>
CURRENT EXPENDITURES:				
General government	<u>5,800</u>	<u>5,965</u>	<u>5,965</u>	<u>-</u>
Net change in fund balance	-	(165.00)	(499)	(334)
Fund balance - January 1	<u>582</u>	<u>582</u>	<u>582</u>	<u>-</u>
Fund balance - December 31	<u><u>\$ 582</u></u>	<u><u>\$ 417</u></u>	<u><u>\$ 83</u></u>	<u><u>\$ (334)</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, 2011**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES:				
Taxes:				
General property tax	\$ 24,721	\$ 24,721	\$ 19,794	\$ (4,927)
Property tax increment	-	-	60	60
Fiscal disparities	-	-	2,795	2,795
Other taxes	-	-	2	2
Total taxes	24,721	24,721	22,651	(2,070)
Intergovernmental revenues:				
State grants and shared revenues	-	-	4,028	4,028
Fines and forfeits	-	-	586	586
Interest	-	-	95	95
Miscellaneous revenues:				
Other	-	-	748	748
Total revenues	24,721	24,721	28,108	3,387
CURRENT EXPENDITURES:				
General government	4,724	2,839	2,839	-
Public safety	19,997	24,715	24,715	-
Total expenditures	24,721	27,554	27,554	-
Excess (deficiency) of revenues over (under) expenditures	-	(2,833)	554	3,387
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	13,632	6,532	6,532	-
Transfers to other funds	-	-	(401)	(401)
Total other financing sources (uses)	13,632	6,532	6,131	(401)
Net change in fund balance	13,632	3,699	6,685	2,986
Fund balance - January 1	10,092	10,092	10,092	-
Fund balance - December 31	\$ 23,724	\$ 13,791	\$ 16,777	\$ 2,986

**GRANTS - FEDERAL SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended December 31, 2011**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES:				
Intergovernmental revenues:				
Federal grantor agencies	\$ 21,569	\$ 33,118	\$ 35,322	\$ 2,204
Charges for services and sales	-	-	385	385
Miscellaneous revenues:				
Loan recapture	-	-	192	192
Total revenues	21,569	33,118	35,899	2,781
CURRENT EXPENDITURES:				
General government	608	992	725	267
Public safety	8,602	17,868	8,285	9,583
Public works	2,207	2,207	5,212	(3,005)
Health and welfare	4,580	6,570	6,213	357
Community & economic development	5,471	16,236	14,526	1,710
Total expenditures	21,468	43,873	34,961	8,912
Excess (deficiency) of revenues over (under) expenditures	101	(10,755)	938	11,693
OTHER FINANCING SOURCES (USES):				
Transfers to other funds	(79)	(79)	(378)	(299)
Net change in fund balance	22	(10,834)	560	11,394
Fund balance - January 1	906	906	906	-
Fund balance - December 31	\$ 928	\$ (9,928)	\$ 1,466	\$ 11,394

**GRANTS - OTHER SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended December 31, 2011**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES:				
Taxes:				
Other taxes	\$ 8	\$ 8	\$ 1	\$ (7)
Licenses and permits	1,652	1,652	1,486	(166)
Intergovernmental revenues:				
State grants and shared revenues	7,718	20,385	18,629	(1,756)
Charges for services	726	733	629	(104)
Fines and forfeits	15	15	176	161
Special assessments	3,098	3,098	4,077	979
Interest	-	-	5	5
Miscellaneous revenues:				
Private contributions	795	1,209	1,333	124
Loan recapture	-	-	539	539
Other	5	5	4	(1)
Total miscellaneous revenues	800	1,214	1,876	662
Total revenues	14,017	27,105	26,879	(226)
CURRENT EXPENDITURES:				
General government	198	487	332	155
Public safety	6,545	9,061	8,268	793
Public works	10	760	501	259
Health and welfare	4,344	6,488	5,335	1,153
Community & economic development	2,220	15,450	12,987	2,463
Total expenditures	13,317	32,246	27,423	4,823
Excess (deficiency) of revenues over (under) expenditures	700	(5,141)	(544)	4,597
OTHER FINANCING SOURCES (USES):				
Transfers to other funds	(700)	(700)	(700)	-
Net change in fund balance	-	(5,841)	(1,244)	4,597
Fund balance - January 1	9,886	9,886	9,886	-
Fund balance - December 31	\$ 9,886	\$ 4,045	\$ 8,642	\$ 4,597

**POLICE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended December 31, 2011**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES:				
Taxes:				
Lawful gambling	\$ 140	\$ 140	\$ 137	\$ (3)
Licenses and permits	1,025	1,025	738	(287)
Charges for services and sales	290	491	584	93
Fines and forfeits	652	652	358	(294)
Miscellaneous revenues:				
Other	30	30	-	(30)
Total revenues	<u>2,137</u>	<u>2,338</u>	<u>1,817</u>	<u>(521)</u>
CURRENT EXPENDITURES:				
Public safety	<u>2,559</u>	<u>2,842</u>	<u>2,275</u>	<u>567</u>
Net change in fund balance	(422)	(504)	(458)	46
Fund balance - January 1	<u>1,726</u>	<u>1,726</u>	<u>1,726</u>	<u>-</u>
Fund balance - December 31	<u><u>\$ 1,304</u></u>	<u><u>\$ 1,222</u></u>	<u><u>\$ 1,268</u></u>	<u><u>\$ 46</u></u>

**INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
December 31, 2011**

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	\$ 1,164	\$ 11,860	\$ 699	\$ 12,303	\$ 3	\$ 47,541	\$ 73,570
Receivables:							
Accounts - net	80	69	32	4	4	-	189
Intergovernmental	-	135	36	13	-	182	366
Notes	-	5,875	-	-	-	-	5,875
Due from other funds	-	-	-	-	-	1,030	1,030
Inventories	-	-	15	1,065	4,368	-	5,448
Properties held for resale	-	-	-	-	-	433	433
Prepaid items	-	534	-	-	-	501	1,035
Total current assets	1,244	18,473	782	13,385	4,375	49,687	87,946
Long-term assets:							
Deferred charges	-	38	28	105	-	-	171
Capital assets:							
Land, leaseholds and easements	-	-	20,821	2,186	-	-	23,007
Construction in progress	-	7,871	17	500	-	-	8,388
Buildings and structures	-	-	25,588	30,061	-	-	55,649
Less accumulated depreciation	-	-	(20,585)	(7,280)	-	-	(27,865)
Public improvements	-	-	2,726	330	-	-	3,056
Less accumulated depreciation	-	-	(2,633)	(219)	-	-	(2,852)
Machinery and equipment	287	1,741	12,587	66,839	132	-	81,586
Less accumulated depreciation	(279)	(1,523)	(6,413)	(43,602)	(132)	-	(51,949)
Computer equipment	61	67,274	162	37	7	-	67,541
Less accumulated depreciation	(61)	(54,801)	(162)	(37)	(7)	-	(55,068)
Software	-	47,406	8	-	9	-	47,423
Less accumulated depreciation	-	(29,270)	(8)	-	(9)	-	(29,287)
Other capital outlay	15	-	21	-	14	-	50
Less accumulated depreciation	(15)	-	(21)	-	(14)	-	(50)
Total long-term assets	8	38,736	32,136	48,920	-	-	119,800
Total assets	\$ 1,252	\$ 57,209	\$ 32,918	\$ 62,305	\$ 4,375	\$ 49,687	\$ 207,746
LIABILITIES AND NET ASSETS							
Current liabilities:							
Salaries payable	\$ 12	\$ 139	\$ 147	\$ 265	\$ 12	\$ 173	\$ 748
Accounts payable	26	1,572	172	897	214	2,430	5,311
Intergovernmental payable	-	8	9	10	19	-	46
Due to other funds	-	-	-	-	1,030	-	1,030
Deposits held for others	-	14	-	5	-	1	20
Interest payable	-	32	14	64	-	-	110
Unearned revenue	-	13,327	-	-	-	157	13,484
Bonds payable-current portion	-	9,215	700	2,245	-	-	12,160
Compensated absences payable-current portion	14	108	130	233	11	183	679
Unpaid claims payable	-	-	-	-	-	14,279	14,279
Total current liabilities	52	24,415	1,172	3,719	1,286	17,223	47,867
Long-term liabilities:							
Bonds payable	-	1,840	4,775	21,290	-	-	27,905
Unamortized premium (discounts)	-	493	249	902	-	-	1,644
Advances from other funds	-	7,750	-	-	-	-	7,750
Compensated absences payable	32	253	303	544	25	428	1,585
Other postemployment benefits	39	267	356	692	38	364	1,756
Unpaid claims payable	-	-	-	-	-	35,771	35,771
Total long-term liabilities	71	10,603	5,683	23,428	63	36,563	76,411
Total liabilities	123	35,018	6,855	27,147	1,349	53,786	124,278
Net Assets:							
Invested in capital assets, net of related debt	8	27,969	26,384	24,378	-	-	78,739
Unrestricted	1,121	(5,778)	(321)	10,780	3,026	(4,099)	4,729
Total net assets	1,129	22,191	26,063	35,158	3,026	(4,099)	83,468
Total liabilities and net assets	\$ 1,252	\$ 57,209	\$ 32,918	\$ 62,305	\$ 4,375	\$ 49,687	\$ 207,746

INTERNAL SERVICE FUNDS
CITY OF MINNEAPOLIS, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
For the Fiscal Year Ended December 31, 2011
(In Thousands)

	Engineering Materials and Testing	Inter- governmental Services	Property Services	Equipment Services	Public Works Stores	Self- Insurance	Total
Operating revenues:							
Intergovernmental	\$ -	\$ 202	\$ 36	\$ 13	\$ -	\$ -	\$ 251
Charges for services and sales	1,813	30,363	6,240	9,891	912	25,149	74,368
Rents and commissions	-	-	12,700	24,250	-	-	36,950
Total operating revenues	1,813	30,565	18,976	34,154	912	25,149	111,569
Operating expenses:							
Personnel costs	822	5,457	7,812	14,186	666	11,386	40,329
Contractual services	412	19,711	9,737	3,956	258	8,262	42,336
Materials, supplies, services and other	80	1,436	1,216	6,750	93	10,584	20,159
Rent	12	370	-	1,090	42	244	1,758
Depreciation	4	12,122	1,133	6,475	-	-	19,734
Total operating expenses	1,330	39,096	19,898	32,457	1,059	30,476	124,316
Operating income (loss)	483	(8,531)	(922)	1,697	(147)	(5,327)	(12,747)
Non-operating revenue (expenses):							
Interest expense	-	(277)	(151)	(724)	-	-	(1,152)
Gain (loss) on disposal of capital assets	-	(6)	665	36	-	-	695
Other revenues	-	1	80	165	-	1,703	1,949
Total non-operating revenues (expenses)	-	(282)	594	(523)	-	1,703	1,492
Income (loss) before operating transfers	483	(8,813)	(328)	1,174	(147)	(3,624)	(11,255)
Transfers in (out):							
Transfers from other funds	-	14,549	821	4,299	-	7,330	26,999
Transfers to other funds	(88)	(448)	(421)	(923)	(51)	(1,217)	(3,148)
Total transfers	(88)	14,101	400	3,376	(51)	6,113	23,851
Change in net assets	395	5,288	72	4,550	(198)	2,489	12,596
Net assets - January 1	734	16,903	25,991	30,608	3,224	(6,588)	70,872
Net assets - December 31	\$ 1,129	\$ 22,191	\$ 26,063	\$ 35,158	\$ 3,026	\$ (4,099)	\$ 83,468

**INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Fiscal Year Ended December 31, 2011**

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	\$ 1,740	\$ 32,633	\$ 18,992	\$ 34,407	\$ 909	\$ 24,969	\$ 113,650
Payments to suppliers and users	(495)	(21,118)	(11,379)	(12,208)	(215)	(15,568)	(60,983)
Payments to employees	(795)	(5,393)	(7,601)	(13,800)	(649)	(10,921)	(39,159)
Other non-operating revenue	-	1	80	165	-	1,703	1,949
Net Cash Provided (used) by operating activities	450	6,123	92	8,564	45	183	15,457
Cash flows from non-capital financing activities:							
Transfers from other funds	-	14,549	821	4,299	-	7,330	26,999
Transfers to other funds	(88)	(448)	(421)	(923)	(51)	(1,217)	(3,148)
Repayment of advances from other funds	-	(2,364)	-	-	-	-	(2,364)
Net cash provided (used) by non-capital financing activities	(88)	11,737	400	3,376	(51)	6,113	21,487
Cash flows from capital and related financing activities:							
Bonds issued	-	1,000	-	-	-	-	1,000
Principal paid on bonds	-	(10,025)	(695)	(2,155)	-	-	(12,875)
Interest paid on bonds	-	(689)	(153)	(841)	-	-	(1,683)
Premium (discount)	-	25	(32)	-	-	-	(7)
Acquisition and construction of capital assets	-	(4,749)	-	(4,912)	-	-	(9,661)
Proceeds from sale of capital assets	-	-	961	36	-	-	997
Net cash provided (used) by capital and related financing activities	-	(14,438)	81	(7,872)	-	-	(22,229)
Net increase (decrease) in cash and cash equivalents	362	3,422	573	4,068	(6)	6,296	14,715
Cash and cash equivalents, beginning of year	802	8,438	126	8,235	9	41,245	58,855
Cash and cash equivalents, end of year	\$ 1,164	\$ 11,860	\$ 699	\$ 12,303	\$ 3	\$ 47,541	\$ 73,570
Reconciliation of operating income to net cash provided (used) by operating activities							
Operating income (loss)	\$ 483	\$ (8,531)	\$ (922)	\$ 1,697	\$ (147)	\$ (5,327)	\$ (12,747)
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:							
Depreciation	4	12,122	1,133	6,475	-	-	19,734
Accounts receivable (net)	(71)	(68)	54	16	(3)	15	(57)
Intergovernmental receivable	-	(135)	(36)	238	-	-	67
Notes receivable	-	682	-	-	-	-	682
Inventories	-	-	(1)	(58)	180	-	121
Prepaid items	-	(7)	-	-	-	166	159
Due from other funds	-	-	-	-	-	(195)	(195)
Salaries payable	(3)	5	(6)	-	(1)	(31)	(36)
Accounts payable	8	391	(427)	(367)	(199)	596	2
Due to other funds	-	-	-	-	195	-	195
Intergovernmental payable	-	1	-	8	1	-	10
Deposits held for others	-	14	-	5	-	1	20
Unearned revenue	-	1,588	-	-	-	-	1,588
Compensated absences payable	16	32	126	205	9	335	723
Other postemployment benefits	13	28	91	180	10	162	484
Unpaid claims	-	-	-	-	-	2,758	2,758
Other non-operating revenue	-	1	80	165	-	1,703	1,949
Net cash provided (used) by operating activities	\$ 450	\$ 6,123	\$ 92	\$ 8,564	\$ 45	\$ 183	\$ 15,457
Non-cash investing, capital and financing activities:							
Gain (Loss) on disposal of capital assets	\$ -	\$ (6)	\$ -	\$ -	\$ -	\$ -	\$ (6)

