



Comprehensive Annual Financial Report

**City of Minneapolis, Minnesota
For the year ended December 31, 2015**

Finance and Property Services Department

Minneapolis Skyline

Photo courtesy of:
Ellen Velasco-Thompson
Director Risk Management & Claims Division
Finance and Property Services Department
City of Minneapolis

COMPREHENSIVE ANNUAL FINANCIAL REPORT



CITY OF
MINNEAPOLIS, MINNESOTA

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015

FINANCE AND PROPERTY SERVICES DEPARTMENT

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June 21, 2016

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

TRANSMITTAL

We are pleased to present the Comprehensive Annual Financial Report (CAFR) for the City of Minneapolis (the City) for the year ended December 31, 2015. The purpose of the report is to present the financial position of the City and the results of its operations for the year then ended. The financial statements and supporting schedules have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB), the Government Finance Officers Association of the United States and Canada (GFOA) and other rule-making bodies, and audited in accordance with generally accepted auditing standards by the Office of the State Auditor (OSA).

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

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

INDEPENDENT AUDIT

Minnesota law requires that the Office of the State Auditor perform the City's annual audit. The OSA's report on the City's financial statements is based on its audit in accordance with generally accepted auditing standards. The State Auditor issued an unmodified or "clean" opinion on the City's financial statements for the year ended December 31, 2015. The State Auditor's opinion is included as page one through three in the financial section of this report.

The independent audit of the financial statements of the City is part of a broader, federally mandated audit designed to meet the requirements of the federal Single Audit Act. The State Auditor is required to report not only on the fair presentation of the financial statements, but also on the City's internal controls over financial reporting, and compliance with legal requirements, with special emphasis on internal controls and compliance requirements involving the administration of Federal awards. These reports are included in the Office of the State Auditor's separate Management and Compliance Report.

STEWARDSHIP

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

INTERNAL CONTROLS

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

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

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

THE REPORTING ENTITY

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

THE CITY AND ITS SERVICES

City Profile

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

Minneapolis encompasses 57.4 square miles, including five square miles of inland water. The City rests along the banks of the nation's largest river, the Mississippi. Minneapolis is known as "The City of Lakes," featuring 22 lakes and 170 city parks. The Minneapolis Park System is one of the City's most prized assets and considered one of the premier park systems in the United States. Properties of the Minneapolis Parks & Recreation Board total nearly 6,732 acres of land and water and include full-service neighborhood recreation centers.

There are 81 residential neighborhoods within the City offering a broad range of housing to more than 175,000 households. The City is well known for its concerned and active citizenry which has engaged in partnerships with government and business to improve neighborhoods and create economic opportunities. Minneapolis is second only to New York City in per capita attendance at theater and arts events. Minneapolis has more than thirty theaters; the Guthrie Theater and the Children's Theatre Company are recognized as two of the country's best. The City boasts two world-class art museums and is home to the internationally acclaimed Minnesota Orchestra.

As of 2014, Minneapolis is home to an estimated 411,370 people, which is the largest population the City has seen since the 1970s. From 2010 to 2014, the population within the City grew by a little over 28,290 people, a four year growth rate of 7.5%, which was faster than the comparable growth rate of 4.5% for the region as a whole. Males and females each make up approximately 50% of the population as do renters and homeowners. Children and youth under 18 make up 20% of the population with seniors aged 65 and above comprising 8% of the population. Following national and regional trends, an increasing percentage of the City's population is persons of color: as of the 2010 Census, 40% of the City's population is non-white or Hispanic, with a majority of the population 19 and younger being non-white. Approximately 15% of residents are immigrants and 20% routinely speak a language other than English at home.

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

Most of the preceding, and additional information, is available from the Metropolitan Council and the US Census Bureau.

Form of Government and Organization

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

In November 2013, a new Mayor and Council were elected with changes occurring in the Mayor's office after 10 years under the previous administration and in seven of the 13 council member seats. In March 2014, following a public comment period in which residents were asked to provide feedback, the City Council adopted the City's vision, values, goals and strategic directions that will guide the City's work for the next four years. City leaders set new goals every four years, resulting in clear priorities that provide long-term direction and clarify the core function of City government.

City Council

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

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

Mayor

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

Departments

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

FINANCIAL POLICES

Each year during the budget process, the Council adopts a comprehensive set of financial policies. Of particular relevance to the City budget process is the policy to maintain a minimum unassigned fund balance in the General Fund equal to 17% of the following year's General Fund budgeted expenditures. This balance is to be used for cash flow purposes, unanticipated expenditures of a non-recurring nature, unexpected increases in service delivery costs, or unexpected revenue shortfalls. The unassigned fund balance of the General Fund at December, 31, 2015, was \$106.0 million, which is \$23.0 million more than policy requires. Additional information regarding the 2015 fund balance in the General Fund is available in the MD&A.

Separate from the unassigned general fund reserve balance, the City also has a policy to budget an operating budget contingency in the General Fund of not less than 1% of all budgeted general fund expenditures in each of the applicable years planned for in the City's Five-Year Financial Direction. The contingency reserve was \$4.0 million in 2015, and is \$4.0 million in 2016.

ECONOMIC CONDITION AND OUTLOOK

A detailed discussion and analysis of the City's overall financial condition during the fiscal year ended 2015 is included as part of the MD&A.

LONG-TERM FINANCIAL PLANNING

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

DEBT MANAGEMENT

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

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

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its CAFR for the fiscal year ended December 31, 2014. A Certificate of Achievement is valid for a period of one year only. The City has received this prestigious award for 46 years.

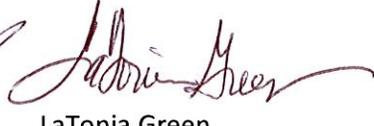
In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR, the contents of which conform to program standards. The report must satisfy both generally accepted accounting principles and applicable legal requirements. We believe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

The City also received the GFOA's Distinguished Budget Presentation Award for its 2015 annual budget document. To qualify for the distinguished Budget Presentation Award, the City's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