COMBINING STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
December 31, 2011

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Minneapolis Agency	Skyway Debt Service	Youth Coordinating Board	Neighborhood Revitalization Program Board	Minneapolis		Total
					Public Housing Authority	Joint Board	
ASSETS							
Cash and cash equivalents	\$ 22	\$ 122	\$ 1,767	\$ 739	\$ 4	\$ 61	\$ 2,715
Receivables:							
Accounts-net	129	-	180	97	-	68	474
Total assets	\$ 151	\$ 122	\$ 1,947	\$ 836	\$ 4	\$ 129	\$ 3,189
LIABILITIES							
Accounts payable	-	-	1,947	836	-	129	2,912
Intergovernmental payable	151	-	-	-	4	-	155
Deposits held for others	-	122	-	-	-	-	122
Total liabilities	\$ 151	\$ 122	\$ 1,947	\$ 836	\$ 4	\$ 129	\$ 3,189

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

CITY OF MINNEAPOLIS, MINNESOTA

For the fiscal year ended December 31, 2011

(In Thousands)

	<u>Balance January 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31, 2011</u>
MINNEAPOLIS AGENCY				
Assets:				
Cash and cash equivalents	\$ 31	\$ 103,053	\$ 103,062	\$ 22
Receivables:				
Accounts-net	<u>1,269</u>	<u>3,031</u>	<u>4,171</u>	<u>129</u>
Total assets	<u><u>1,300</u></u>	<u><u>106,084</u></u>	<u><u>107,233</u></u>	<u><u>151</u></u>
Liabilities:				
Intergovernmental payable	<u>1,300</u>	<u>1,600</u>	<u>2,749</u>	<u>151</u>
SKYWAY DEBT SERVICE				
Assets:				
Cash and cash equivalents	<u>122</u>	<u>-</u>	<u>-</u>	<u>122</u>
Liabilities:				
Deposits held for others	<u>122</u>	<u>-</u>	<u>-</u>	<u>122</u>
YOUTH COORDINATING BOARD				
Assets:				
Cash and cash equivalents	1,553	6,290	6,076	1,767
Receivables:				
Accounts-net	<u>91</u>	<u>292</u>	<u>203</u>	<u>180</u>
Total assets	<u><u>1,644</u></u>	<u><u>6,582</u></u>	<u><u>6,279</u></u>	<u><u>1,947</u></u>
Liabilities:				
Accounts payable	<u>1,644</u>	<u>6,582</u>	<u>6,279</u>	<u>1,947</u>
NEIGHBORHOOD REVITALIZATION PROGRAM BOARD				
Assets:				
Cash and cash equivalents	689	4,507	4,457	739
Receivables:				
Accounts-net	<u>91</u>	<u>107</u>	<u>101</u>	<u>97</u>
Total assets	<u><u>780</u></u>	<u><u>4,614</u></u>	<u><u>4,558</u></u>	<u><u>836</u></u>
Liabilities:				
Accounts payable	<u>780</u>	<u>4,614</u>	<u>4,558</u>	<u>836</u>
MINNEAPOLIS PUBLIC HOUSING AUTHORITY				
Assets:				
Cash and cash equivalents	35	87,303	87,334	4
Receivables:				
Accounts-net	<u>614</u>	<u>1,027</u>	<u>1,641</u>	<u>-</u>
Total assets	<u><u>649</u></u>	<u><u>88,330</u></u>	<u><u>88,975</u></u>	<u><u>4</u></u>
Liabilities:				
Intergovernmental payable	<u>649</u>	<u>47,885</u>	<u>48,530</u>	<u>4</u>

FIDUCIARY FUNDS
COMBINING STATEMENT OF CHANGES
IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the fiscal year ended December 31, 2011

CITY OF MINNEAPOLIS, MINNESOTA

(Continued)
(In Thousands)

	<u>Balance</u> <u>January 1,</u> <u>2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>December 31,</u> <u>2011</u>
JOINT BOARD				
Assets:				
Cash and cash equivalents	94	77	110	61
Receivables:				
Accounts-net	68	66	66	68
Total assets	<u>162</u>	<u>143</u>	<u>176</u>	<u>129</u>
Liabilities:				
Accounts payable	<u>162</u>	<u>143</u>	<u>176</u>	<u>129</u>
TOTAL ALL AGENCY FUNDS				
Assets:				
Cash and cash equivalents	2,524	201,230	201,039	2,715
Receivables:				
Accounts-net	2,133	4,523	6,182	474
Total assets	<u>4,657</u>	<u>205,753</u>	<u>207,221</u>	<u>3,189</u>
Liabilities:				
Accounts payable	2,586	11,339	11,013	2,912
Intergovernmental payable	1,949	49,485	51,279	155
Deposits held for others	122	-	-	122
Total liabilities	<u>\$ 4,657</u>	<u>\$ 60,824</u>	<u>\$ 62,292</u>	<u>\$ 3,189</u>

SCHEDULE OF GOVERNMENTAL ACTIVITY BONDS AND NOTES

CITY OF MINNEAPOLIS, MINNESOTA

December 31, 2011 (In Thousands)

Issues Outstanding	Interest Rates	Issue Date	Final Maturity Date	Issued	Retired	Outstanding	Principal		Interest	
							Due in 2012	Due in 2012	Due in 2012	Due in 2012
Property Tax Supported General Obligation Bonds										
General Infrastructure Bonds										
Bridges	3.00%	05/26/11	12/01/11	300	300	-	-	-	-	-
Libraries	3.00%	05/26/11	12/01/11	1,040	1,040	-	-	-	-	-
Park Improvements	3.00%	05/26/11	12/01/11	70	70	-	-	-	-	-
Parkway Improvements	3.00%	05/26/11	12/01/11	150	150	-	-	-	-	-
Public Buildings	4.00% to 5.00%	05/29/08	12/01/11	7,800	7,800	-	-	-	-	-
	2.00% to 4.00%	05/21/09	12/01/14	9,493	2,893	6,600	1,000	264	1,000	264
	2.00%	06/03/10	12/01/12	2,891	891	2,000	2,000	100	2,000	100
	3.00%	05/26/11	12/01/11	1,950	1,950	-	-	-	-	-
Municipal Buildings	2.00%	06/03/10	12/01/11	1,160	1,160	-	-	-	-	-
	3.00%	05/26/11	12/01/11	890	890	-	-	-	-	-
Street Improvements	3.00%	06/24/10	12/01/11	800	800	-	-	-	-	-
	4.00% to 5.00%	05/29/08	12/01/11	5,971	5,971	-	-	-	-	-
	2.00% to 4.00%	05/21/09	12/01/14	9,633	2,513	7,120	1,000	285	1,000	285
	2.00% to 5.00%	06/03/10	12/01/15	7,915	4,655	3,260	2,265	163	2,265	163
	3.00%	05/26/11	12/01/12	6,747	2,547	4,200	4,200	126	4,200	126
Public Safety Capital Initiative	3.00%	06/24/10	12/01/15	12,965	970	11,995	920	360	920	360
	4.00% to 5.00%	05/26/11	12/01/11	335	335	-	-	-	-	-
Sub-total General Infrastructure Bonds				70,110	34,935	35,175	11,385	1,298	11,385	1,298
Library Referendum Bonds										
	3.00% to 5.00%	12/19/02	12/01/25	9,500	2,500	7,000	500	317	500	317
	Variable	10/30/03	12/01/32	57,000	57,000	-	-	-	-	-
	2.00%	11/22/11	12/01/19	42,200	-	42,200	2,000	865	2,000	865
	3.00% to 5.00%	12/01/04	12/01/25	28,000	4,600	23,400	800	1,138	800	1,138
	4.00% to 4.375%	06/30/05	12/01/25	29,915	7,215	22,700	950	948	950	948
	3.00% to 3.50%	05/29/08	12/01/16	11,605	4,205	7,400	1,400	252	1,400	252
Sub-total Library Referendum Bonds				178,220	75,520	102,700	5,650	3,520	5,650	3,520

SCHEDULE OF GOVERNMENTAL ACTIVITY BONDS AND NOTES

CITY OF MINNEAPOLIS, MINNESOTA

December 31, 2011

(In Thousands)

Issues Outstanding	Interest Rates	Issue Date	Final Maturity Date	Issued	Retired	Outstanding	Principal		Interest	
							Due in 2012	Due in 2012	Due in 2012	Due in 2012
Property Tax Supported General Obligation Bonds (continued)										
Pension Obligation Bonds										
Pension Bonds (MIEF)	5.80% to 5.85%	12/19/02	12/01/26	25,000	-	25,000	-	-	-	1,450
	4.70% to 5.00%	06/25/03	12/01/26	36,000	36,000	-	-	-	-	-
Pension Bonds (MPRA)	2.00% to 4.98%	12/19/02	12/01/14	10,600	7,135	3,465	1,275	-	-	167
	5.00% to 5.30%	12/01/04	12/01/21	24,970	2,970	22,000	-	-	-	1,134
Sub-total Pension Obligation Bonds				96,570	46,105	50,465	1,275	-	-	2,751
Total Property Tax Supported General Obligation Bonds				344,900	156,560	188,340	18,310	-	-	7,569
<u>Self-Supporting General Obligation Bonds</u>										
Convention Center										
	Variable	06/24/99	12/01/18	88,400	88,400	-	-	-	-	-
	4.00%	11/19/09	12/01/15	9,250	-	9,250	-	-	-	370
	Variable	09/21/00	12/01/18	80,000	80,000	-	-	-	-	-
	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	-	-	-	806
	3.00% to 5.00%	07/11/02	12/01/13	13,180	13,180	-	-	-	-	-
	3.00% to 5.00%	07/11/02	12/01/20	76,400	76,400	-	-	-	-	-
	4.00% to 5.00%	11/07/02	12/01/13	48,400	48,400	-	-	-	-	-
	3.00%	04/05/11	12/01/17	33,800	4,800	29,000	-	-	-	870
	3.25% to 3.80%	04/05/11	12/01/20	71,250	-	71,250	-	-	-	2,521
	5.00%	06/24/04	12/01/14	39,740	25,000	14,740	4,840	-	-	616
Park Acquisition	3.00%	06/24/10	12/01/20	5,795	895	4,900	470	-	-	147
Park Board Energy Efficiency Project	2.00% to 5.00%	06/03/10	12/01/17	450	25	425	25	-	-	21
Total Self-Supporting General Obligation Bonds				515,965	337,100	178,865	5,335	-	-	5,751
<u>Special Assessment General Obligation Bonds</u>										
Improvements										
	3.50% to 4.50%	11/17/05	12/01/16	815	315	500	100	-	-	23
	3.50% to 4.50%	11/17/05	12/01/17	960	345	615	165	-	-	29
	3.00%	06/24/10	12/01/18	1,970	635	1,335	140	-	-	40
	3.00%	06/24/10	12/01/18	3,380	300	3,080	300	-	-	92

SCHEDULE OF GOVERNMENTAL ACTIVITY BONDS AND NOTES

CITY OF MINNEAPOLIS, MINNESOTA

December 31, 2011

(In Thousands)

Issues Outstanding	Interest Rates	Issue Date	Final Maturity Date	Issued	Retired	Outstanding	Principal		Interest	
							Due in 2012	Due in 2012	Due in 2012	Due in 2012
<u>Special Assessment General Obligation Bonds (continued)</u>										
Improvements (continued)										
	Variable	10/30/03	12/01/13	1,460	1,160	300	150	15		
	3.00%	06/24/10	12/01/18	3,375	445	2,930	445	88		
	2.50% to 4.375%	12/01/04	12/01/24	9,740	4,545	5,195	595	205		
	4.00% to 4.375%	11/30/05	12/01/25	4,610	2,110	2,500	250	105		
	4.00% to 4.50%	11/16/06	12/01/26	3,780	1,230	2,550	220	105		
	4.00% to 4.50%	11/28/07	12/01/27	5,400	1,465	3,935	360	161		
	3.25% to 4.75%	11/26/08	12/01/28	7,725	2,335	5,390	770	206		
	2.00% to 4.00%	11/19/09	12/01/29	9,800	1,820	7,980	860	319		
	2.00% to 4.00%	11/22/10	12/01/25	5,950	1,015	4,935	960	124		
	2.00% to 3.50%	11/22/11	12/01/31	8,495	-	8,495	1,465	190		
Northop Lane Improvement (refunding)	4.00% to 5.00%	11/17/05	12/01/18	35	-	35	-	2		
Park Diseased Trees	4.00% to 5.00%	07/12/07	12/01/12	500	400	100	100	5		
	4.00% to 5.00%	05/29/08	12/01/13	500	300	200	100	10		
	2.00% to 4.00%	05/21/09	12/01/14	300	120	180	60	7		
	2.00% to 5.00%	06/03/10	12/01/15	400	80	320	80	16		
	3.00%	05/26/11	12/01/15	400	-	400	100	12		
				69,595	18,620	50,975	7,220	1,754		
<u>Total Special Assessment General Obligation Bonds</u>										
<u>Tax Increment General Obligation Bonds</u>										
Laurel Village Tax Increment (refunding)	2.00% to 2.50%	06/24/10	03/01/15	4,360	660	3,700	840	75		
Laurel Village Tax Increment - Taxable	4.00% to 4.85%	03/11/08	03/01/18	12,360	900	11,460	500	528		
Tax Increment	3.50% to 5.00%	06/30/05	03/01/13	36,260	27,425	8,835	5,790	371		
Tax Redevelopment - Arena Acquisition	2.50% to 4.90%	12/30/09	03/01/25	57,480	1,355	56,125	2,675	2,281		
West Side Milling District Tax Increment	2.00% to 4.40%	06/24/10	03/01/23	14,900	850	14,050	750	496		
	4.25% to 5.00%	11/15/01	02/01/26	1,100	1,100	-	-	-		
	2.00% to 3.50%	06/25/03	03/01/15	1,725	975	750	200	21		
Block E Development	Variable	10/26/00	03/01/27	10,610	4,790	5,820	350	291		
Block E Development - Taxable	4.60% to 5.30%	10/20/05	03/01/27	14,000	4,225	9,775	675	486		

SCHEDULE OF GOVERNMENTAL ACTIVITY BONDS AND NOTES

CITY OF MINNEAPOLIS, MINNESOTA

December 31, 2011 (In Thousands)

Issues Outstanding	Interest Rates	Issue Date	Final Maturity Date	Issued	Retired	Outstanding	Principal		Interest	
							Due in 2012	Due in 2012	Due in 2012	Due in 2012
Tax Increment General Obligation Bonds (continued)										
Milwaukee Depot Development (Refunding)	2.00% to 3.50%	10/01/09	03/01/28	5,400	330	5,070	190	152		
Humboldt Greenway	2.00% to 4.00%	06/24/10	03/01/30	4,170	120	4,050	80	129		
Heritage Park	2.15% to 4.25%	06/25/03	03/01/25	6,900	875	6,025	275	235		
Midtown Exchange	4.00% to 5.00%	03/11/08	03/01/32	2,770	175	2,595	60	121		
Total Tax Increment General Obligation Bonds				172,035	43,780	128,255	12,385	5,186		
<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	1,115	6,355	200	348		
2005 Village at St. Anthony Falls-Tax Exempt	4.00% to 5.65%	12/13/05	02/01/27	4,430	500	3,930	125	211		
2005 Ivy Tower	5.10% to 5.70%	12/20/05	02/01/29	4,935	210	4,725	115	260		
2006 Grant Park T1 Revenue Refunding	5.00% to 5.350%	09/26/06	02/01/30	10,545	1,105	9,440	300	488		
2007 East River Unocal Site	4.50% to 5.40%	07/12/07	02/01/31	1,750	210	1,540	40	80		
Total Revenue Bonds				29,130	3,140	25,990	780	1,387		
Total General Government Bonds				1,131,625	559,200	572,425	44,030	21,647		
<u>Revenue Notes</u>										
Community Health and Education Tax Increment- College of St. Thomas District Section 108 - Midtown Exchange	5.86%	08/05/97	08/05/12	680	389	291	291	17		
	6.93%	04/01/91	02/01/16	9,200	-	9,200	-	-		
	Variable	12/01/04	08/01/24	6,500	715	5,785	290	291		
Total Revenue Notes				16,380	1,104	15,276	581	308		
Total General Government Bonds and Notes				1,148,005	560,304	587,701	44,611	21,955		

SCHEDULE OF GOVERNMENTAL ACTIVITY BONDS AND NOTES

CITY OF MINNEAPOLIS, MINNESOTA

December 31, 2011

(In Thousands)

Issues Outstanding	Interest Rates	Issue Date	Final Maturity Date	Issued	Retired	Outstanding	Principal		Interest Due in 2012
							Due in 2012	Due in 2012	
Internal Service Funds General Obligation Bonds									
Equipment Services Fund General Obligation Bonds									
Currie Facility (Refunding)	3.00%	06/24/10	12/01/18	16,640	285	16,355	970	491	
Currie Facility (Refunding)	3.00%	06/24/10	12/01/11	1,120	1,120	-	-	-	
Equipment Purchases 2003 (Refunding)	3.00%	06/24/10	12/01/18	4,470	1,290	3,180	530	95	
Equipment Purchases 2004	4.00% to 5.00%	06/24/04	12/01/19	5,450	3,580	1,870	370	94	
Equipment Purchases 2005	3.00% to 4.00%	06/30/05	12/01/20	5,540	3,410	2,130	375	85	
Total Equipment Services Fund General Obligation Bonds				33,220	9,685	23,535	2,245	765	
Property Services Fund General Obligation Bonds									
	3.00%	06/24/10	12/01/18	4,290	725	3,565	435	107	
	3.00%	06/24/10	12/01/17	2,535	625	1,910	265	57	
Total Property Services Fund General Obligation Bonds				6,825	1,350	5,475	700	164	
Intergovernmental Services Fund - General Obligation Bonds									
	3.00%	10/01/09	12/01/12	16,800	11,100	5,700	5,700	171	
	3.00%	06/24/10	12/01/12	4,560	2,710	1,850	1,850	56	
	3.50% to 4.00%	10/20/05	12/01/12	4,370	3,685	685	685	27	
	4.00% to 5.00%	07/12/07	12/01/12	1,450	1,150	300	300	15	
	4.00% to 5.00%	05/29/08	12/01/11	1,560	1,560	-	-	-	
	2.00% to 4.00%	05/21/09	12/01/14	1,115	515	600	200	24	
	2.00% to 5.00%	06/03/10	12/01/15	2,407	487	1,920	480	96	
	3.00%	05/26/11	12/01/11	1,000	1,000	-	-	-	
Total Intergovernmental Services Fund - General Obligation Bonds				33,262	22,207	11,055	9,215	389	
Total Internal Service Funds - General Obligation Bonds									
				73,307	33,242	40,065	12,160	1,318	
Total General Governmental Activity Bonds and Notes				1,221,312	593,546	627,766	56,771	23,273	

SCHEDULE OF BUSINESS-TYPE ACTIVITY BONDS AND NOTES

CITY OF MINNEAPOLIS, MINNESOTA

December 31, 2011

(In Thousands)

Issues Outstanding	Interest Rates	Issue Date	Final Maturity Date	Issued	Retired	Outstanding	Principal Due in 2012	Interest Due in 2012
<u>Stormwater Sewer Fund General Obligation Bonds</u>								
	4.70% to 5.75%	06/01/93	12/01/15	3,856	2,870	986	265	536
	2.00% to 4.00%	05/21/09	12/01/16	6,910	-	6,910	970	276
	4.00% to 5.00%	06/01/07	12/01/12	6,304	4,304	2,000	2,000	100
	4.00% to 5.00%	05/29/08	12/01/15	3,635	1,635	2,000	500	100
	2.00% to 4.00%	05/21/09	12/01/14	2,500	910	1,590	530	64
	2.00% to 2.50%	06/03/10	12/01/11	2,440	2,440	-	-	-
	3.00%	05/26/11	12/01/12	8,988	6,988	2,000	2,000	60
Total Stormwater Fund Bonds				34,633	19,147	15,486	6,265	1,136
<u>Sanitary Sewer Fund General Obligation Bonds</u>								
	4.00% to 5.00%	07/12/07	12/01/12	6,250	4,950	1,300	1,300	65
	4.00% to 5.00%	05/29/08	12/01/14	5,500	2,500	3,000	1,000	150
	2.00% to 4.00%	05/21/09	12/01/16	5,800	1,500	4,300	700	172
	2.00% to 5.00%	06/03/10	12/01/15	3,650	850	2,800	600	140
	3.00%	05/26/11	12/01/15	4,000	1,000	3,000	1,000	90
Total Sanitary Sewer Fund Bonds				25,200	10,800	14,400	4,600	617
<u>Water Works Fund General Obligation Bonds</u>								
	4.70% to 5.75%	06/01/93	12/01/15	6,715	5,170	1,545	500	1,010
	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	4,250	6,000	1,500	300
	2.00% to 4.00%	05/21/09	12/01/17	4,000	815	3,185	100	127
	2.00% to 5.00%	06/03/10	12/01/17	3,366	190	3,176	150	159
Drinking Water Program - Notes Payable	2.819%	12/17/02	08/20/22	27,400	5,400	22,000	1,000	620
	2.800%	02/21/04	08/20/23	25,000	2,750	22,250	350	623
	2.530%	03/23/05	08/20/19	12,500	2,350	10,150	1,200	257
	2.600%	08/23/06	08/20/26	13,500	1,525	11,975	570	311
	2.688%	12/09/09	08/20/27	19,406	60	19,346	60	520
	1.000%	03/02/10	08/20/21	6,230	700	5,530	370	55
Total Water Works Fund General Obligation Bonds and Notes				140,982	23,210	117,772	5,800	4,487

SCHEDULE OF BUSINESS-TYPE ACTIVITY BONDS AND NOTES

CITY OF MINNEAPOLIS, MINNESOTA

December 31, 2011

(In Thousands)

Issues Outstanding	Interest Rates	Issue Date	Final Maturity Date	Issued	Retired	Outstanding	Principal Due in 2012	Interest Due in 2012
Municipal Parking Fund General Obligation Bonds								
	4.70% to 5.75%	06/01/93	12/01/15	4,530	3,460	1,070	235	475
	3.50% to 5.00%	06/30/05	03/01/12	12,400	10,300	2,100	2,100	52
	4.00% to 5.00%	11/17/05	12/01/18	685	-	685	-	30
	2.00% to 4.00%	05/21/09	12/01/12	4,350	3,175	1,175	1,175	47
	2.00% to 4.00%	05/21/09	12/01/24	19,200	410	18,790	240	752
	3.50% to 5.00%	11/17/05	12/01/17	5,340	40	5,300	15	245
	3.00% to 4.00%	06/24/10	12/01/26	10,325	425	9,900	275	320
	4.00% to 5.00%	11/07/02	12/01/26	25,000	2,450	22,550	490	1,128
	Variable	10/30/03	12/01/18	10,525	3,715	6,810	-	341
	Variable	12/11/03	12/01/28	16,100	490	15,610	-	781
	2.00% to 4.00%	11/19/09	12/01/14	11,245	4,270	6,975	2,305	279
	Variable	03/17/05	12/01/33	16,400	3,100	13,300	-	665
	3.50% to 4.00%	07/12/07	12/01/14	1,700	-	1,700	-	85
	4.00% to 5.00%	05/21/09	12/01/14	1,400	560	840	280	34
	2.00% to 4.00%	05/21/09	12/01/14	2,000	800	1,200	400	48
	2.00% to 5.00%	06/03/10	12/01/13	1,700	800	900	400	45
	3.00%	05/26/11	12/01/11	200	200	-	-	-
	3.00%	05/26/11	12/01/15	1,500	-	1,500	300	45
Municipal Parking Fund General Obligation/Tax Increment Bonds								
	2.50% to 4.25%	11/23/09	12/01/24	6,125	1,175	4,950	700	189
	3.50% to 5.00%	11/17/05	12/01/21	7,100	75	7,025	25	319
	3.00%	06/24/10	12/01/15	2,700	800	1,900	400	57
	2.00% to 3.25%	10/01/09	03/01/26	13,675	7,900	5,775	1,400	156
	3.50% to 5.00%	11/17/05	12/01/21	15,355	70	15,285	5,100	749
	Variable	03/17/05	03/01/32	4,250	390	3,860	-	193
Total Municipal Parking Fund General Obligation Bonds				193,805	44,605	149,200	15,840	7,035
Total Business-Type Activity General Obligation Bonds				394,620	97,762	296,858	32,505	13,275

SCHEDULE OF BUSINESS-TYPE ACTIVITY BONDS AND NOTES

CITY OF MINNEAPOLIS, MINNESOTA

December 31, 2011 (In Thousands)