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

Respectfully submitted,

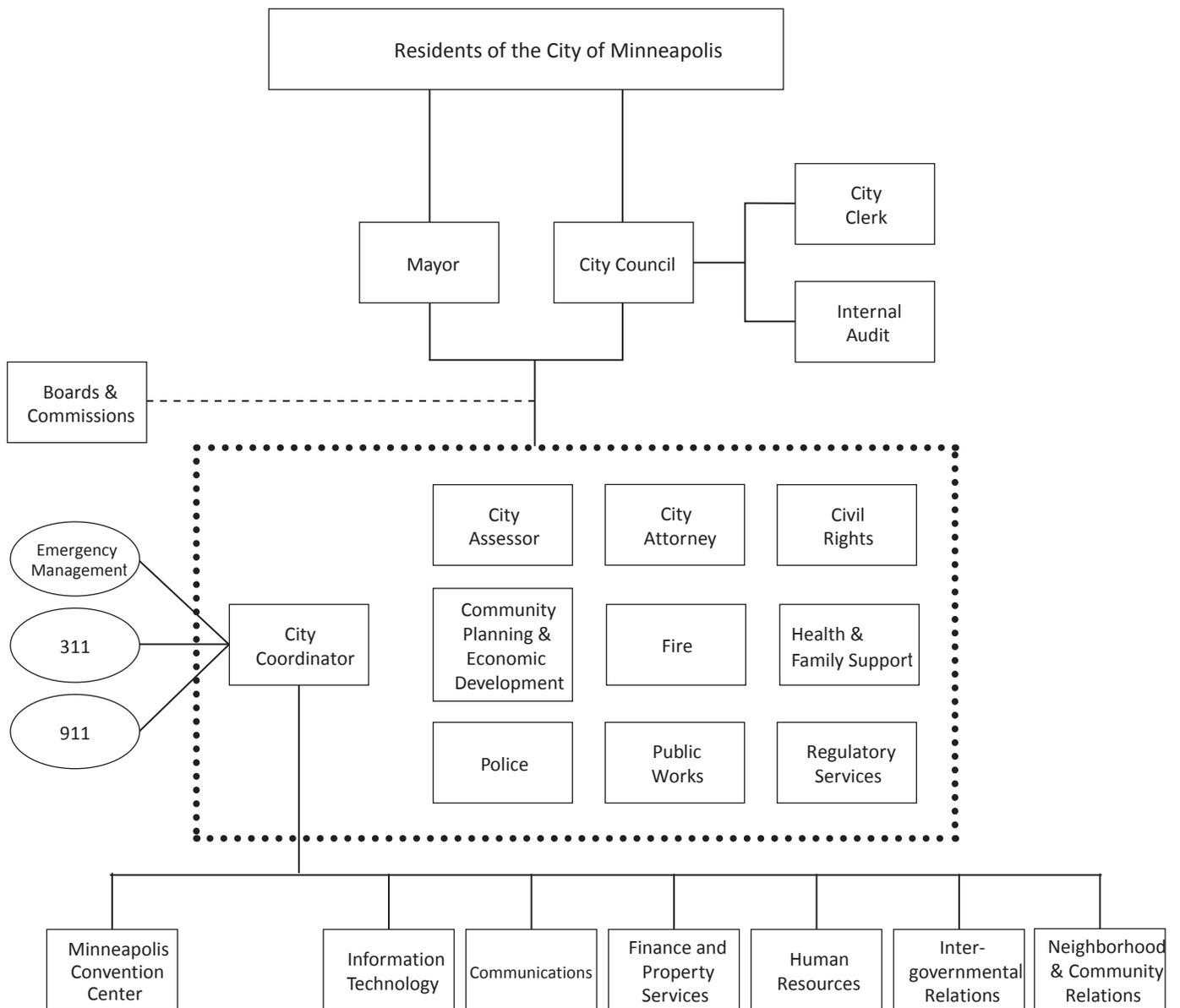

Mark T. Ruff
Finance Officer


LaTonia Green
Interim Deputy Finance Officer


Connie L. Griffith
Controller

City of Minneapolis

Organizational Chart



MAYOR AND COUNCIL

CITY OF MINNEAPOLIS, MINNESOTA

2015

Mayor..... BETSY HODGES

CITY COUNCIL

Ward 1 KEVIN REICH

Ward 2 CAM GORDON

Ward 3 JACOB FREY

Ward 4.....President BARBARA JOHNSON

Ward 5 BLONG YANG

Ward 6 ABDI WARSAME

Ward 7 LISA GOODMAN

Ward 8.....Vice-President ELIZABETH GLIDDEN

Ward 9 ALONDRA CANO

Ward 10 LISA BENDER

Ward 11 JOHN QUINCY

Ward 12 ANDREW JOHNSON

Ward 13 LINEA PALMISANO



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

City of Minneapolis
Minnesota

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2014

Executive Director/CEO



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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

OFFICE OF THE STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Minneapolis, Minnesota, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Meet Minneapolis and Minneapolis Telecommunications Network, which are discrete component units and 1.4 percent, a negative 0.2 percent, and 9.3 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Meet Minneapolis and Minneapolis Telecommunications Network component units, is based solely on the reports 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 from material misstatement. The financial statements of Meet Minneapolis and Minneapolis Telecommunications Network were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, based on our audit and the reports 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, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principle

As discussed in Note 1.P. to the financial statements, in 2015 the City adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, and GASB Statement No. 82, *Pension Issues*, which represents a change in accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our reports dated June 15, 2016, on our consideration of the City of Minneapolis’ and the Municipal Building Commission component unit’s internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of these reports 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. The reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Minneapolis’ and the Municipal Building Commission component unit’s internal control over financial reporting and compliance. It does not include Meet Minneapolis and Minneapolis Telecommunications Network, which were audited by other auditors, or the Minneapolis Park and Recreation Board, which was issued as a separate report.



REBECCA OTTO
STATE AUDITOR



GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

June 15, 2016



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

This section of the Comprehensive Annual Financial Report (CAFR) for the City of Minneapolis presents a discussion and analysis of the City's financial performance during the fiscal year ended December 31, 2015. 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

For the year ended December 31, 2015, the City implemented the following statements of the Governmental Accounting Standards Board (GASB) related to pension accounting: GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*; GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*; and GASB Statement No. 82, *Pension Issues*. These statements require the City to recognize its proportional share of pension liabilities, deferred outflows, and deferred inflows arising from participation in state-wide pension plans. City employees participate in various plans within the Public Employee's Retirement Association (PERA) defined benefit pension plan. The City also makes a statutorily required contribution to the Teacher's Retirement Association (TRA), although no City employees participate in that plan. As a result of the implementation of the above statements, beginning net position of the City was restated to reflect a net decrease of \$337,661. At December 31, 2015, the City recognized deferred outflows of resources of \$275,815, net pension liability of \$612,066, and deferred inflows of resources of \$71,655 related to pension plans.

Additional highlights include the following:

- At the close of the 2015 fiscal year, assets plus deferred outflows exceeded liabilities plus deferred inflows by \$1,882,391 (net position). Of this amount, \$1,747,077 is the City's net investment in capital assets and \$203,160 is restricted for specific purposes (restricted net position) leaving a deficit of \$(67,846) in unrestricted net position. The deficit balance is not an indication that the City lacks the resources to satisfy its financial obligations in the near future. Rather, the deficit is the result of implementing GASB Statements No. 68 and 71. The long-term, actuarially determined liabilities associated with pensions are managed by the respective retirement systems and the State Legislature. The City will continue to contribute the statutorily required amounts to the retirement plans.
- The City's total net position increased by \$52,992 in 2015. Governmental activities increased the City's net position by \$28,707 and the business-type activities increased the net position by \$24,285.
- As of December 31, 2015, total fund balance in the general fund was \$105,991, of which \$104,740 was unassigned.
- The City's total long-term bond and note liability decreased by \$94,430 from the prior year. Total bonds and notes issued in 2015 was \$42,710. Total debt retirement was \$137,140. Major new debt issuances included notes of \$5,000 for the Nicollet Mall Reconstruction project; \$15,000 for various infrastructure improvements in the five-year capital plan; and \$22,710 for various community and economic development 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 three components: 1) Government-wide financial statements; 2) Fund financial statements; and 3) Notes to the basic financial statements. This report also contains required and other supplementary information in addition to the basic financial statements.

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

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

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

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

The government-wide financial statements include not only the City of Minneapolis (known as the primary government), but also legally separate entities for which the City is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the City's basic financial statements to be misleading or incomplete. For the City of Minneapolis, component units are included in the basic financial statements of the City and consist of legally separate entities which provide services almost entirely to the primary government (blended component units) or for which the City is financially accountable as defined by GAAP (discretely presented component units). The City's blended component unit is the Board of Estimate and Taxation (BET). The City's discretely presented component units include the Minneapolis Park and Recreation Board (Park Board), the Municipal Building Commission (MBC), Meet Minneapolis, and Minneapolis Telecommunications Network.

The government-wide financial statements can be found on pages 31-32 of this report.

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

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

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

The City of Minneapolis maintains 18 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Community Planning and Economic Development Special Revenue Fund, the Permanent Improvement Capital Projects Fund, and the Special Assessment Debt Service Fund, all of which are considered to be major funds. Data from the other 14 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 in the Other Supplementary Information section of this report beginning on page 107.

The governmental funds' financial statements can be found on pages 33-36 of this report.

Proprietary Funds—The City of Minneapolis maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Minneapolis uses the enterprise funds to account for its sanitary sewer, stormwater, water treatment and distribution services, municipal parking, solid waste and recycling, and community planning 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 purchases of asphalt and cement services, city attorney, workers' compensation, unemployment benefits and other payroll related services. Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

The proprietary funds' financial statements can be found on pages 37-40 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 41 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 45-98 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 99-105 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 beginning on page 107.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position—The following table presents the primary government’s net position as of December 31, 2015 with a comparison to 2014.

Statement of Net Position December 31, 2015, and 2014

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 812,619	\$ 803,521	\$ 257,137	\$ 258,951	\$ 1,069,756	\$ 1,062,472
Capital assets	1,220,725	1,196,132	992,176	991,705	2,212,901	2,187,837
Total assets	<u>\$ 2,033,344</u>	<u>\$ 1,999,653</u>	<u>\$ 1,249,313</u>	<u>\$ 1,250,656</u>	<u>\$ 3,282,657</u>	<u>\$ 3,250,309</u>
Deferred outflows of resources	\$ 235,651	\$ -	\$ 40,164	\$ -	\$ 275,815	\$ -
Current and other liabilities	\$ 161,453	\$ 163,878	\$ 45,854	\$ 47,697	\$ 207,307	\$ 211,575
Long-term liabilities	1,050,910	557,447	346,209	307,206	1,397,119	864,653
Total liabilities	<u>\$ 1,212,363</u>	<u>\$ 721,325</u>	<u>\$ 392,063</u>	<u>\$ 354,903</u>	<u>\$ 1,604,426</u>	<u>\$ 1,076,228</u>
Deferred inflows of resources	\$ 66,206	\$ -	\$ 5,449	\$ -	\$ 71,655	\$ -
Net position						
Net investment in capital assets	\$ 968,927	\$ 890,622	\$ 778,150	\$ 760,038	\$ 1,747,077	\$ 1,650,660
Restricted net position	168,304	195,322	34,856	34,457	203,160	229,779
Unrestricted net position	(146,805)	192,384	78,959	101,258	(67,846)	293,642
Total net position, as reported	<u>\$ 990,426</u>	<u>\$ 1,278,328</u>	<u>\$ 891,965</u>	<u>\$ 895,753</u>	<u>\$ 1,882,391</u>	<u>\$ 2,174,081</u>
Restatement		(316,609)		(28,073)		(344,682)
Total net position, as restated		<u>\$ 961,719</u>		<u>\$ 867,680</u>		<u>\$ 1,829,399</u>

The largest portion of the City’s net position reflects its \$1,747,077 investment in capital assets (e.g. land, buildings, infrastructure, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City continues to invest significantly in its infrastructure assets, which is reflected in the \$96,417 increase in this portion of the City’s net position. The City uses these capital assets to provide services to citizens. As a result, these assets are not available for future spending. Although the City’s investments in capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net position decreased \$26,619 to \$203,160 in 2015 largely due to the \$5,295 increase in debt service offset by the \$8,725 decrease in the community planning and economic development special revenue fund, primarily in the tax increment financing program. The reduction is due to a prepayment of tax increment debt from fund balance. Net position is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or are imposed by law through constitutional provisions or enabling legislation (City ordinances).