Issues Outstanding	Interest Rates	Issue Date	Final Maturity Date	Issued	Retired	Outstanding	Principal Due in 2012	Interest Due in 2012
Community Development Agency Fund - General Agency Reserve Fund System Bonds								
Carlson Companies	4.85% to 6.00%	03/01/96	02/01/11	8,370	8,370	-	-	-
Halper Box	5.10% to 6.15%	04/01/97	06/01/17	2,400	1,425	975	145	56
Baker Bearing	5.10% to 6.20%	05/01/97	12/01/16	2,900	1,900	1,000	175	57
Laurel Village Alden Limited Partnership II	4.30% to 5.75%	10/01/97	06/01/27	2,515	665	1,850	70	105
100 East 22nd Associates - A	4.00% to 5.50%	10/01/97	06/01/12	2,820	2,675	145	145	4
Cord Sets	4.10% to 5.50%	07/01/98	06/01/18	1,500	825	675	85	35
Discount Steel - A	5.00% to 5.25%	12/01/99	06/01/19	1,900	365	1,535	165	75
Pajor and Associates	4.75% to 6.75%	03/01/00	12/01/25	1,505	400	1,105	50	74
Bridgerail Properties (All-Weather Roofing)	4.31 % to 7.00%	09/01/02	06/01/22	2,750	870	1,880	125	122
Kristol Properties	2.45% to 5.12%	11/20/03	12/01/23	3,300	1,570	1,730	160	85
Infinite Graphics	2.25% to 5.50%	07/14/04	12/01/24	2,475	815	1,660	135	89
Theatres Bonds, Series 2005-1	5.23% to 6.30%	12/20/05	12/01/35	21,055	1,880	19,175	375	1,188
Ambassador Press Refunding	4.27% to 6.50%	06/26/06	12/01/26	8,400	2,010	6,390	540	347
Quality Resource Group	5.28% to 5.84%	03/04/07	12/01/27	3,100	390	2,710	110	154
New French Bakery (Taxable)	5.70%	07/01/07	06/01/12	1,000	940	60	60	2
New French Bakery (Tax-Exempt)	5.00% to 5.25%	07/01/07	06/01/28	8,990	-	8,990	290	455
Open Systems International, Inc	2.29% to 6.75%	06/01/10	06/01/40	18,000	-	18,000	275	1,118
Open Access Technology Intl, Inc (Taxable)	1.25% to 3.00%	12/29/10	12/01/13	1,930	895	1,035	895	31
Open Access Technology Intl, Inc (Tax Exempt)	3.25% to 6.25%	12/29/10	12/01/40	23,070	-	23,070	-	1,226
Total Community Planning & Economic Development Fund - General Agency Reserve Fund System Bonds				117,980	25,995	91,985	3,800	5,223
Community Planning & Economic Development Fund - Revenue Notes								
Economic Development Program								
Federal Home Loan Note		12/14/97	12/14/12	440	396	44	44	2
Federal Home Loan Note		04/01/99	04/01/14	1,200	933	266	109	13
Total Community Planning & Economic Development Fund - Revenue Notes				1,640	1,329	310	153	15
Total Business-Type Activity Bonds and Notes				514,240	125,086	389,153	36,458	18,513

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
For the Fiscal Year Ended December 31, 2011**

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

	General Fund	Community Planning and Economic Development	Permanent Improvement	General Debt Service	Non-Major Governmental	Total Governmental Funds
Shared revenue						
State						
Local Government Aid	\$ 56,378	\$ -	\$ -	\$ -	\$ -	\$ 56,378
Police State Aid	4,440	-	-	-	1,677	6,117
Fire State Aid	1,796	-	-	-	2,316	4,112
PERA Rate Increase Aid	616	1	-	-	-	617
Market Value Homestead Credit	-	326	1	9	12	348
State Bonding Funds	-	-	1,447	-	-	1,447
Municipal State Aid	3,441	-	7,794	-	-	11,235
Total shared revenue	<u>66,671</u>	<u>327</u>	<u>9,242</u>	<u>9</u>	<u>4,005</u>	<u>80,254</u>
Payments						
Local						
Local contributions	647	-	2,098	-	3,065	5,810
Payments in lieu of tax	175	-	2	18	23	218
Total local	<u>822</u>	<u>-</u>	<u>2,100</u>	<u>18</u>	<u>3,088</u>	<u>6,028</u>
Grants						
State						
Department of Employment and Economic Development	-	-	-	-	1,941	1,941
Department of Health	-	-	-	-	4,417	4,417
Department of Public Safety	328	-	-	-	1,301	1,629
Department of Transportation	611	-	1,180	-	-	1,791
Departments of Jobs and Training	-	-	-	-	2,433	2,433
Department of Trade and Economic Development	-	-	-	-	5,550	5,550
State Historic Preservation Office	-	-	136	-	-	136
Minnesota Historical Society	-	-	-	-	248	248
Total state grants	<u>939</u>	<u>-</u>	<u>1,316</u>	<u>-</u>	<u>15,890</u>	<u>18,145</u>
Federal						
Department of Agriculture	-	-	-	-	13	13
Department of Housing and Urban Development	-	-	-	-	30,433	30,433
Department of the Interior	-	-	-	-	28	28
Department of Justice	-	-	-	-	3,718	3,718
Department of Transportation	-	-	8,346	-	4,243	12,589
Department of Labor	-	-	-	-	5,311	5,311
Equal Employment Opportunity Commission	-	-	-	-	2	2
Environmental Protection Agency	-	-	-	-	488	488
Department of Energy	-	-	-	-	966	966
Department of Health and Human Services	-	-	-	-	6,156	6,156
Department of Homeland Security	-	-	-	-	3,180	3,180
Food and Drug Administration	-	-	-	-	5	5
Total federal grants	<u>-</u>	<u>-</u>	<u>8,346</u>	<u>-</u>	<u>54,543</u>	<u>62,889</u>
Total state and federal grants	<u>939</u>	<u>-</u>	<u>9,662</u>	<u>-</u>	<u>70,433</u>	<u>81,034</u>
Total intergovernmental revenue	<u>\$ 68,432</u>	<u>\$ 327</u>	<u>\$ 21,004</u>	<u>\$ 27</u>	<u>\$ 77,526</u>	<u>\$ 167,316</u>

SCHEDULE OF INTERGOVERNMENTAL REVENUE (continued)
For the Fiscal Year Ended December 31, 2011

CITY OF MINNEAPOLIS, MINNESOTA
(In Thousands)

	Stormwater	Water Works	Solid Waste and Recycling	Total Enterprise Funds	Internal Service Funds	Total Intergovernmental Revenue
Shared revenue						
State						
Local Government Aid	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 56,378
Police State Aid	-	-	-	-	-	6,117
Fire State Aid	-	-	-	-	-	4,112
PERA Rate Increase Aid	-	-	-	-	-	617
Market Value Homestead Credit	-	-	-	-	-	348
State Bonding Funds	-	-	-	-	-	1,447
Municipal State Aid	873	-	-	873	-	12,108
Total shared revenue	873	-	-	873	-	81,127
Payments						
Local						
Local contributions	-	-	900	900	-	6,710
Payments in lieu of tax	-	-	-	-	-	218
Total local	-	-	900	900	-	6,928
Grants						
State						
Department of Employment and Economic Development	-	-	-	-	-	1,941
Department of Health	-	-	-	-	-	4,417
Department of Public Safety	140	93	27	260	14	1,903
Department of Transportation	846	-	-	846	-	2,637
Departments of Jobs and Training	-	-	-	-	-	2,433
Department of Trade and Economic Development	-	-	-	-	-	5,550
State Historic Preservation Office	-	-	-	-	-	136
Minnesota Historical Society	-	-	-	-	-	248
Total state grants	986	93	27	1,106	14	19,265
Federal						
Department of Agriculture	-	-	-	-	-	13
Department of Housing and Urban Development	-	-	-	-	-	30,433
Department of the Interior	-	-	-	-	-	28
Department of Justice	-	-	-	-	197	3,915
Department of Transportation	-	-	-	-	-	12,589
Department of Labor	-	-	-	-	-	5,311
Equal Employment Opportunity Commission	-	-	-	-	-	2
Environmental Protection Agency	-	-	-	-	-	488
Department of Energy	-	-	-	-	-	966
Department of Health and Human Services	-	-	-	-	-	6,156
Department of Homeland Security	421	280	80	781	40	4,001
Food and Drug Administration	-	-	-	-	-	5
Total federal grants	421	280	80	781	237	63,907
Total state and federal grants	1,407	373	107	1,887	251	83,172
Total intergovernmental revenue	\$ 2,280	\$ 373	\$ 1,007	\$ 3,660	\$ 251	\$ 171,227

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

CITY OF MINNEAPOLIS, MINNESOTA

ALL FUND TYPES

For the Fiscal Year Ended December 31, 2011

(In Thousands)

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Agriculture		
Passed Through the University of Minnesota Integrated Programs	10.303	\$ 14
U.S. Department of Housing and Urban Development		
Direct		
Community Development Block Grants/Entitlement Grants Cluster		
Community Development Block Grants/Entitlement Grants	14.218	\$ 11,471
Community Development Block Grants/Entitlement Grants - ARRA	14.253	1,557
Emergency Shelter Grants Program	14.231	763
HOME Investment Partnerships Program	14.239	3,716
Housing Opportunities for Persons with AIDS (HOPWA)	14.241	936
Neighborhood Stabilization Program - ARRA	14.256	6,522
Homelessness Prevention and Rapid Re-Housing Program - ARRA	14.257	2,725
Healthy Homes Demonstration Grants	14.901	1,893
Lead Technical Studies Grants	14.902	197
Passed Through Minnesota Housing and Finance Agency		
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	2,505
Passed Through Hennepin County		
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900	313
Lead Hazard Reduction Demonstration Grant Program	14.905	26
Total U.S. Department of Housing and Urban Development		\$ 32,624
U.S. Department of the Interior - National Park Service		
Passed Through Minnesota Historical Society Historic Preservation Fund Grants-In-Aid	15.904	\$ 28
U.S. Department of Justice		
Direct		
Youth Gang Prevention	16.544	\$ 141
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590	441
Public Safety Partnerships and Community Policing Grants Cluster		
Public Safety Partnership and Community Policing Grants	16.710	210
Public Safety Partnership and Community Policing Grants - ARRA	16.710	1,066
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	58
Edward Byrne Memorial Competitive Grant Program - ARRA	16.808	158
Passed Through Minnesota Department of Public Safety		
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	17
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	71
Violence Against Women Formula Grants - ARRA	16.588	34
Public Safety Partnerships and Community Policing Grants Cluster		
Public Safety and Partnership and Community Policing Grants	16.710	7
Jag Program Cluster		
Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories - ARRA	16.803	263

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

CITY OF MINNEAPOLIS, MINNESOTA

ALL FUND TYPES

For the Fiscal Year Ended December 31, 2011

(In Thousands)

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Justice (Continued)		
Passed Through Hennepin County		
Jag Program Cluster		
Edward Byrne Memorial Justice Assistance (JAG) Grant Program	16.738	534
Edward Byrne Memorial Competitive Grant Program - ARRA	16.808	160
		3,160
Total U.S. Department of Justice		\$ 3,160
U.S. Department of Labor		
Direct		
Workforce Investment Act Pilots, Demonstrations, and Research Projects	17.261	\$ 144
Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors - ARRA	17.275	2,051
Passed Through Minnesota Department of Employment and Economic Development		
Workforce Investment Act (WIA) Cluster		
WIA - Adult Program	17.258	566
WIA - Adult Program - ARRA	17.258	30
WIA - Youth Activities	17.259	1,424
WIA - Dislocated Workers	17.260	29
WIA - Dislocated Worker Formula Grants	17.278	1,067
		5,311
Total U.S. Department of Labor		\$ 5,311
U.S. Department of Transportation		
Passed Through Metropolitan Council		
Federal Transit Cluster		
Federal Transit Capital Investment Grants	20.500	\$ 16
Federal Transit Formula Grants	20.507	334
Passed Through Minnesota Department of Transportation		
Highway Planning and Construction Cluster		
Highway Planning and Construction	20.205	11,463
Highway Planning and Construction - ARRA	20.205	3,313
Passed Through Minnesota Department of Public Safety		
Highway Safety Cluster		
State and Community Highway Safety	20.600	23
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	2
Occupant Protection Incentive Grants	20.602	18
Safety Belt Performance Grants	20.609	14
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	52
		15,235
Total U.S. Department of Transportation		\$ 15,235

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

CITY OF MINNEAPOLIS, MINNESOTA

ALL FUND TYPES

For the Fiscal Year Ended December 31, 2011

(In Thousands)

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Environmental Protection Agency		
Direct		
Congressionally Mandated Projects	66.202	\$ 378
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	110
Passed Through Minnesota Public Facilities Authority		
Capitalization Grants for Drinking Water Cluster		
Capitalization Grants for Drinking Water State Revolving Funds	66.468	7,945
Capitalization Grants for Drinking Water State Revolving Funds - ARRA	66.468	2,439
Total U.S. Environmental Protection Agency		\$ 10,872
U.S. Department of Energy		
Direct		
Energy Efficiency and Conservation Block Grant Program (EECBG) - ARRA	81.128	\$ 601
Passed Through Minnesota Department of Commerce		
Energy Efficiency and Conservation Block Grant Program (EECBG) - ARRA	81.128	102
State Energy Program - ARRA	81.041	262
Total U.S. Department of Energy		\$ 965
U.S. Department of Health and Human Services		
Direct		
Maternal and Child Health Federal Consolidated Programs	93.110	\$ 61
Affordable Care Act (ACA) Grants for School-Based Health Center Capital Expenditures	93.501	20
Healthy Start Initiative	93.926	978
Passed Through Hennepin County		
Teenage Pregnancy Prevention Program	93.297	133
Temporary Assistance for Needy Families (TANF)	93.558	407
Passed Through Minnesota Department of Health		
Public Health Emergency Preparedness	93.069	713
Centers for Disease Control and Prevention-Investigations and Technical Assistance	93.283	47
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	13
Temporary Assistance for Needy Families (TANF)	93.558	1,025
Child Abuse and Neglect Discretionary Activities	93.670	30
Immunization - ARRA	93.712	9
Prevention and Wellness - Communities Putting Prevention to Work Funding		
Opportunities Announcement (FOA) - ARRA	93.724	1,881
Maternal and Child Health Services Block Grant to the States	93.994	822
Passed Through the University of Minnesota		
National Community Centers of Excellence in Women's Health	93.290	16
Total U.S. Department of Health and Human Services		\$ 6,155

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

CITY OF MINNEAPOLIS, MINNESOTA

ALL FUND TYPES

For the Fiscal Year Ended December 31, 2011

(In Thousands)

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Homeland Security		
Direct		
Assistance to Firefighters Grant	97.044	\$ 65
Port Security Grant Program	97.056	165
Passed Through Minnesota Department of Public Safety		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	1,627
Emergency Management Performance Grants	97.042	30
Port Security Grant Program	97.056	579
Homeland Security Grant Program	97.067	1,381
Buffer Zone Protection Program (BZPP)	97.078	153
Total U.S. Department of Homeland Security		\$ 4,000
Total Federal Awards		\$ 78,364

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

CITY OF MINNEAPOLIS, MINNESOTA

For the Fiscal Year Ended December 31, 2011

(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 basic financial statements. This schedule does not include \$2,066 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, 2011. 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 assets, 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. 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	\$ 1,891
14.253	Community Development Block Grants/Entitlement Grants - ARRA	1,464
14.241	Housing Opportunities for Persons with AIDS (HOPWA)	908
14.256	Neighborhood Stabilization Program – ARRA	1,764
14.257	Homelessness Prevention and Rapid Re-Housing Program - ARRA	2,528
14.228	Community Development Block Grants/State’s Program and Non-Entitlement Grants in Hawaii	358
14.900	Lead-Based Paint Hazard Control in Privately-Owned Housing	171
14.905	Lead Hazard Reduction Demonstration Grant Program	14
16.544	Youth Gang Prevention	54
16.590	Grants to Encourage Arrest Policies and Enforcement of Protection Orders	163

NOTES TO THE SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS

CITY OF MINNEAPOLIS, MINNESOTA

For the Fiscal Year Ended December 31, 2011

(Dollar Amounts Expressed in Thousands)

4. Subrecipients (Continued)

CFDA Number	Program Name	Amount Provided to Subrecipients
16.540	Juvenile Justice and Delinquency Prevention-Allocation to the States	17
17.261	Workforce Investment Act Pilots, Demonstrations, and Research Projects	125
17.275	Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors - ARRA	895
17.258	Workforce Investment Act - Adult Program	352
17.258	Workforce Investment Act - Adult Program - ARRA	30
17.259	Workforce Investment Act - Youth Activities	1,258
17.260	Workforce Investment Act - Dislocated Workers	23
17.278	Workforce Investment Act - Dislocated Workers	621
20.507	Federal Transit Formula Grants	334
20.205	Highway Planning and Construction	1,043
81.128	Energy Efficiency and Conservation Block Grant Program (EECBG) - ARRA	165
93.926	Healthy Start Initiative	408
93.558	Temporary Assistance for Needy Families (TANF)	279
93.505	Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	13
93.558	Temporary Assistance for Needy Families (TANF)	990
93.670	Child Abuse and Neglect Discretionary Activities	30
93.724	Prevention and Wellness - Communities Putting Prevention to Work Funding Opportunities Announcement (FOA) - ARRA	816
93.994	Maternal and Child Health Services Block Grant to the States	519
	Total	<u>\$ 17,233</u>

5. Clusters

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

CDBG Entitlement Grants Cluster	\$ 13,028
Public Safety Partnership and Community Policing Grants Cluster	1,283
JAG Program Cluster	797
Workforce Investment Act (WIA) cluster	3,116
Federal Transit Cluster	350
Highway Planning and Construction cluster	14,776
Highway Safety cluster	57
Capitalization Grants for Drinking water State Revolving Funds Cluster	10,384

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

CITY OF MINNEAPOLIS, MINNESOTA

For the Fiscal Year Ended December 31, 2011

(Dollar Amounts Expressed in Thousands)

6. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$	63,907
Federal Fixed Price Contracts		
Equal Employment Opportunity Commission		(1)
Empowerment Zone Loans		(3)
Drug Enforcement Admin TF		(37)
GET-ATF		(367)
GET-ICE		(3)
MN Cyber Crime Task Force		(12)
MN Violent Crime/Fugitive		(20)
Organized Crime Drug Enforcement		(1)
FBI-Operation Bloodbath		(42)
Safe Streets Violent Crime TF		(213)
Federal Projects		(9)
US Marshalls OT May-Dec 2011		(7)
Joint Terrorism Task Force		(13)
FDA Food Safety Training		(5)
MN Task Force		(2)
Timing Differences between Expenditures and Related Reimbursements		325
Minnesota Public Facility Agency Loans		10,385
Grant received more than 60 days after year-end, deferred in 2011		2,463
Expenditures occurring prior to 2011 but reimbursed in 2011		(37)
Federal Program Income		
Neighborhood Stabilization Program - ARRA		8
Healthy Homes Demonstration Grant		37
Neighborhood Stabilization Program		534
Community Development Block Grants/Entitlement Grants		1,477
		<hr/>
Expenditures Per Schedule of Expenditures of Federal Awards	\$	<u>78,364</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, 2011**

**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	\$ 1,018	\$ 167	\$ 1,185
Receivables:			
Intergovernmental	589	369	958
Total assets	\$ 1,607	\$ 536	\$ 2,143
<u>LIABILITIES and FUND BALANCES</u>			
Liabilities:			
Salaries payable	\$ 88	\$ -	\$ 88
Accounts payable	613	295	908
Intergovernmental payable	1	-	1
Deposits held for others	-	2	2
Total liabilities	702	297	999
Fund balances:			
Assigned	905	239	1,144
Total liabilities and fund balances	\$ 1,607	\$ 536	\$ 2,143

**MUNICIPAL BUILDING COMMISSION
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended December 31, 2011**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	General Fund	Capital Projects Fund	Total
REVENUES:			
Intergovernmental revenues	\$ 200	\$ 615	\$ 815
Charges for services and sales	7,611	1,152	8,763
Miscellaneous revenues	90	-	90
Total revenues	7,901	1,767	9,668
EXPENDITURES:			
Current:			
General government	7,979	-	7,979
Capital outlay	-	1,813	1,813
Total expenditures	7,979	1,813	9,792
Excess (deficiency) of revenues over (under) expenditures	(78)	(46)	(124)
OTHER FINANCING SOURCES (USES):			
Transfers from other funds	-	145	145
Transfers to other funds	(145)	-	(145)
Total other financing sources (uses)	(145)	145	-
Net change in fund balance	(223)	99	(124)
Fund balances - January 1	1,128	140	1,268
Fund balances - December 31	\$ 905	\$ 239	\$ 1,144

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.	128 - 131
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.	132 - 135
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.	136- 143
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.	144 - 145
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.	146 - 149

Schedule 1
City of Minneapolis
Net Assets by Component (In Thousands)
Last 9 Fiscal Years
December 31, 2011

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental activities									
Invested in capital assets, net of related debt	\$ 276,744	\$ 353,750	\$ 319,954	\$ 471,115	\$ 492,007	\$ 536,126	\$ 526,551	\$ 631,808	\$ 691,926
Restricted	47,504	49,028	42,667	47,526	54,226	59,629	112,895	60,814	192,829
Unrestricted	(135,763)	(191,289)	(107,885)	(224,659)	(113,865)	(33,767)	58,216	87,443	91,652
Total governmental activities net assets	\$ 188,485	\$ 211,489	\$ 254,736	\$ 293,982	\$ 432,368	\$ 561,988	\$ 697,662	\$ 780,065	\$ 976,407
Business-type activities									
Invested in capital assets, net of related debt	\$ 480,562	\$ 504,453	\$ 523,073	\$ 541,670	\$ 529,140	\$ 591,964	\$ 615,455	\$ 634,686	666,986
Restricted	42,906	40,140	37,030	33,222	33,015	34,456	34,464	34,674	34,967
Unrestricted	36,845	14,865	320	14,460	83,340	46,266	57,157	69,905	77,751
Total business-type activities net assets	\$ 560,313	\$ 559,458	\$ 560,423	\$ 589,352	\$ 645,495	\$ 672,686	\$ 707,076	\$ 739,265	\$ 779,704
Primary government									
Invested in capital assets, net of related debt	\$ 757,306	\$ 858,203	\$ 843,027	\$ 1,012,785	\$ 1,021,147	\$ 1,128,090	\$ 1,142,006	\$ 1,266,494	\$ 1,358,912
Restricted	90,410	89,168	79,697	80,748	87,241	94,085	147,359	95,488	227,796
Unrestricted	(98,918)	(176,424)	(107,565)	(210,199)	(30,525)	12,499	115,373	157,348	169,403
Total primary government net assets	\$ 748,798	\$ 770,947	\$ 815,159	\$ 883,334	\$ 1,077,863	\$ 1,234,674	\$ 1,404,738	\$ 1,519,330	\$ 1,756,111

Notes: The City began to report beginning 2003, the implementation of GASB 34 (UNAUDITED)

Schedule 2
City of Minneapolis
Changes in Net Assets (In Thousands)
Last 9 Fiscal Years
December 31, 2011

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Expenses									
Governmental activities:									
General government	\$ 123,139	\$ 75,530	\$ 68,095	\$ 67,780	\$ 57,519	\$ 79,609	\$ 72,276	\$ 120,378	\$ 82,897
Public safety	168,976	202,334	215,366	221,160	226,050	232,210	244,134	263,806	269,036
Public works	68,296	20,691	28,909	52,267	80,315	50,523	94,752	73,848	5,210
Culture and recreation	26,346	49,968	48,744	15,851	5,279	29,607	13,483	13,861	7,287
Health and welfare	23,502	9,905	13,502	14,572	14,325	13,028	14,164	14,240	16,260
Community planning & economic development	107,061	105,676	133,037	116,369	118,066	122,936	110,344	146,439	138,537
Interest on long-term debt	44,014	56,283	34,383	89,147	40,691	36,405	28,753	26,152	21,916
Total governmental activities expenses	\$ 561,334	\$ 520,387	\$ 542,036	\$ 577,146	\$ 542,245	\$ 564,318	\$ 577,906	\$ 658,724	\$ 541,143
Business-type activities:									
Sanitary sewer	56,746	53,690	26,880	36,710	37,696	38,057	32,892	35,233	33,659
Stormwater	-	-	25,898	23,815	24,459	24,027	24,856	26,273	24,502
Solid waste and recycling	23,568	26,007	24,500	26,554	26,570	26,514	23,641	27,804	29,784
Water works	46,757	50,683	46,292	53,209	52,983	56,310	51,751	55,980	52,891
Community planning & economic development	14,962	18,551	24,517	9,035	6,446	6,367	6,860	6,472	8,266
Municipal parking	62,832	67,195	56,676	60,097	58,714	50,833	51,929	49,920	46,106
Total business-type activities expenses	\$ 204,865	\$ 216,126	\$ 204,763	\$ 209,420	\$ 206,868	\$ 202,108	\$ 191,929	\$ 201,682	\$ 195,208
Total primary government expenses	\$ 766,199	\$ 736,513	\$ 746,799	\$ 786,566	\$ 749,113	\$ 766,426	\$ 769,835	\$ 860,406	\$ 736,351
Program Revenues									
Governmental activities:									
Charges for services:									
General government	\$ 48,345	\$ 18,036	\$ 19,805	\$ 28,320	\$ 30,490	\$ 45,882	\$ 6,060	\$ 69,827	\$ 23,537
Public safety	6,498	36,073	38,002	43,889	34,486	37,525	42,511	41,805	49,673
Public works	4,419	2,059	5,169	8,461	10,239	11,670	22,112	22,567	5,998
Health and welfare	712	449	536	528	500	524	452	14	-
Community planning & economic development	7,915	35,243	44,447	35,595	30,169	30,470	29,416	27,601	-
Culture and recreation	-	-	-	-	2,252	-	-	-	36,233
Operating grants and contributions	65,751	52,288	85,301	68,894	84,926	100,095	92,775	118,118	115,622
Capital grants and contributions	19,793	35,637	13,858	18,717	19,174	13,136	26,928	28,198	20,630
Total governmental activities program revenues	\$ 153,433	\$ 179,785	\$ 207,118	\$ 204,404	\$ 212,236	\$ 239,302	\$ 220,254	\$ 308,130	\$ 251,693
Business-type activities:									
Charges for services:									
Sanitary sewer	\$ 59,834	\$ 64,132	\$ 33,756	\$ 37,968	\$ 40,369	\$ 40,787	\$ 43,949	\$ 49,358	48,456
Stormwater	-	-	31,336	30,209	32,205	35,109	39,418	39,903	41,063
Solid waste and recycling	27,071	28,396	29,443	28,546	7,917	29,626	30,411	31,152	31,957
Water works	55,903	58,669	60,118	59,541	29,193	61,088	67,539	67,408	69,301
Community planning & economic development	10,791	13,838	12,125	7,483	60,152	7,698	31,820	6,426	7,872
Municipal parking	51,859	55,274	55,300	57,884	60,625	52,564	52,507	58,316	52,687
Operating grants and contributions	1,537	-	-	13,553	1,737	2,641	-	-	-
Capital grants and contributions	-	-	-	-	-	-	1,826	1,215	2,146
Total business-type activities program revenues	\$ 206,995	\$ 220,309	\$ 222,078	\$ 235,184	\$ 232,198	\$ 229,513	\$ 267,470	\$ 253,778	\$ 253,482
Total primary government program revenues	\$ 360,428	\$ 400,094	\$ 429,196	\$ 439,588	\$ 444,434	\$ 468,815	\$ 487,724	\$ 561,908	\$ 505,175
Net (Expenses) Revenue									
Governmental activities	\$ (407,901)	\$ (340,602)	\$ (334,918)	\$ (372,742)	\$ (330,009)	\$ (325,016)	\$ (357,652)	\$ (350,594)	\$ (289,450)
Business-type activities	2,130	4,183	17,315	25,764	25,330	27,405	75,541	52,096	58,274
Total primary government net expense	\$ (405,771)	\$ (336,419)	\$ (317,603)	\$ (346,978)	\$ (304,679)	\$ (297,611)	\$ (282,111)	\$ (298,498)	\$ (231,176)
General Revenues and Other Changes in Net Assets									
Governmental activities:									
Taxes									
General property tax and fiscal disparities	\$ 109,340	\$ 124,485	\$ 131,261	\$ 145,073	\$ 159,878	\$ 184,985	\$ 263,776	\$ 217,519	\$ 218,756
Property tax increment	67,506	64,118	64,044	71,556	77,979	82,686	13,440	42,117	61,003
Franchise fees	24,083	25,112	27,702	29,026	29,548	31,705	28,053	27,855	29,128
Convention center taxes	48,908	52,169	55,064	56,725	60,065	60,480	54,868	61,307	65,850
Other taxes	341	273	228	188	215	183	202	42	218
Local government aid - unrestricted	88,818	81,722	65,921	81,626	70,712	60,702	70,540	56,578	56,378
Grants and contributions not restricted to programs	2,689	-	-	9	8	7	-	-	-
Unrestricted interest and investment earnings	14,251	6,152	13,510	14,407	17,574	13,121	6,843	5,961	5,088
Sale of land	-	-	-	-	-	-	-	-	-
Other	20,500	1,028	1,144	2,862	2,715	1,287	10,239	1,440	31,078
Gain on sale of capital assets	-	3	-	-	-	-	-	-	-
Transfers	7,308	8,544	19,291	416	5,023	4,250	45,365	20,178	18,293
Total governmental activities	\$ 383,744	\$ 363,606	\$ 378,165	\$ 401,888	\$ 423,717	\$ 439,406	\$ 493,326	\$ 432,997	\$ 485,792
Business-type activities:									
Unrestricted interest and investment earnings	\$ 2,181	\$ 1,236	\$ 1,359	\$ 1,542	\$ 1,924	\$ 1,487	\$ 4,126	\$ 271	\$ 438
Other	4,724	2,270	1,580	2,039	3,187	1,479	88	-	-
Gain on sale of capital assets	62	-	2	-	30,725	565	-	-	20
Transfers	(7,308)	(8,544)	(19,291)	(416)	(5,023)	(4,250)	(45,365)	(20,178)	(18,293)
Total business-type activities	\$ (341)	\$ (5,038)	\$ (16,350)	\$ 3,165	\$ 30,813	\$ (719)	\$ (41,151)	\$ (19,907)	\$ (17,835)
Total primary government	\$ 383,403	\$ 358,568	\$ 361,815	\$ 405,053	\$ 454,530	\$ 438,687	\$ 452,175	\$ 413,090	\$ 467,957
Changes in Net Assets									
Governmental activities	\$ (24,157)	\$ 23,004	\$ 43,247	\$ 29,146	\$ 93,708	\$ 114,390	\$ 135,674	\$ 82,403	\$ 196,342
Business-type activities	1,789	(855)	965	28,929	56,143	26,686	34,390	32,189	40,439
Total primary government	\$ (22,368)	\$ 22,149	\$ 44,212	\$ 58,075	\$ 149,851	\$ 141,076	\$ 170,064	\$ 114,592	\$ 236,781