The remaining deficit of \$(67,846) represents the unrestricted portion of the City’s net position. This is a decrease of \$361,488 from the 2014 unrestricted net position. The decrease is due to the City’s implementation of GASB 68, which requires booking the City’s proportion of the Public Employees Retirement Association (PERA) and the Teachers Retirements Association (TRA) unfunded pension liability.

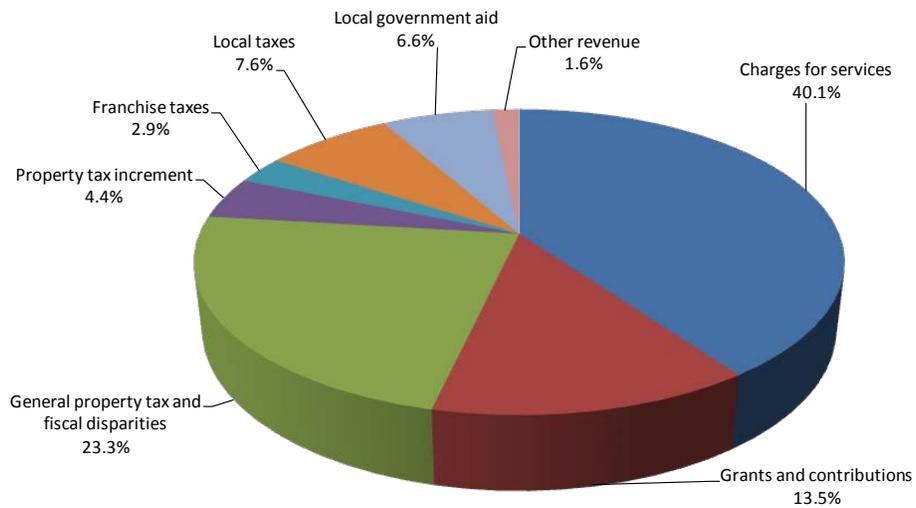
Statement of Activities—The following table presents the changes in net position for governmental and business-type activities. Due to the implementation of GASB Statements No. 68 and 71, the City restated beginning net position. The governmental activities beginning net position decreased by \$316,609 while the business-type activities beginning net position decreased by \$21,052. In addition, the beginning net position of business-type activities was reduced by \$7,021 due to a correction of capital assets balances. See Note 1; Section Q for details on the restated beginning balances.

Statement of Activities						
For the Years Ended December 31, 2015, and 2014						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Revenues						
Program revenues:						
Charges for services	\$ 138,533	\$ 128,289	\$ 273,519	\$ 261,238	\$ 412,052	\$ 389,527
Operating grants and contributions	127,515	103,219	5,468	4,696	132,983	107,915
Capital grants and contributions	5,228	3,885	-	157	5,228	4,042
General revenues:						
General property tax and fiscal disparities	238,745	228,620	-	-	238,745	228,620
Property tax increment	45,205	48,568	-	-	45,205	48,568
Franchise taxes	30,118	33,531	-	-	30,118	33,531
Local taxes	78,293	76,292	-	-	78,293	76,292
Other taxes	313	180	-	-	313	180
Local government aid - unrestricted	68,022	66,860	-	-	68,022	66,860
Unrestricted interest and investment earnings	3,399	4,213	306	6,064	3,705	10,277
Other	11,401	1,141	21	119	11,422	1,260
Gain on sale of capital assets	268	214	-	249	268	463
Total revenues	747,040	695,012	279,314	272,523	1,026,354	967,535
Expenses						
General government	97,652	109,005	-	-	97,652	109,005
Public safety	275,495	244,482	-	-	275,495	244,482
Public works	122,472	126,689	-	-	122,472	126,689
Culture and recreation	4,570	8,836	-	-	4,570	8,836
Health and welfare	23,462	20,098	-	-	23,462	20,098
Community planning and economic development	192,957	140,604	6,684	7,759	199,641	148,363
Interest on long-term debt	16,329	17,581	-	-	16,329	17,581
Sanitary sewer	-	-	53,185	47,710	53,185	47,710
Stormwater	-	-	32,331	27,305	32,331	27,305
Water treatment and distribution services	-	-	64,973	57,899	64,973	57,899
Municipal parking	-	-	49,086	43,418	49,086	43,418
Solid waste and recycling	-	-	34,166	30,013	34,166	30,013
Total expenses	732,937	667,295	240,425	214,104	973,362	881,399
Excess (deficiency) before transfers	14,103	27,717	38,889	58,419	52,992	86,136
Transfers	14,604	16,704	(14,604)	(16,704)	-	-
Change in net position	28,707	44,421	24,285	41,715	52,992	86,136
Net position - Beginning (2015 restated)	961,719	1,233,907	867,680	854,038	1,829,399	2,087,945
Net position - Ending	\$ 990,426	\$ 1,278,328	\$ 891,965	\$ 895,753	\$ 1,882,391	\$ 2,174,081

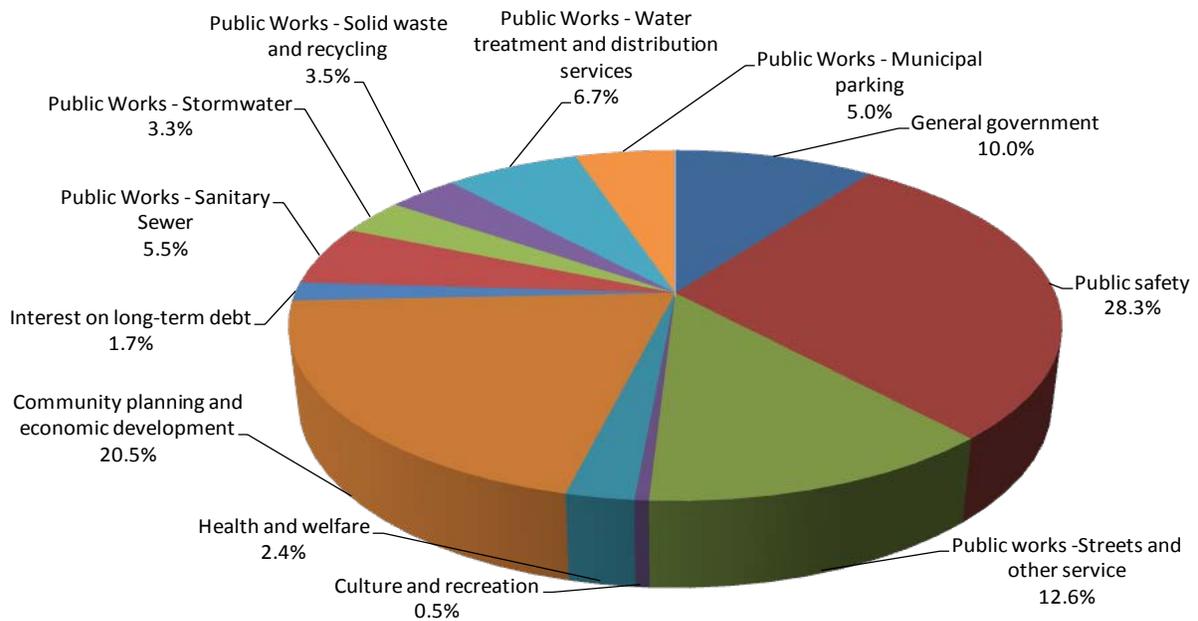
Governmental Activities—Governmental activities increased the City’s net position by \$28,707 compared to an increase of \$44,421 in 2014. Total governmental revenue increased by 7.5% from 2014 to 2015 while total expenses increased by 9.8% over that same period. The increase in expenses is attributable mainly to the recognition of pension expense related to the implementation of GASB Statement No. 68. Pension expense booked to the governmental activities as a result of the new accounting standard was \$77,723. Governmental activities are supported by charges for services, grants, and contributions. Additionally, general revenues cover any net expense after program specific revenues are applied. Specifically, property tax increment revenues supported economic development activities. Revenue increased due to an increase in the property tax levy, increased federal and local grant funding, and an increase in charges for services.

A significant expense in the statement of activities, compared to fund statements, is depreciation. Current year depreciation for governmental activities was \$53,447.