Notes: The City began to report beginning 2003, the implementation of GASB 34 (UNAUDITED)

Schedule 3
City of Minneapolis
Fund Balance, Governmental Funds (In Thousands)
Last 9 Fiscal Years
December 31, 2011

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Fund									
Reserved	\$ 436	\$ 880	\$ 2,724	\$ 2,471	\$ 1,394	\$ 1,073	\$ 927	\$ 1,270	
Unreserved	53,111	60,472	50,838	52,641	53,851	48,615	67,340	60,092	
Total general fund	<u>\$ 53,547</u>	<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	\$ 241,008	\$ 230,653	\$ 201,202	\$ 206,285	\$ 210,056	\$ 213,450	\$ 205,490	\$ 227,174	
Unreserved									
Special revenue funds	90,422	93,908	96,828	77,561	79,230	84,491	106,681	65,760	
Debt Service funds	47,504	42,419	42,667	47,526	54,226	58,989	112,895	60,814	
Capital project funds	67,658	49,028	21,283	5,445	1,192	20,994	17,364	20,024	
Total all other governmental funds	<u>\$ 446,592</u>	<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								
Assigned	2,444								
Unassigned	69,891								
Total general fund	<u>\$ 72,371</u>								
All Other Government Funds									
Nonspendable	\$ 55,604								
Restricted	192,829								
Committed	7,058								
Assigned	103,307								
Total all other governmental funds	<u>\$ 358,798</u>								

Notes: The City began to report beginning 2003, the implementation of GASB 34
The City implemented GASB 54 starting in 2011.

(UNAUDITED)

Schedule 4
City of Minneapolis
Changes in Fund Balance, Governmental Funds (In Thousands)
Last 9 Fiscal Years
December 31, 2011

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues									
Taxes	\$ 248,584	\$ 265,672	\$ 277,411	\$ 300,893	\$ 326,187	\$ 362,553	\$ 359,500	\$ 343,956	\$ 374,123
Licenses and permits	22,915	24,780	25,835	25,838	26,407	27,118	29,348	29,301	32,851
Intergovernmental revenues	164,600	161,820	169,558	175,981	160,384	151,308	179,880	189,510	167,316
Charges for services and sales	34,192	43,798	52,590	55,112	53,778	62,186	59,340	56,776	58,722
Fines and forfeits	8,704	9,641	10,680	9,249	9,397	9,700	9,621	9,934	10,620
Special assessments	10,921	11,091	11,503	12,363	13,555	18,018	20,897	23,849	22,678
Interest	14,455	6,141	13,292	14,517	19,075	13,660	7,037	6,269	5,050
Miscellaneous revenues	31,603	32,042	34,696	34,001	29,626	29,420	35,542	35,366	26,831
Total Revenues	535,974	554,985	595,565	627,954	638,409	673,963	701,165	694,961	698,191
Expenditures									
General government	98,201	57,557	58,880	66,803	55,581	59,567	65,357	72,746	72,546
Public safety	160,750	190,638	209,453	220,346	222,823	237,692	242,061	258,507	260,307
Public works	33,542	40,049	39,204	39,171	41,892	43,893	43,495	50,165	49,918
Culture and recreation	26,346	49,968	48,744	15,851	5,279	29,607	13,424	13,808	7,287
Health and welfare	22,856	9,403	13,258	14,613	14,193	13,309	13,953	13,822	16,014
Community and economic development	110,576	106,348	128,464	112,103	116,348	117,396	115,384	146,082	128,338
Capital outlay	59,714	63,365	46,141	45,447	43,846	39,160	83,656	60,659	44,633
Debt Service:									
Principal retirement	67,329	76,175	90,825	72,768	66,744	68,617	102,518	179,242	96,947
Interest and fiscal charges	52,263	57,462	62,456	63,490	62,424	60,191	56,924	30,505	26,247
Total expenditures	631,577	650,965	697,425	650,592	629,130	669,432	736,772	825,536	702,237
Excess (deficiency) of revenues over (under) expenditures	(95,603)	(95,980)	(101,860)	(22,638)	9,279	4,531	(35,607)	(130,575)	(4,046)
Other Financing Sources (Uses)									
Transfers from other funds	118,655	112,918	159,664	157,161	129,321	133,635	151,259	115,103	105,800
Transfers to other funds	(149,381)	(147,725)	(179,836)	(185,576)	(151,672)	(152,056)	(154,190)	(139,658)	(129,803)
Bonds issued	160,229	84,770	59,356	26,835	20,344	39,965	35,280	24,687	20,377
Premium (discount)	1,736	4,898	4,293	49	478	1,490	4,213	3,165	3,707
Refunding bonds issued	31,810	51,210	71,385	10,545	1,750	12,360	82,130	51,715	186,550
Loans and notes issued	1,725	6,500	-	-	-	-	-	-	-
Payments to escrow agents	(31,625)	(39,370)	(74,820)	(9,989)	(1,480)	(12,262)	-	-	(186,550)
Total other financing sources (uses)	133,149	73,201	40,042	(975)	(1,259)	23,132	118,692	55,012	81
Net change in fund balance	\$ 37,546	\$ (22,779)	\$ (61,818)	\$ (23,613)	\$ 8,020	\$ 27,663	\$ 83,085	\$ (75,563)	\$ (3,965)
Debt service as a percentage of noncapital expenditures	20.0%	23.8%	24.0%	22.4%	21.1%	20.4%	24.4%	27.4%	18.7%

Notes: The City began to report beginning 2003, the implementation of GASB 34

(UNAUDITED)

Schedule 5
City of Minneapolis
Assessed Value and Actual Value of Taxable Property
Last Ten Fiscal Years
(in thousands of dollars)
December 31, 2011

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
2002	\$ 4,996,989	\$ 2,262,704	\$ 14,445,648	\$ 1,147,733	\$ 309,224	\$ 7,834,331	\$ 23,162,298	8.28	\$ 26,594,230	87%
2003	4,895,935	2,633,849	16,664,348	1,314,200	363,997	8,160,621	25,872,329	8.78	29,315,775	88%
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	1,341,775	26,571,451	3,448,334	415,390	9,549,066	38,646,131	7.52	43,857,249	88%
2009	7,295,669	1,459,942	25,461,784	3,499,200	401,699	9,025,112	38,118,294	7.68	43,473,340	88%
2010	7,020,347	1,474,662	24,611,900	3,556,811	393,785	8,777,609	37,057,504	7.81	39,746,514	93%
2011	6,304,914	1,426,447	23,533,625	3,287,604	529,962	10,550,339	35,082,552	9.23	41,079,647	85%

Source: Finance 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, 2011

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
City Direct Rates										
<i>Tax Capacity Based Rates</i>										
General	3.12	3.63	4.13	4.40	4.27	4.24	4.80	4.86	5.04	5.73
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	0.18	0.19	0.17	0.16	0.14	0.13	0.13	0.13	0.13	0.14
Permanent Improvement	0.14	0.14	0.10	0.08	0.07	0.05	0.05	0.05	0.05	0.06
Bond Redemption	1.53	1.69	1.25	0.97	0.74	0.63	0.57	0.69	0.47	0.61
Firefighter's Relief Association	-	-	-	-	0.05	0.10	0.11	0.06	0.04	0.16
Police Relief Association	0.16	0.16	0.14	-	0.08	0.12	0.11	0.09	0.35	0.51
Minneapolis Employees Retirement Fund	0.24	0.21	0.19	0.13	0.11	0.08	0.09	0.07	0.07	0.09
Parks	1.86	1.75	1.65	1.55	1.42	1.34	1.29	1.35	1.33	1.56
Libraries	0.63	0.60	0.56	0.52	0.48	0.45	-	-	-	-
Community Development	0.26	0.21	-	-	-	-	-	-	-	-
Public Housing	0.05	0.05	0.05	0.05	0.04	0.04	0.04	0.04	-	-
Teacher's Retirement Association	0.11	0.12	0.11	0.09	0.08	0.07	0.07	0.07	0.07	0.08
<i>Market Value Based Rates</i>										
Library Referendum	-	0.02	0.14	0.24	0.27	0.27	0.25	0.25	0.25	0.27
Total City Direct Rates	8.29	8.78	8.50	8.20	7.76	7.53	7.52	7.67	7.81	9.22
Overlapping Rates										
<i>Tax Capacity Based Rates</i>										
Watershed Districts	0.36	0.16	0.10	0.16	0.13	0.14	0.18	0.19	0.21	0.21
Hennepin County	5.95	5.93	5.33	4.94	4.59	4.40	4.38	5.09	5.38	5.76
Minneapolis Public Schools	4.39	4.40	4.17	3.39	3.23	3.06	2.78	3.15	2.57	2.95
Other Special Taxing Districts	0.63	0.67	0.62	0.59	0.52	0.54	0.54	0.49	0.52	0.59
<i>Market Value Based Rates</i>										
Minneapolis Public Schools Referendum	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.02	0.02	0.02
Total Overlapping Rates	11.34	11.17	10.23	9.09	8.48	8.15	7.89	8.94	8.70	9.53
Grand Total	19.63	19.95	18.73	17.29	16.24	15.68	15.41	16.61	16.51	18.75

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 Department

(UNAUDITED)

Schedule 7
City of Minneapolis
Principal Property Tax Payers
Current Year and Nine Years Ago
(in thousands of dollars)
December 31, 2011

Taxpayer	2011			2002		
	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	\$ 322,801	1	1.47%	\$ 287,424	1	2.78%
Target Corporation	208,932	2	0.95%	246,547	2	2.38%
MB Mpls. 8th St LLC	178,200	3	0.81%	-	-	-
Minneapolis 225 Holdings LLC	171,700	4	0.78%	-	-	-
NWC Limited Partnership	165,700	5	0.75%	166,900	3	1.62%
City Center Associates	139,500	6	0.63%	156,165	4	1.51%
First Minneapolis - Hines	137,400	7	0.62%	144,400	6	1.40%
Wells Operating Partnership LP	137,500	8	0.63%	-	-	-
Fifth Street Owner Corp.	112,300	9	0.51%	-	-	-
Hilton Hotels Corp.	109,100	10	0.50%	-	-	-
American Express Financial Corp.	-	-	-	-	-	-
601 Second Avenue Ltd. Partnership	-	-	-	146,000	5	1.41%
Eighth Street	-	-	-	118,000	9	1.14%
Sixth & Nicollet LLC	-	-	-	115,682	10	1.12%
Byte Investment Partnership	-	-	-	138,900	7	1.35%
CPP 800 Nicollet Mall LLC	-	-	-	132,600	8	1.28%
Total	<u>\$ 1,683,133</u>		<u>7.65%</u>	<u>\$ 1,652,618</u>		<u>15.99%</u>