Government-wide Revenues

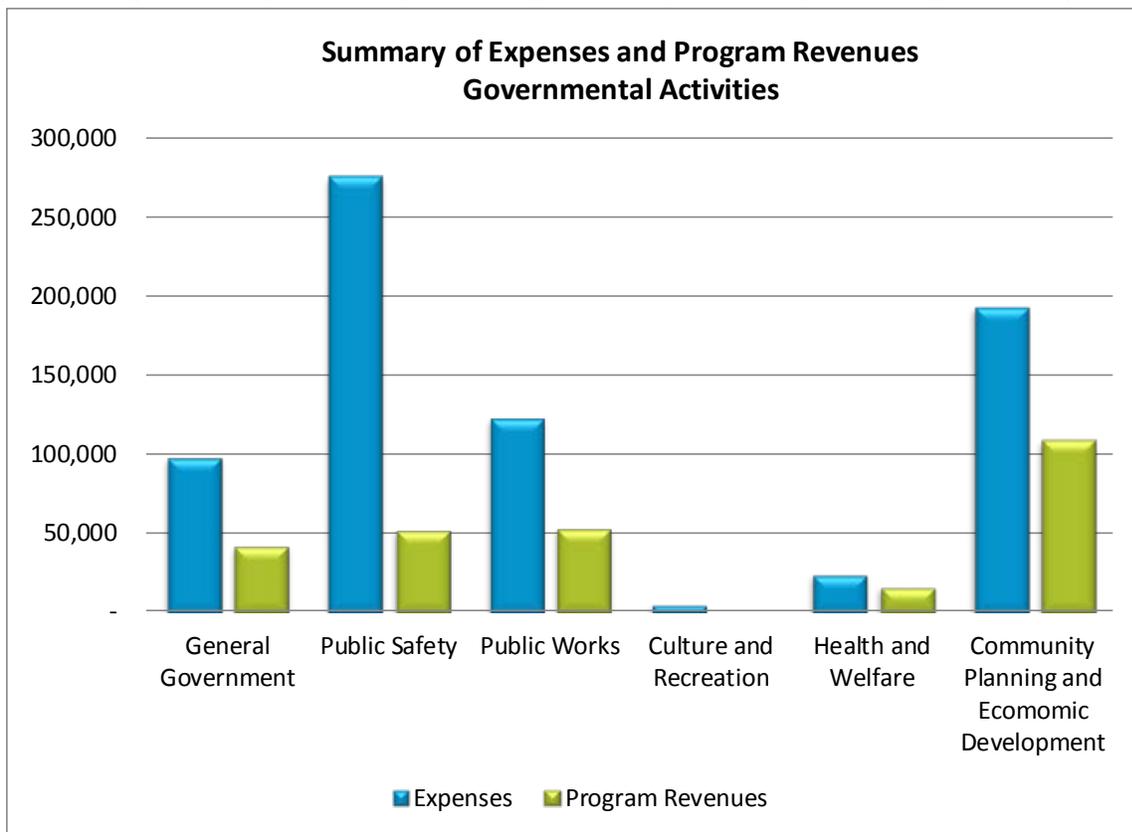


Government-wide Expenses



**Summary of expenses and program revenues - Governmental Activities
For the Year ended December 31, 2015**

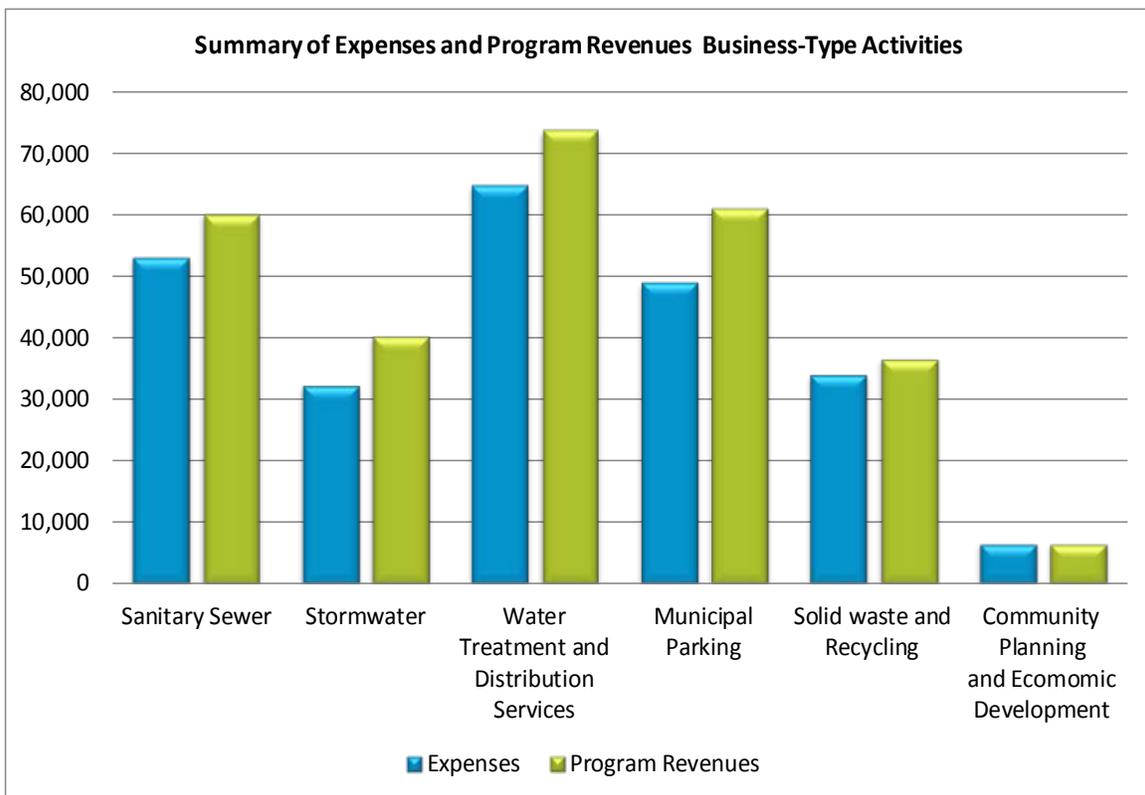
Functions/Programs	Expenses	Program Revenues	Net (Expense) Revenue by Program
General government	\$ 97,652	\$ 41,876	\$ (55,776)
Public safety	275,495	51,788	(223,707)
Public works	122,472	52,730	(69,742)
Culture and recreation	4,570	-	(4,570)
Health and welfare	23,462	16,002	(7,460)
Community planning and economic development	192,957	108,880	(84,077)
Interest on long-term debt	16,329	-	(16,329)
	<u>\$ 732,937</u>	<u>\$ 271,276</u>	<u>\$ (461,661)</u>
General revenues and transfers supporting governmental activities			<u>490,368</u>
Change in net position			<u>28,707</u>
Net position - January 1, 2015, restated (see Note 1Q)			<u>961,719</u>
Net position - December 31, 2015			<u>\$ 990,426</u>



Business-Type Activities—Business-type activities increased the City’s net position by \$24,285 compared with an increase of \$41,715 in 2014.

**Summary of expenses and program revenues - Business-Type Activities
For the Year ended December 31, 2015**

Functions/Programs	Expenses	Program Revenues	Net (Expense) Revenue by Program
Sanitary sewer	\$ 53,185	\$ 60,296	\$ 7,111
Stormwater	32,331	40,370	8,039
Water treatment and distribution services	64,973	73,913	8,940
Municipal parking	49,086	61,166	12,080
Solid waste and recycling	34,166	36,748	2,582
Community planning and economic development	6,684	6,494	(190)
	<u>\$ 240,425</u>	<u>\$ 278,987</u>	<u>\$ 38,562</u>
General revenues and transfers supporting business-type activities			(14,277)
Change in net position			24,285
Net position - January 1, 2015, restated (see Note 1Q)			867,680
Net position - December 31, 2015			<u>\$ 891,965</u>



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

For 2015, four governmental funds, including the General Fund, are presented as major funds. These funds include the Community Planning and Economic Development Fund Special Revenue Fund, the Permanent Improvement Capital Project Fund, and the Special Assessment Debt Service Fund. At December 31, 2015, the City's governmental funds reported a combined ending fund balance of \$469,100, a decrease of \$17,356 compared with the prior year. Approximately 22.3% of this total amount, or \$104,740, 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 (\$43,182) for land development, advances to other funds, and prepaid items; restricted (\$168,304) for debt service, community planning and economic development, capital improvements, grants, and law enforcement legal requirements; and assigned (\$152,874) for specific purposes not meeting a more restricted criteria for general government, community planning and economic development programs, neighborhood and community relations, public safety programs, pension obligations, and capital improvements. Additional details on fund balance can be found in Note 10.