Source: Bond Issue Report 10/28/11 and 10/11/02

(UNAUDITED)

Schedule 8
City of Minneapolis
Property Tax Levies and Collections
Last Ten Fiscal Years
(in thousands of dollars)
December 31, 2011

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
2002	\$ 146,852	\$ 144,386	98.32%	\$ (102)	\$ 144,284	98.25%
2003	158,819	156,550	98.57%	680	157,230	99.00%
2004	176,066	173,565	98.58%	359	173,924	98.78%
2005	190,375	187,271	98.37%	1,408	188,679	99.11%
2006	205,830	201,794	98.04%	1,562	203,356	98.80%
2007	222,523	217,841	97.90%	3,212	221,053	99.34%
2008	240,553	234,736	97.58%	3,956	238,691	99.23%
2009	245,003	239,060	97.57%	5,088	244,148	99.65%
2010	264,805	252,586	95.39%	4,973	257,559	97.26%
2011	277,357	267,097	96.30%	1,967	269,064	97.01%

Source: Minneapolis Finance Department - Controller Division

(UNAUDITED)

Schedule 9
City of Minneapolis
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(in thousands of dollars, except per capita)
December 31, 2011

Fiscal Year	Governmental Activities				Business-type Activities				Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Revenue Bonds	Notes Payable	General Obligation Bonds & Notes	Revenue Bonds	Notes Payable	Total Primary Government				
2002	\$ 738,379	\$ 90,643	\$ 49,091	\$ 380,645	\$ 91,885	\$ 3,502	\$ 1,354,145	16.78%	\$ 3,538		
2003	857,358	77,102	48,422	390,135	82,117	1,248	1,456,382	16.32%	3,810		
2004	891,678	74,682	41,998	407,280	71,390	1,155	1,488,183	16.99%	3,892		
2005	865,011	67,085	41,252	410,263	61,631	1,056	1,446,298	15.36%	3,730		
2006	817,771	65,756	26,709	396,019	57,985	950	1,365,190	14.50%	3,521		
2007	777,385	56,306	22,735	368,335	63,695	837	1,289,293	12.10%	3,323		
2008	755,946	45,647	22,291	338,188	60,730	718	1,223,520	11.48%	3,153		
2009	772,936	35,980	19,040	310,607	57,365	591	1,196,519	10.87%	3,067		
2010	673,926	26,700	15,585	308,383	95,925	455	1,120,974	12.19%	2,930		
2011	586,500	25,990	15,276	296,857	91,985	311	1,016,919	9.32%	2,658		

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

Source: Minneapolis Finance 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, 2011

Fiscal Year	Net General Bonded Debt Outstanding					Total	Percentage of Total Taxable Assessed Value of Property (1)	Per Capita (2)
	Governmental General Obligation Bonds	Business-type General Obligation Bonds & Notes	Less Assets Reserved for Debt Service					
2002	\$ 738,379	\$ 380,645	\$ 32,453	\$ 1,086,571	\$ 4.69%	\$ 2,839		
2003	857,358	390,135	34,451	1,213,042	4.69%	3,173		
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	2.44%	2,228		

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 Department - Capital and Debt Management

(UNAUDITED)

Schedule 11
City of Minneapolis
Direct and Overlapping Governmental Activities Debt
(in thousands of dollars)
December 31, 2011

Governmental Unit	Net General Obligation Governmental Debt Outstanding (1)	Estimated Percentage Applicable (2)	Estimated Share of Direct and Overlapping Debt
City of Minneapolis - Direct Debt	\$ 335,400 (3)	100.00%	\$ 335,400
<u>Overlapping Debt:</u>			
Special School District No. 1	206,733	100.00%	206,733
Hennepin County	723,889 (4)	25.47%	184,375
Hennepin County Regional Railroad Authority	40,128	25.47%	10,221
Metropolitan Council	142,957	11.02%	15,754
Subtotal, Overlapping Debt			\$ 417,083
Total Direct and Overlapping Debt			\$ 752,483

Notes:

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

(1) This table represents the net governmental debt of the City of Minneapolis and overlapping jurisdictions on a net debt basis. 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) Total excludes \$178,865 of self supporting debt, \$50,975 of special assessment debt and all governmental activity revenue bonds and notes which are not principally paid by the general taxpayer base.

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

Sources:

Minneapolis Finance 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, 2011

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Debt Limit	\$875,204	\$967,210	\$1,054,780	\$1,182,794	\$1,159,728	\$1,253,051	\$1,306,194	\$1,282,797	\$1,254,206	\$1,173,628
Total net debt applicable to limit	193,639	319,436	362,739	369,842	339,712	313,129	302,772	270,629	246,979	213,714
Legal debt margin	<u>\$681,565</u>	<u>\$647,774</u>	<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>
Total net debt applicable to limit as a percentage of debt limit	22.13%	33.03%	34.39%	31.27%	29.29%	24.99%	23.18%	21.10%	19.69%	18.21%

Legal Debt Margin Calculation for Fiscal Year 2011

Real Property (2011 Assessed Market Value)	\$34,576,212
Personal Property (2011 Assessed Market Value)	379,464
Adjustment for Exempt Personal Property (1966 Market Value)	298,030
Adjustment for Net Fiscal Disparities (Contribution)/Distribution	(44,853)
Total 2011 Assessed Market Value	<u>35,208,853</u>
Debt Limit (3-1/3% of Market Value Applicable to Debt Limit)	1,173,628
Debt applicable to limit:	
General Obligation Bonds Subject to Debt Limit.	234,930
Less: Assets in General Debt Service Funds	(21,216)
Total Net Debt Applicable to Limit	<u>213,714</u>
Legal Debt Margin	<u>\$959,914</u>

Source: Minneapolis Finance Department - Capital and Debt Management

(UNAUDITED)

Schedule 13
City of Minneapolis
Pledged-Revenue Coverage
Last Ten Fiscal Years
(in thousands of dollars)
December 31, 2011

WATER WORKS BONDS

Fiscal Year	Operating Revenue (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements		% Coverage
				Principal	Interest	
2002	\$ 57,378	\$ 40,161	\$ 17,217	\$ 13,192	\$ 2,796	1.08
2003	62,581	40,178	22,403	12,759	2,836	1.44
2004	63,449	46,205	17,244	11,930	3,221	1.14
2005	61,946	44,116	17,830	10,819	4,078	1.20
2006	64,786	46,704	18,082	8,659	4,371	1.39
2007	66,439	44,838	21,601	8,419	4,481	1.67
2008	64,130	47,208	16,922	6,930	3,406	1.64
2009	67,575	47,195	20,380	6,076	3,656	2.09
2010	67,129	47,507	19,622	5,646	3,872	2.06
2011	69,934	45,520	24,414	5,906	4,133	2.43

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 Department - Capital and Debt Management

(UNAUDITED)

Schedule 13
City of Minneapolis
Pledged-Revenue Coverage
Last Ten Fiscal Years
(in thousands of dollars)
December 31, 2011

(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	
2002	\$ 55,010	\$ 35,462	\$ 8,235	\$ 27,783	\$ 13,439	\$ 13,205	1.04
2003	53,401	44,507	13,941	22,835	10,129	12,616	1.00
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

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 Department - Capital and Debt Management

(UNAUDITED)

Schedule 13
City of Minneapolis
Pledged-Revenue Coverage
Last Ten Fiscal Years
(in thousands of dollars)
December 31, 2011

(Continued)

SANITARY SEWER BONDS

Fiscal Year	Operating Revenue (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements		% Coverage
				Principal	Total	
2002	\$ -	\$ -	\$ -	\$ -	\$ -	-
2003	-	-	-	-	-	-
2004	-	-	-	-	-	-
2005	-	-	-	-	-	-
2006 (3)	39,342	38,542	800	72	9	9.88
2007	41,915	39,954	1,961	767	137	904
2008	41,615	38,216	3,399	1,200	378	1,578
2009	43,963	38,388	5,575	2,436	500	2,936
2010	49,292	40,584	8,708	2,850	701	3,551
2011	49,482	42,607	6,875	4,100	714	4,814

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 Department - Capital and Debt Management

(UNAUDITED)

Schedule 13
City of Minneapolis
Pledged-Revenue Coverage
Last Ten Fiscal Years
 (in thousands of dollars)
 December 31, 2011

(Continued)

STORMWATER BONDS

Fiscal Year	Operating Revenue (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements		% Coverage
				Principal	Interest	
2002	\$ 66,347	\$ 45,785	\$ 20,562	\$ 6,690	\$ 2,092	2.34
2003	63,846	47,010	16,836	9,026	2,135	1.51
2004	67,458	55,619	11,839	9,120	2,292	1.04
2005 (3)	31,435	20,080	11,355	9,609	2,352	0.95
2006	30,575	18,250	12,325	8,360	2,483	1.14
2007	33,008	19,348	13,660	7,797	2,563	1.32
2008	35,824	19,738	16,086	8,620	1,564	1.58
2009	39,381	19,279	20,102	9,959	1,753	1.72
2010	39,542	21,310	18,232	5,345	1,405	2.70
2011	41,704	19,930	21,774	11,773	1,341	1.66

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 Department - Capital and Debt Management
(UNAUDITED)

Schedule 14
City of Minneapolis
Demographic and Economic Statistics
Last 10 Fiscal Years
December 31, 2011

Year	Population (1)	Aggregate Income (2)	Per Capita Income	Median Age (3)	School Enrollment (4)	Annual average Unemployment Rate (5)
2002	382,700	\$ 8,069,589,052	\$ 21,086	32.0	45,651	4.9%
2003	382,295	8,924,153,419	23,344	33.4	42,900	5.2%
2004	382,400	8,759,647,300	22,907	33.9	40,051	5.0%
2005	387,711	9,417,158,500	24,289	32.1	37,865	4.2%
2006	387,970	10,144,150,100	27,487	33.6	36,428	3.8%
2007	388,020	10,656,131,500	30,343	35.3	34,570	4.2%
2008	390,131	11,006,550,500	30,825	34.2	33,789	5.1%
2009	379,499	9,196,353,584	29,249	32.1	33,584	7.4%
2010	382,578	10,912,705,100	29,558	31.4	33,995	6.6%
2011	NA	NA	NA	NA	32,663	5.3%

Sources:

- (1) Population 2002-2009 - Metropolitan Council. Population 2010 US Census
 - (2) Aggregate income (for population 15+) - US Census Bureau - American Community Survey
 - (3) Median age - US Census Bureau - American Community Survey
 - (4) School enrollment - Minneapolis School System
 - (5) Annual average unemployment rate - Minnesota Department of Employment and Economic Development
- NA - Data is not available presently

- Notes: 1) The Metropolitan Council adopts the 2010 population figure from Census.
For consistency purposes to calculate per capita income, 2010 population and aggregate income data are from the Census of Population.
- 2) ACS only counts population in households; it excludes population in group quarters such as student dormitories, jail, convents and other institutions.

Definitions:

Total Income is the sum of the amounts reported separately for wages, salary, commissions, bonuses, or tips; self-employment income from own non-farm or farm businesses, including proprietorships and partnerships; interest, dividends, net rental income, royalty income, or income from estates and trusts; Social Security or Railroad Retirement income; Supplemental Security Income (SSI); any public assistance or welfare payments from the state or local welfare office; retirement, survivor, or disability pensions; and any other sources of income received regularly such as Veterans' (VA) payments, unemployment compensation, child support or alimony.

Per capita income is an average obtained by dividing aggregate income by the population 15 years old or older in an area.