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

<u>Revenues by Source</u>	<u>2015</u>		<u>2014</u>		<u>Increase/ (Decrease)</u>
	<u>Amount</u>	<u>Percent of Total</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Amount</u>
Taxes	\$ 393,015	52.86 %	\$ 387,322	54.50 %	\$ 5,693
Licenses and permits	45,878	6.17	50,996	7.18	(5,118)
Intergovernmental revenues	160,953	21.65	136,432	19.20	24,521
Charges for services and sales	71,609	9.63	62,863	8.85	8,746
Fines and forfeits	6,853	0.92	7,519	1.06	(666)
Special assessments	25,780	3.47	25,529	3.59	251
Investment earnings	3,903	0.52	4,067	0.57	(164)
Miscellaneous revenue	35,467	4.78	35,923	5.05	(456)
Total revenues	<u>\$ 743,458</u>	<u>100.00 %</u>	<u>\$ 710,651</u>	<u>100.00 %</u>	<u>\$ 32,807</u>

**Expenditures by Function
Governmental Funds**

Expenditures by Function	2015		2014		Increase/ (Decrease)
	Amount	Percent of	Amount	Percent of	Amount
		Total		Total	
Current:					
General government	\$ 102,556	12.79 %	\$ 99,330	12.91 %	\$ 3,226
Public safety	256,981	32.05	245,341	31.89	11,640
Public works	54,084	6.75	56,173	7.30	(2,089)
Culture and recreation	2,363	0.29	3,238	0.42	(875)
Health and welfare	21,235	2.65	20,029	2.60	1,206
Community planning and economic development	161,868	20.19	142,326	18.50	19,542
Capital outlay	76,361	9.52	102,422	13.31	(26,061)
Intergovernmental:					
General government	647	0.08	297	0.04	350
Public safety	168	0.02	176	0.02	(8)
Culture and recreation	2,207	0.28	5,598	0.73	(3,391)
Debt service:					
Principal retirement	83,871	10.46	77,391	10.06	6,480
Interest and fiscal charges	16,194	2.02	17,065	2.22	(871)
Bond issuance costs	482	0.06	-	-	482
Payments to refunded bond escrow agents	22,753	2.84	-	-	22,753
Total expenditures	\$ 801,770	100.00 %	\$ 769,386	100.00 %	\$ 32,384

General Fund—The General Fund is the general operating fund of the City. As of December 31, 2015, unassigned fund balance in the General Fund was \$104,740 while nonspendable fund balance was \$1,251. Total fund balance increased by \$3,552 during 2015.

The following table provides changes in revenues by source from 2014 to 2015.

Revenues by Source	General Fund Revenues By Source				Increase/ (Decrease)
	2015		2014		Amount
	Amount	Percent of Total	Amount	Percent of Total	
Taxes	\$ 267,316	58.08 %	\$ 271,500	58.21 %	\$ (4,184)
Licenses and permits	44,317	9.63	49,268	10.57	(4,951)
Intergovernmental revenues	82,625	17.96	81,277	17.43	1,348
Charges for services and sales	46,873	10.19	46,592	9.99	281
Fines and forfeits	6,539	1.42	7,179	1.54	(640)
Special assessments	3,202	0.70	3,084	0.66	118
Investment earnings	1,613	0.35	1,862	0.40	(249)
Miscellaneous revenues	3,398	0.74	3,245	0.70	153
Total revenues	\$ 455,883	99.07	\$ 464,007	99.50	\$ (8,124)
Transfers in	4,258	0.93	2,323	0.50	1,935
Total revenues and other financing sources	\$ 460,141	100.00 %	\$ 466,330	100.00 %	\$ (6,189)

In 2015, General Fund revenues and transfers decreased by about 1.3% from the previous year. Some highlights include:

- Tax collections were lower in 2015, which was expected since the General Fund property tax levy decreased by \$3,195 from 2014 to 2015.
- Licenses and permit revenue was also lower in 2015. Development activity, especially in Downtown Minneapolis, continued at a high rate during 2015; however, 2014 was a record setting year. Several large projects including a new football stadium for the Minnesota Vikings contributed to the 2014 revenue.
- Intergovernmental revenue increased slightly from state aid payments made to the City.
- Revenue from fines and forfeits decreased from 2014 to 2015 as a result of efforts to increase compliance with housing and parking rules. Increased compliance results in less revenue from fines due to non-compliance.

The following table provides the changes in expenditures by function from 2014 to 2015:

Expenditures by Function	General Fund Expenditures by Function				Increase/ (Decrease)
	2015		2014		Amount
	Amount	Percent of Total	Amount	Percent of Total	
Current:					
General government	\$ 67,160	14.70 %	\$ 66,996	14.55 %	\$ 164
Public safety	235,092	51.49	223,399	48.47	11,693
Public works	53,019	11.61	54,903	11.91	(1,884)
Culture and recreation	2,363	0.52	3,238	0.70	(875)
Health and welfare	8,289	1.82	7,521	1.63	768
Community planning and economic development	31,167	6.83	29,959	6.50	1,208
Intergovernmental:					
Community planning and economic development	-	-	200	0.04	(200)
Total expenditures	397,090	86.97	386,216	83.80	10,874
Transfers out	59,499	13.03	74,645	16.20	(15,146)
Total expenditures and other financing uses	\$ 456,589	100.00 %	\$ 460,861	100.00 %	\$ (4,272)

Overall, general fund expenditures increased by 2.8% from the previous year, although appropriations were underspent by approximately \$10,938.

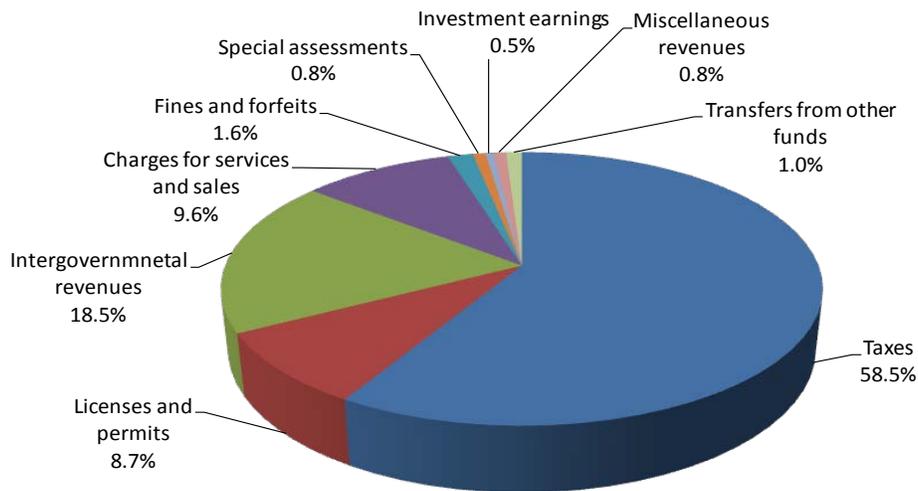
General Fund Budgetary Highlights—The final budget for the City’s General Fund represents the original budget plus any previously appropriated funds set aside for the purpose of honoring legally incurred obligations (prior year encumbrances and commitments), and any additional supplemental appropriations that may occur during the fiscal year. In 2015, the following were significant budget actions:

- The original General Fund appropriation for fiscal year 2015 was \$463,482, which included projected transfers out of \$57,193. The final appropriation was \$467,527 including transfers of \$59,193. General revenues and other resources were originally estimated at \$449,960, which included projected transfers in of \$4,862. The final revenue estimate was \$449,860 including transfers of \$4,862.
- Significant budgetary variances between the final amended budget and the actual results include:
 - 1) The combined City Coordinator departments were \$1,400 under budget at year end. This was due in part to personnel vacancies across several departments.
 - 2) Overall, Public Works finished the year with \$800 in budgetary savings. A milder winter with lower snow removal expense drove these savings.

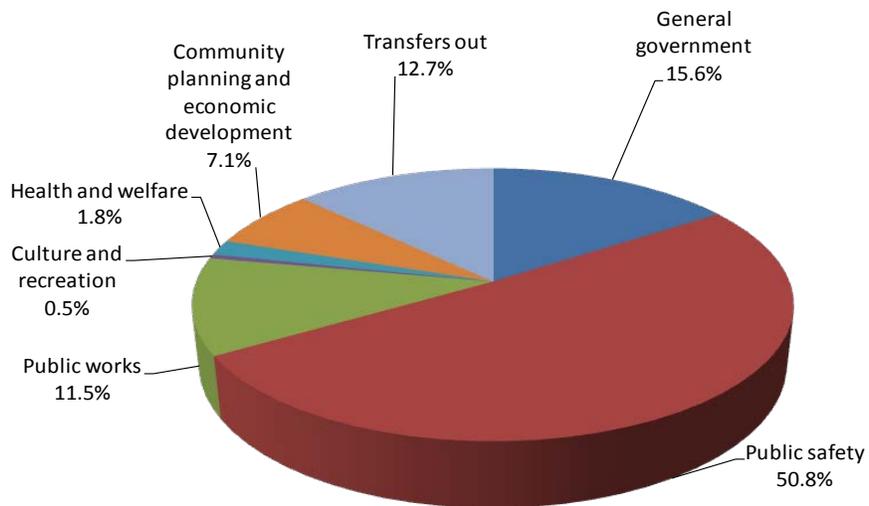
- 3) Reorganization and other cost savings including deferring projects into 2016 resulted in a \$1,240 budget surplus in Regulatory Services.
- 4) Community Planning and Economic Development realized budgetary savings of \$2,024 due to initiatives that were in the budget but not completed in 2015.
- 5) The full amount of contingency funds of \$4,007 remained unspent at year-end.

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

General Fund Revenue Budget by Source



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 tax increment financing, administrative fees, and rents and sales from land held for development. A general development fund 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, sales from land held for development, and loan repayments.

The total revenues of the CPED Special Revenue fund in 2015 were \$59,394, a 4.1% increase from the prior year. The increase is due to City land sales made to develop riverfront properties. A majority, approximately 74.8%, of the fund’s revenue was derived from property tax revenue, and 14.6% of the fund’s revenue was generated from rents collected and the repayment of loans made for the housing and redevelopment activities of the City. The remaining revenue was derived from a variety of miscellaneous sources. The expenditures for the fund in 2015 were \$40,871. 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 2015 was comparable to the prior year.

The fund’s transfers to other funds of \$23,567 were primarily to provide resources for the debt service obligations issued by the City for community development programs. The CPED Special Revenue Fund also transferred \$6,225 to the City’s Neighborhood and Community Relations Special Revenue Fund to support ongoing activities.

At year-end, the fund balance in the CPED Special Revenue Fund was \$201,186. This included \$33,109 in a nonspendable form, primarily for the inventory of properties held for resale; \$131,673 restricted for specific programs by State law; and the remaining \$36,404 assigned to provide for community planning and economic development activities.

Permanent Improvement Capital Project Fund—Funding for the Permanent Improvement Capital Project Fund is primarily from three sources: bonds that are sold by the City for capital projects; the State of Minnesota; and Federal funds. State and Federal revenues are primarily used for capital assets including bridges, streets, street lighting and traffic signals. The Permanent Improvement Capital Project Fund is used to build infrastructure for the City including bridges, streets, traffic signals, street lights, and to fund other capital projects. During 2015, \$76,361 of capital outlay occurred which was a decrease of 25.4% from 2014.

The key assets constructed with these funds include:

- Bridges - \$12,970
- Streets - \$29,376
- Traffic Signals and Street Lighting - \$9,177
- Bike Trails - \$1,049
- Property Service - \$4,182
- Target Center Renovation - \$4,852

The fund balance decreased from \$30,877 in 2014 to \$6,519 in 2015. The decrease was due to decrease of financial note/debt proceeds. Additionally, revenues for the fund increased from \$15,255 in 2014 to \$36,635 in 2015 due to increase from state, federal, and local sources and charges for services for capital projects.

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

At the end of 2015 the City had \$39,293 of debt outstanding for special assessment improvements. During 2015, the City received debt related assessment collections and interest earnings of \$10,299 along with \$122 in miscellaneous revenue. The City paid total debt service of \$14,921 on special assessment bonds.

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

As mentioned in the Financial Highlights section, the City implemented GASB Statements No. 68 and 71 during 2015. As a result of this new accounting guidance, the enterprise funds reduced beginning net position by a total of \$21,052. The Stormwater fund also had a prior period adjustment to correct capital asset balances. The result of this adjustment was a decrease of beginning net position of \$7,021. Note 1, Section Q has details on the restatement of net position. The enterprise funds had a positive net position of \$908,888 at December 31, 2015, an increase of \$24,014 over the 2014 restated balance.

The following table summarizes the cash balances, total assets, deferred outflows of resources, total liabilities, deferred inflows of resources, operating income, changes in net position, and net positions for each of the enterprise funds, from 2014 to 2015:

**Key Balance Sheet Account Balances and Operating Activities
December 31, 2015, and 2014**

	Sanitary Sewer	Stormwater	Water Treatment and Distribution Services	Municipal Parking	Solid Waste and Recycling	Community Planning and Economic Development	Total	
							2015	2014
Cash	\$ 12,422	\$ 35,862	\$ 30,084	\$ 13,957	\$ 22,568	\$ 820	\$ 115,713	\$ 109,456
Assets	128,838	334,190	337,784	297,576	37,232	130,616	1,266,236	1,267,850.00
Deferred outflows of resources	4,402	7,351	15,522	3,685	9,204	-	40,164	-
Liabilities	15,175	16,766	130,845	120,014	18,499	90,764	392,063	354,903
Deferred inflows of resources	597	997	2,106	500	1,249	-	5,449	-
Operating income (loss)	2,565	7,070	7,206	14,041	1,162	4,790	36,834	49,811
Change in net position	1,193	7,929	7,012	4,416	2,655	809	24,014	38,467
Restatement	-	-	-	-	-	-	-	(28,073)
Net position	\$ 117,468	\$ 323,778	\$ 220,355	\$ 180,747	\$ 26,688	\$ 39,852	\$ 908,888	\$ 884,874

Sanitary Sewer Fund—The Sanitary Sewer Fund pays 95% of the contractual payments to Metropolitan Council Environmental Services (MCES) for waste water collection and treatment services. This fund also accounts for sanitary sewer maintenance and design work and the related capital programs and debt service payments. Net position as of December 31, 2015 was \$117,468, which is an increase of \$1,193 over the restated beginning balance.

In 2015 operating income was \$2,565 which is further reduced by transfers and debt services. Compared to 2014, operating revenues reflected an increase of \$275 with a total of \$60,332 compared to \$60,057. The sanitary utility sales and service revenues increased by \$675 due to increase in rates, design activities and capital project close outs.

The operating expense amounted to \$57,767 compared to \$54,819 for 2014 resulting in an increase of \$2,948. The increase in operating expenses can largely be attributed to personnel cost and MCES payments. Personnel cost which consist of salaries and fringes increased by \$1,270 due to adjustments to pension costs. Increase in materials, supplies and services amounted to \$2,865 of which \$2,300 were due to rate increase of 8% in MCES payments. MCES rates are set by the Metropolitan Council on a yearly basis and are based on an allocation of overall costs incurred by MCES for waste processing for customer communities. These increases were off-set by decrease in contractual services by \$1,261.

Stormwater Fund— The Stormwater Fund pays 5% of the contractual payments to Metropolitan Council Environmental Services (MCES) for waste water collection and treatment services. This fund also accounts for the combined sewer overflow (CSO) program, street cleaning, storm design, storm water maintenance, and the related capital programs and debt service payments. Net position as of December 31, 2015 was \$323,778 which was an increase of \$7,929 from the restated beginning balance.

Compared to 2014, operating revenues reflected a decrease of \$2,012 mainly due to decrease in sales and services related to design activities. This decrease was off-set by an increase in reimbursements from the State of Minnesota for maintenance work done by the Street Cleaning and Storm Maintenance departments. These reimbursements are based on agreements with the State and Hennepin County.

Compared to 2014, operating expenses reflected an increase of \$4,890. An increase was recorded for personnel services stemming from adjustments to pension costs. Additional increases were the result of cleaning and maintenance work in Linden Yard and storm tunnels. There was also an increase in miscellaneous contractual services – payments to Metropolitan Council and other City departments regarding overheads, rents, and contracted services – as a result of higher rates.

Water Treatment and Distribution Services Fund—The Public Works Water Treatment and Distribution Services Fund accounts for the operation, administration, maintenance and capital investments of a water treatment and delivery system for the City and several wholesale customers. The City sells water directly to the cities of Bloomington, Columbia Heights, Hilltop, Golden Valley, New Hope, Crystal, and Edina, as well as the Metropolitan Airport Commission.

Net position increased by \$7,012 for the year, resulting in a net position at December 31, 2015 of \$220,355. This planned increase allowed for additions to long-term assets in the amount of \$9,038 for improvements to the City's water distribution system and the Fridley Filter Plant rehabilitation and other water treatment infrastructure improvements. The Net Position at year end 2015 includes an adjustment of \$(13,409) due to recognition of long-term pension liabilities in accordance with GASB Statement No. 68. Of the total adjustment amount, \$(8,136) is reflected in the financial reports as a decrease to the beginning Net Position at January 1, 2015.

Operating revenue increased minimally by \$49, when compared to 2014. Operating expenses increased by \$5,420, when compared to 2014. This increase was in large part due to the \$4,597 in pension expenses required by GASB Statement No. 68.

Municipal Parking Fund—The Municipal Parking Fund accounts for the operation and maintenance of parking ramps, lots, on-street parking meters, the municipal impound lot, and the traffic/parking control system. Net position at December 31, 2015 was \$180,747 which is an increase of \$4,416 from the restated beginning balance.

There are three main reasons for the change in net position. There were continued operational efficiencies attained through off-street parking; the largest contributor was a reduction in operator expenses due to the new pay machines in most of the ramps reducing the number of staff hired. The City implemented new, multi-space parking meters which continue to provide increased revenues in on-street parking. The net position as of December 31, 2015 includes an adjustment of \$(3,183) due to recognition of long term liabilities in accordance with GASB Statement No. 68. Of the total adjustment amount, \$(1,931) is reflected in the financial reports as a decrease to the beginning net position at January 1, 2015.

Solid Waste and Recycling Fund—The Solid Waste and Recycling Fund accounts for the City's solid waste and recycling collection and disposal, graffiti removal, and a solid waste transfer station that serves over 106,000 dwelling units. Pick-up services for trash, yard waste, and recyclables are provided on a weekly and a biweekly basis. City crews provide approximately one-half of the solid waste collection services and the other half are provided through a consortium of companies specializing in waste collections. Also accounted for in this fund are various initiatives such as Clean City neighborhood clean sweeps; city-wide litter and graffiti abatement and removal; and an Organics Pilot Program. Net position through December 31, 2015 totaled \$26,688. Operating revenues totaled \$35,732, an increase of \$4,889 over 2014. This increase can be attributed to a rate increase in utility billing.