(UNAUDITED)

Schedule 15
City of Minneapolis
Principal Employers
Current Year and Six Years Ago
December 31, 2011

<u>Employer - Metro Region</u>	2011			2006		
	Approximate Number of Employees	Rank	Percentage of Total City Employment	Approximate Number of Employees	Rank	Percentage of Total City Employment
University of Minnesota	13,800	1	6.84%	30,240	1	14.29%
Target Corporation	11,100	2	5.50%	24,294	2	11.48%
Fairview Health Services	8,700	3	4.31%	18,500	5	8.74%
Hennepin County	8,000	4	3.96%	12,459	6	5.89%
Wells Fargo Bank Minnesota	6,700	5	3.32%	19,100	4	9.03%
Abbott Northwestern Hospital	5,700	6	2.82%	-	-	-
City of Minneapolis	5,000	7	2.48%	-	-	-
Hennepin Health Care Systems (HCMC)	5,000	8	2.48%	-	-	-
Ameriprise Financial Services	3,900	9	1.93%	6,500	8	3.07%
Star and Tribune	3,100	10	1.54%	-	-	-
Allina Health System	-	-	-	22,500	3	10.64%
US Bankcorp	-	-	-	9,442	7	4.46%
Xcel Energy Inc.	-	-	-	5,356	9	2.53%
United Parcel Services	-	-	-	5,329	10	2.52%
Total	71,000		35.18%	153,720		72.65%

Note:

Source 2011: CPED used the following link http://www.ci.minneapolis.mn.us/cped/docs/Minneapolis_Fast_Facts_Labor_Force_and_Jobs.pdf
Source 2006: Minnesota Department of Employment and Economic Development

(UNAUDITED)

Schedule 16
City of Minneapolis
Full-time Equivalent City Government Employees by Function
Last 10 Fiscal Years
December 31, 2011

	Full-time Equivalent Employees as of December 31, 2011									
	2002	2003	2004	2005	2006	2007	2008	2009*	2010*	2011
Function Program										
General Government										
Assessor	35.50	35.50	34.50	34.50	34.50	37.00	37.00	36.50	36.50	34.50
Attorney	111.50	110.63	101.13	101.13	106.50	108.00	108.00	105.50	102.00	105.00
City Clerk/Council	92.25	85.50	85.20	65.50	66.50	66.00	67.00	65.50	65.50	64.75
City Coordinator	969.20	969.59	929.75	929.08	911.03	917.00	941.00	919.10	949.80	546.60
Civil Rights	29.00	27.50	24.00	27.00	26.00	26.00	26.00	21.00	19.00	19.00
Civilian Review	5.00	-	-	-	-	-	-	-	-	-
Community Planning and Economic Development	204.38	206.48	144.00	139.00	142.00	141.00	139.00	141.00	135.00	128.00
Fire	482.50	469.50	449.50	444.50	444.50	447.00	449.00	444.00	438.00	406.00
Health & Family Support	69.15	75.40	73.90	69.00	66.30	66.00	66.00	67.00	60.00	61.70
Internal Audit	-	-	-	-	-	-	-	-	2.00	3.00
Mayor	12.00	11.00	11.00	11.00	11.00	12.00	12.00	12.00	10.00	11.00
Police	1,093.00	1,060.50	966.05	942.00	1,058.00	1,088.00	1,093.00	1,092.00	999.20	992.00
Public Works	1,227.04	1,256.54	1,211.19	1,206.39	1,206.59	1,197.00	1,203.00	1,189.20	1,024.50	1,000.35
Regulatory Services**	-	-	-	-	-	-	-	-	-	379.00
	<u>4,330.52</u>	<u>4,308.14</u>	<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>
Independent Boards										
Board of Estimate & Taxation	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	1.00	1.00
Library	368.00	363.40	242.00	246.50	261.90	273.00	-	-	-	-
Park	946.94	936.27	907.47	907.91	909.55	902.00	886.00	859.00	827.00	811.18
Community Development	-	-	-	-	-	-	-	-	-	-
Building Commission	66.50	64.00	62.00	61.00	61.00	62.00	62.00	62.00	62.00	60.00
Youth Coordinating Board	39.00	26.50	4.50	4.50	4.50	5.00	5.00	5.00	5.00	5.80
NRP	14.00	12.00	12.00	11.00	10.00	10.00	9.00	9.00	7.00	5.00
	<u>1,436.44</u>	<u>1,404.17</u>	<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>
Total	<u>5,766.96</u>	<u>5,712.31</u>	<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>

* 2009 and 2010 have been revised

** 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, 2011

Function/Description	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Government										
Assessor										
Sales ratio, all classes aggregated	87%	88%	85%	88%	89%	93%	94%	97%	98%	98%
Number of parcels' valuations petitioned in tax court	834	745	967	822	900	1,431	2,235	2,304	NA	NA
Attorney - City litigation										
Liability payouts, millions \$	2	10	4	3	2	9	1	3	2	8
Civil litigation caseload	683	724	904	1,142	999	1,226	1,107	1,028	1,036	1,193
City Clerk - Elections										
Number of registered voters	219,834	217,131	287,459	235,172	226,585	220,740	240,022	231,078	227,024	223,696
Number of votes cast in election	150,192	2,284	201,672	70,987	149,318	no election	209,000	45,968	140,363	9,065
Voter turnout, percentage of registered voters	68.32%	16.49%	70.16%	30.19%	65.90%	no election	87.08%	19.89%	55.59%	10.07%
Type of election, highest level of government	state	3rd ward only	federal	municipal	state	no election	federal	municipal	state	3 state specials
Number of new voters registered at the polls	32,869	41	48,611	5,579	28,907	no election	50,505	2,950	25,471	422
Number of spoiled ballots	4,309	3	3,909	755	2,284	no election	NA	1,888	NA	NA
Number of absentee ballots	5,272	173	14,147	2,506	7,410	no election	17,100	1,619	6,405	355
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	NA	81%	79%	68%	70%	74%	78%	NA	NA	NA
Civil Rights										
Number of new civil rights complaints	161	165	125	121	250	232	294	254	158	117
Number of new complaints of police misconduct	NA	157	128	85	89	75	68	114	89	97
Community and Economic Development & Planning										
Number of jobs added by City assisted businesses (projected)	1,445	1,554	378	659	2,115	318	NAP	NA	434	1,106
Multifamily housing investment: City funds, millions \$	27	11	23	33	12	10	6	9	16	18
Multifamily housing investment: Other public funds, millions \$	26	39	38	19	14	12	4	8	34	47
Multifamily housing investment: Private funds, millions \$	285	130	145	225	165	57	14	46	21	267
Business finance loans: City funds, millions \$	2	2	2	3	4	2	3	3	4	3
Number of foreclosure sales	NA	NA	NA	863	1,610	5,563	3,077	2,233	2,308	1,719
Convention Center										
Occupancy rate	60%	55%	56%	66%	62%	61%	61%	57%	51%	57%
Total attendance	1,111,513	917,821	903,330	784,250	836,000	782,000	753,000	637,218	661,461	768,266
Health & Family Support										
Number of three-year old screenings conducted by the schools	195	601	647	740	837	828	989	1,082	1,118	NA
Number of homicide deaths in Minneapolis, ages 0-24	NA	28	7	11	22	10	14	5	17	20
Percent of one and two year olds tested for lead	55%	58%	63%	65%	69%	71%	74%	66%	71%	NA
Number of children under age 6 with elevated lead levels	516	463	384	374	351	282	217	170	161	NA
Public Safety										
Coordinator - 311 - 911										
911 answer time, seconds	NA	6.09	6.51	6.40	7.53	7.90	7.10	6.23	5.98	6.15
911 pending time to dispatch, high priority calls, minutes	NA	2.32	2.28	2.85	2.97	3.17	1.82	1.24	1.14	1.16
Percent of 311 calls answered in 20 seconds or less	NAP	NAP	NAP	NAP	90%	74%	80%	82%	71%	66%
Percent of 311 calls resolved at first call	NAP	NAP	NAP	NAP	70%	76%	80%	83%	83%	83%
Attorney - Criminal Prosecution										
Number of chronic offenders convicted	NA	82	83	81	129	130	145	136	134	156
Domestic violence conviction rate	NA	48%	48%	48%	58%	54%	61%	66%	70%	70%
Prosecution caseload	43,981	35,393	29,117	21,688	27,195	27,377	32,076	30,467	28,352	24,509
Fire										
Number of emergency responses	21,745	21,879	21,433	22,423	22,199	34,019	34,146	32,165	33,561	35,204
Number of fires extinguished (all non EMS runs prior to 2002)	2,238	2,194	2,068	1,775	1,808	1,859	1,489	1,401	1,373	1,348
Number of hazard, false alarms, and other non EMS/ fire runs	9,471	8,940	9,129	9,672	9,638	9,961	10,165	9,403	10,410	9,818
Number of inspections	6,736	9,782	9,460	7,802	8,271	7,337	7,337	10,447	10,298	7,763
Percent of time response is five minutes or less	NA	88.1%	88.1%	85.8%	84.8%	83.0%	86.5%	86.1%	84.0%	81.8%
Lives lost due to fires	5	8	6	5	2	2	6	2	13	5
Civilian injuries due to fire	51	28	37	31	29	21	21	15	29	33

Schedule 17

City of Minneapolis
Operating Indicators by Function/Program - Last 10 Fiscal Years
December 31, 2011

Continued

Function/Description	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Public Safety - Continued										
Police										
Number of major crimes	27,200	25,427	25,457	28,941	29,474	28,458	25,894	22,472	22,646	23,256
Number of livability crimes	42,405	38,926	37,000	36,676	40,294	38,184	35,135	33,168	31,942	30,109
Number of violent crimes (subset of major crimes)	4,204	4,594	4,825	5,572	6,480	5,660	4,884	4,331	4,135	3,811
Number of guns seized	813	822	1,093	1,032	1,458	1,087	1,002	929	867	637
Regulatory Services - Building permits										
Permits issued	21,228	20,277	13,497	45,163	34,587	10,787	11,022	12,200	13,249	17,178
Estimated value, in millions \$	90	100	927	777	840	761	773	778	548	753
Public Works										
Refuse Collection										
Refuse collected, tons	143,984	142,820	143,111	139,953	135,714	130,583	125,423	122,453	121,589	120,246
Compostable material collected, tons	17,694	18,163	20,511	18,521	17,089	15,696	19,583	19,348	16,221	16,576
Non-recyclable Construction material collected, tons	9,723	9,602	9,358	8,483	8,363	7,462	6,125	6,661	6,154	5,961
Recyclables, tons	27,179	27,110	27,424	26,226	25,267	24,010	22,848	21,759	20,592	19,683
Percent of solid waste stream recycled, by weight	18.9%	19.0%	19.2%	18.7%	18.6%	18.4%	18.2%	17.8%	16.9%	16.4%
Water										
Average daily production, thousands of gallons	NA	NA	60,079	60,071	60,904	61,049	58,677	58,630	54,227	54,611
Sewer										
Number of sanitary sewer backups	NA	NA	21	23	23	22	10	16	15	24
Streets										
Safety and ride-ability pavement condition index (PCI), average of all city streets	77	76	75	74	74	73	73	73	72	72
Number of traffic crashes	7,442	7,018	6,802	6,443	5,712	6,170	5,640	5,923	6,177	6,127
Number of injuries in traffic crashes	3,297	3,052	3,144	2,844	2,535	2,383	2,171	2,103	1,886	2,027

Notes:

NA = Not Available, NAP= measure is Not Applicable to that year; new service or process
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

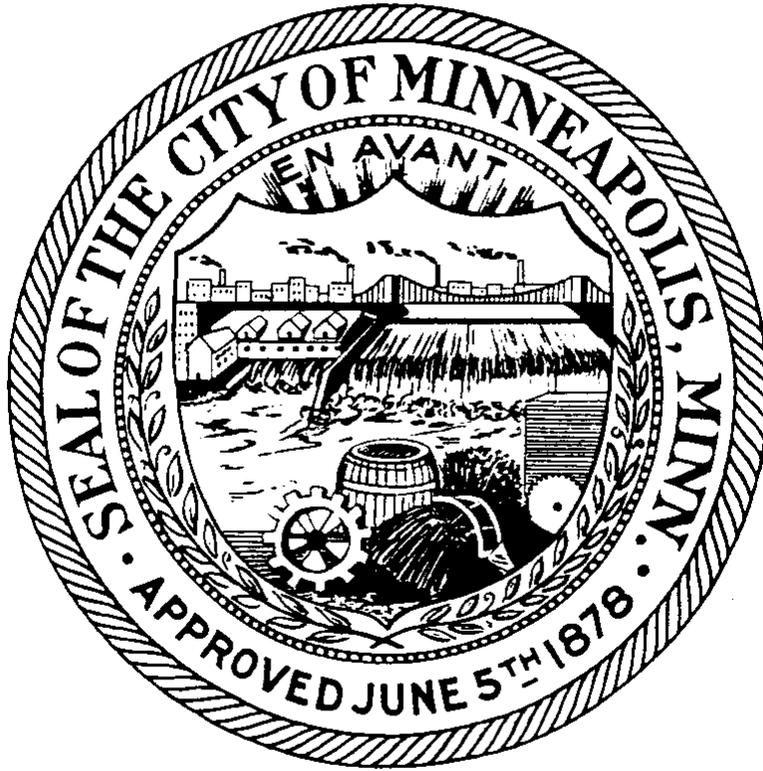
(UNAUDITED)

Schedule 18
City of Minneapolis
Capital Assets Statistics by Function/Program
Last 10 Fiscal Years
December 31, 2011

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Primary Government										
Public Safety:										
Police stations	5	5	5	5	5	5	5	5	5	5
Patrol units	225	218	218	220	206	222	215	203	192	189
Unmarked, trucks, trailers, scooters, motorcycles	267	254	275	279	299	299	299	286	225	219
Fire Stations	19	19	19	19	19	19	19	19	19	19
Fire Trucks/Pumpers/Ladders/Engines/Cars	59	59	110	115	114	116	123	129	115	110
Regulatory Services Fleet	114	130	139	137	117	130	150	127	165	175
Public Works:										
Refuse collection trucks,heavy equipment,dumpsters	106	105	121	134	138	135	135	144	144	144
Streets (miles)	1,071	1,070	1,070	1,070	896	896	896	896	896	896
Alleys (miles)	374	376	379	379	380	380	380	380	380	380
Sidewalks (miles)	1,900	1,900	1,900	1,900	2,000	2,000	2,000	2,000	2,000	2,000
Streetlights	16,000	17,000	17,500	17,750	18,000	18,500	19,000	19,000	19,000	19,000
Traffic signals	884	884	884	916	916	916	916	916	916	916
Buildings/Plants/Garages	29	28	28	31	31	31	31	31	31	32
Equipment,cars,trucks,tractors,vans	931	909	1,469	1,440	1,443	1,448	1,436	1,471	1,141	1,155
Business-type Activities										
Water:										
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	13	13	14	14	14	13	13	13	13	13
Water basins	3	3	3	3	3	3	3	3	3	3
Sanitary sewers (miles)	852	835	845	838	838	830	830	830	830	830
Stormwater:										
Storm sewers (miles)	569	583	536	581	571	522	522	522	522	581
Holding Ponds	3	3	3	3	3	3	3	3	3	18
Number of parking ramps	19	21	22	22	24	15	14	14	14	14
Convention Center	1	1	1	1	1	1	1	1	1	1

(UNAUDITED)

Source: Minneapolis Finance Department - Controller Division



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