Operating expenses increased by \$3,668 compared to 2014. Expenses in the Organic Division increased due to one-time costs related to capital purchases of equipment and carts for the implementation of organics program in 2015. Expenses also increased by \$2,307 due to recognition of pension expense.

These increases were offset by a \$1,400 decrease in expenses in the Collection, Disposal, Problem Materials, Transfer Stations, Administration, Clean City, and Equipment divisions. The decrease in these divisions can be attributed to modifications on contracts and split of costs between divisions; fewer purchases of vehicles and equipment; and lower appropriations in City services resulting in lower expenses in the Administrative cost center.

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 position increased by \$809 during the year. The increase resulted primarily from interest revenue earned on various reserve investments within the fund, and an operating transfer to reduce the deficit in the discontinued theatres operation. The barge related activities of the River Terminal facility have been discontinued. The facility is currently used primarily as leased space for commodity storage. The City intends to develop the site for park and jobs-intensive business uses.

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

Although the financial condition of the internal service funds reached a low point at year-end 2000 when the combined net position deficit had declined to \$(54,407), the financial condition improved each year due to key measures taken in 2001. In 2001, 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. The 2001 restatement recognized assets previously unrecorded within the internal service funds. The remaining improvement of \$212,903 can be credited to the deficit reduction plans implemented by the managers of each of the respective funds. A milestone was reached in 2012 in that all six of the internal service funds had a positive net position. At the end of 2015, the combined net position in the internal service funds had improved to \$176,051. The 2015 combined net position includes a total net effects of \$(22,306) due to recognition of long-term pension liabilities, deferred inflows and deferred outflows of resources related to pensions in accordance with GASB Statement No. 68. Of the total adjustment amount, \$(14,252) is reflected in the financial reports as a decrease to the beginning net position at January 1, 2015. The following table provides a summary of cash balances, total assets, deferred outflows of resources, total liabilities, deferred inflows of resources, operating income, changes in net position, and the net position for each of the internal service funds:

Internal Service Funds
Key Balance Sheet Account Balances and Operating Activities
December 31, 2015, and 2014

	Engineering Materials and Testing	Intergovern- mental Services	Property Services	Equipment Services	Public Works Stores	Self- Insurance	Total	
							2015	2014
Cash	\$ 1,553	\$ 38,360	\$ 4,958	\$ 23,702	\$ 16	\$ 75,650	\$ 144,239	\$ 149,353
Assets	1,795	81,772	37,220	83,056	5,719	76,574	286,136	276,642
Deferred Outflows of Resources	1,011	7,919	4,970	5,539	737	7,013	27,189	-
Liabilities	1,867	25,966	12,027	25,925	1,971	65,831	133,587	97,205
Deferred Inflows of Resources	137	1,074	674	751	100	951	3,687	-
Operating income (loss)	(451)	(2,916)	(1,454)	3,066	55	1,699	(1)	16,465
Change in net position	(450)	4,718	(707)	5,000	133	2,172	10,866	48,295
Restatement	-	-	-	-	-	-	-	(14,252)
Net position	\$ 802	\$ 62,651	\$ 29,489	\$ 61,919	\$ 4,385	\$ 16,805	\$ 176,051	\$ 165,185

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

Beginning in 2009 and through 2013, the fund consistently achieved positive net operating income and increased its net position by \$1,947 from \$28 in 2008 to \$1,975 in 2013. In 2013, it was determined to reduce the overhead rates applied to the procurement and sale of asphalt and concrete and to reduce the rates charged for laboratory services. These reductions occurred because of the financial stability of the fund and its compliance with financial policy for minimum cash balance and net position. Continued increases to cash balance and net position were not required. At year-end 2015, the net position is \$802 representing a decrease of \$450 from the 2015 restated beginning net position of \$1,252. The decrease in net position is primarily due to an adjustment of \$(873) to recognize the long-term pension liabilities in accordance with GASB Statement No. 68. Of the total adjustment amount, \$(530) is reflected in the financial reports as a decrease to the beginning net position at January 1, 2015. The fund maintains a positive cash balance at \$1,553 at year-end 2015 which is a decrease of \$386 from the 2014 ending balance of \$1,936. The decrease in cash is primarily due to the use of net position to purchase a drill rig at a cost of \$176.

Intergovernmental Services Fund—This fund accounts for operations of Information Technology (IT); the City Clerk’s printing and central mailing services; and the Human Resources technology training services. IT is comprised of telecommunications services, network services, application support, internet and intranet services, convenience copier function, broadband wireless, and deployment of software and hardware. These services are also provided to the Minneapolis Park and Recreation Board, Municipal Building Commission, and the Minneapolis Youth Coordinating Board. In 2015, the fund completed the transition to insource the services provided by the IT helpdesk and desk side support that were previously outsourced.

In 2003, the fund’s beginning net position was restated from \$(40,850) to \$(32,984) to reflect corrections made to accurately present the fund’s capital assets, accumulated depreciation, and related liability amounts. The fund has since recorded a total increase in net position of \$95,635 through 2015 ending the year at \$62,651. In 2015, the fund recognized an adjustment to long-term pension liabilities of \$(6,496) in accordance with GASB Statement No. 68. Of the total adjustment amount, \$(4,151) is reflected in the financial reports as a decrease to the beginning net position at

January 1, 2015. The actual cash balance at year-end 2015 is \$38,360, representing a decrease of \$11,528 from the 2014 year-end cash balance of \$49,888. The primary reason for the decrease to cash in 2015 is the use of net position to fund one-time expenses related to insourcing the help desk and desk side support functions and contracting with a new provider for managed services. Cash also decreased in 2015 due to the use of unearned revenue to fund PMO projects. In 2010, \$4,560 of refunding bonds were issued to retire old debt and achieve a lower interest rate for current debt. At year-end 2015, all existing bond debt obligations were repaid with a final payment of \$2,705.

Property Services Fund—The Property Services Fund is responsible for the management and maintenance of City-owned buildings including police precinct structures, fire stations, and public works buildings. The fund does not include buildings of the Convention Center, or Water facilities and Park Board. 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. In 2011, this fund was transitioned from the Public Works department to the Finance department within the City Coordinator’s office. The activities in this fund determined that the fund remain an internal service fund and report to the Chief Financial Officer.

Several of the City’s properties are recorded as assets of this fund resulting in an annual depreciation expense. The Property Services Fund does not have rental and maintenance rates sufficient to fully recover depreciation, which generally results in an operating loss each year and a decrease to net position. In 2015, the fund experienced a decrease of \$707 to net position resulting in an ending balance of \$29,489 compared to the restated 2015 beginning net position of \$30,196. The primary reason for the decrease to net position is the recognition of an adjustment to long-term pension liabilities of \$(4,078) in accordance with GASB Statement No. 68. Of the total adjustment amount, \$(2,605) is reflected as a decrease to the beginning net position at January 1, 2015. In 2013, the fund received a one-time transfer from the General Fund of \$3,282 to assist with the remaining debt service payments of \$4,412 obligated through 2018. At year-end 2015, the remaining debt obligation is \$2,608. The cash balance increased from \$3,758 at year-end 2014 to \$4,958 at year-end 2015. The increase in cash resulted from revenue received from the sale of land, an increase to the rental charges for City buildings, and an increase in services provided for repairs and upgrades to City facilities.

Equipment Services Fund—The Equipment Services Fund manages the acquisition, maintenance and disposal of 1,800 units of equipment, primarily the City’s fleet of vehicles. The fund also provides technicians to maintain the equipment. Through the end of October 2013, the fund provided the drivers and operators for the equipment that is used in construction and snow removal. Beginning in November 2013, these employees were transitioned out of Equipment Services Fund and reassigned to various Public Works departments. In addition, the fund manages the field coordination of City-owned and contractual equipment and operators as well as the procurement and sale of fuel for these vehicles. The Equipment Services Fund uses an activity based cost recovery model to calculate equipment and labor rates charged to customers based on actual expenses related to the vehicle and the replacement cost of the vehicle.

A long-term financial plan was developed for the fund in 2003. The fund has progressively increased its net position from \$13,266 in 2004 to \$61,919 in 2015. The net position at year-end 2015 includes an adjustment of \$(4,544) due to recognition of long-term pension liabilities in accordance with GASB Statement No. 68. Of the total adjustment amount, \$(2,903) is reflected in the financial reports as a decrease to the beginning net position at January 1, 2015. This decrease to net position was offset by an operating gain of \$3,066 and a transfer in of \$1,912. The 2015 ending cash balance is \$23,702, an increase of \$515 from the ending balance of \$23,187 in 2014. The increases to both cash balance and net position are largely the result of timing differences between when revenue is collected for replacement of vehicles and the delay in the delivery of those vehicles.

Public Works Stores Fund—This fund accounts for the centralized procurement, receiving, warehousing, and distribution of stocked inventory items, and the purchase of special goods and services for City departments. In addition, this fund stores an inventory of traffic signal components for assembly for Public Works-Transportation. At year-end 2015, the fund reported an increase to net position of \$133, increasing the net position from a 2015 restated beginning balance of \$4,252 to an ending balance of \$4,385. The net position at year-end 2015 includes an adjustment of \$(605) due to recognition of long-term pension liabilities in accordance with GASB Statement No. 68. Of the total adjustment amount, \$(386) is reflected in the financial reports as a decrease to the beginning net position at January 1, 2015. The fund maintained a cash balance of \$16 for 2015, an increase of \$15 from the ending 2014 cash balance of \$1. The fund experienced an increase of \$183 in the amount due to other funds resulting in a 2015 year-end balance of \$385. In 2015, the fund increased the value of inventory by 8.8% resulting in a year-end balance of \$5,703.

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

The net position at year-end 2015 was \$16,805, an increase of \$2,172 from the restated 2015 beginning net position of \$14,633. The net position at year-end 2015 includes an adjustment of \$(5,754) due to recognition of long-term pension liabilities in accordance with GASB Statement No. 68. Of the total adjustment amount, \$(3,676) is reflected in the financial reports as a decrease to the beginning net position at January 1, 2015. A milestone was reached in 2012 when the net position became positive in the Self-Insurance Fund. The cash balance increased from \$70,583 in 2014 to \$75,650 at year-end 2015. In 2003, when the fund’s net position was a deficit of \$(40,983), a long-term financial plan was implemented. The plan was updated in 2012. The performance of the fund compared to the original long-term financial plan shows a net position that is ahead of the plan and a cash balance that is significantly increased over the original forecast.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets—As of December 31, 2015, the City’s investment in capital assets for its governmental and business-type activities was \$2,212,901 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, roads, highways, and bridges. The increase in the City’s investment in capital assets for the current fiscal year included a 3.7% increase in governmental activities and a 1.5% increase in business-type activities.

The following table summarizes capital assets for governmental and business-type activities for 2015 and 2014:

Capital Assets (Net of depreciation)

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	2015	2014	2015	2014^(a)	2015	2014
Land and easements	\$ 110,788	\$ 110,789	\$ 128,382	\$ 128,382	\$ 239,170	\$ 239,171
Construction in progress	198,314	193,890	51,484	46,040	249,798	239,930
Infrastructure	447,989	445,397	-	-	447,989	445,397
Buildings and structures	372,127	369,806	307,099	307,648	679,226	677,454
Public improvements	19,974	21,050	473,339	473,436	493,313	494,486
Machinery and equipment	47,792	44,156	31,707	29,172	79,499	73,328
Computer equipment	4,772	4,812	165	6	4,937	4,818
Software	18,969	6,232	-	-	18,969	6,232
Total	\$ 1,220,725	\$ 1,196,132	\$ 992,176	\$ 984,684	\$ 2,212,901	\$ 2,180,816

(a) The 2014 business-type assets were restated to correct the balances of construction in progress and public improvements. See Note 1 section Q and Note 4 for more information on the restatement.

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

- Major renovation projects continue at the Convention Center including new carpeting throughout and escalator replacement.
- Target Center renovations were in the initial phases of a more than \$100,000 renovation project.
- There was approximately \$28,019 in governmental infrastructure additions consisting of several major paving and traffic upgrade projects.

- There was \$14,853 in software additions in due to the completion of two major software projects. Both the financial management and the human capital management enterprise resource planning systems were upgraded to the most recent versions.

Additional information on the City’s capital assets can be found in Note 4 on pages 70-72 of this report.

Long-term debt—As of December 31, 2015, the City had total long-term bonds and notes outstanding of \$764,115 compared to \$858,545 in the prior year. Of this amount, \$467,648 is related to governmental activities and \$296,467 is related to business-type activities. The City had \$62,195 or approximately 8.1% of the long-term debt in variable rate mode at year-end. Long-term notes of \$151,760 are included in the above total, of which \$37,345 is for governmental activities and \$114,415 is for business-type activities.

The following table shows various classifications of the City’s long-term debt at December 31, 2015 and the amount of principal due in 2016.

<u>Summary of Outstanding Bonds and Notes</u>	<u>Balance 1/1/2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/2015</u>	<u>Due in 2016</u>
General Obligation (GO) Bonds and Notes:					
Property Tax Supported GO Bonds	\$128,530	\$ -	\$ 38,365	\$ 90,165	\$ 21,725
Property Tax Supported GO Notes	-	15,000	-	15,000	-
Self-Supporting GO Bonds	211,770	-	20,995	190,775	21,920
GO Improvement Bonds	49,213	-	14,920	34,293	6,796
GO Improvement Notes	-	5,000	-	5,000	-
Tax Increment GO Bonds	84,180	-	7,825	76,355	4,955
Tax Increment GO Notes	4,060	-	410	3,650	440
Internal Service Fund Related GO Bonds	21,630	-	5,625	16,005	3,035
Enterprise Fund Related GO Bonds	112,627	-	15,365	97,262	14,124
Enterprise Fund Related GO Notes	118,880	-	4,465	114,415	5,725
Total General Obligation Bonds and Notes	<u>730,890</u>	<u>20,000</u>	<u>107,970</u>	<u>642,920</u>	<u>78,720</u>
Revenue Bonds and Notes:					
Economic Development Revenue Bonds	23,500	22,710	23,500	22,710	1,085
Other Community Development Related Bonds	90,100	-	5,310	84,790	4,035
Revenue Notes	14,055	-	360	13,695	380
Total Revenue Bonds and Notes	<u>127,655</u>	<u>22,710</u>	<u>29,170</u>	<u>121,195</u>	<u>5,500</u>
Total Outstanding Bonds and Notes	<u>\$858,545</u>	<u>\$ 42,710</u>	<u>\$ 137,140</u>	<u>\$ 764,115</u>	<u>\$ 84,220</u>

The City maintained an “AAA” rating from Standard & Poor’s and Fitch Ratings and received an “Aa1” from Moody’s for its general obligation debt in 2015. Additional information on the City’s Long-term debt can be found in Note 5 starting on page 73 of this report.

HISTORICAL AND LONG-TERM FINANCIAL PLANNING

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

- During the 1990s, due to other external demands, the revenue to support the internal services did not keep pace with the growth in expenses. Significant negative cash balances resulted because annual expenses exceeded revenues. Today, the individual balances are no longer negative. This is a significant improvement over the position of the funds since 2000 when the net position deficit was \$(61.7) million.

- The City adopted long-term financial plans for three of the internal service funds (Intergovernmental Services, Equipment Services, and Self-Insurance) to increase net position and to achieve and maintain a positive cash balance. To meet the goals of the adopted long-term financial plans, transfers from the General Fund to all three funds are necessary. At year-end 2015, all three internal service funds had positive net position and cash balances.
- Like other jurisdictions, employee wages and benefits make up over 59 percent of the City's General Fund expenses, increases to which are driven by rapid growth in healthcare and overtime costs.
- In 2000, Minneapolis voters approved a levy to build a new Central Library and fund improvements to community libraries. Effective January 1, 2008, the Minneapolis Public Library System merged into the Hennepin County Library System. Though the County will be responsible for the operating costs for the libraries in future years, under a financial agreement, the City will continue to issue debt as defined in the City's adopted capital plan and will be responsible for a declining share of operations through 2017.
- In June of 2009, the Governor exercised his authority to "unallot" or unilaterally reduce various state appropriations. The appropriation directly impacting the City of Minneapolis was Local Government Aid (LGA). The City's LGA was reduced by \$8.5 million in 2009 and \$21.3 million in 2010 as a result of these actions. Following several years of uncertainty in funding from the State of Minnesota in the form of LGA, including the loss of over \$70 million from 2008-2011, the State increased the amount of LGA appropriated to the City of Minneapolis from \$76.1 million in 2014 to \$77.4 million for 2015. A portion of LGA was passed through to the Minneapolis Park and Recreation Board and the Municipal Building Commission component units.
- The City adopts a five-year capital improvement program (CIP) that is updated annually. Each year, City departments and independent boards and commissions prepare new and/or modify existing capital budget requests (CBRs). The CBRs are then reviewed by the Capital Long-Range Improvement Committee (CLIC) which is a citizen advisory committee to the Mayor and City Council.
- Since 2000, the City continues to lay foundation for a wave of development including large projects associated with building a new stadium in partnership with the State and the Minnesota Vikings and adjacent areas. At nearly \$1.4 billion in permitted construction, 2015 was the fourth consecutive year in which Minneapolis experienced more than \$1.0 billion in permitted construction projects based on the value of permits issued for the year.
- 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 2016 budget does not project any growth in the cost of closed pension obligations from the prior year. For 2016, the City will levy the same amount for these obligations as it did in 2015 - costs are projected to remain flat in the near term. If recent advances in financial markets continue, it is possible that these costs may actually decline more quickly than currently projected as the Minneapolis Employee Retirement Fund (MERF) merged with the Public Employee Retirement Account (PERA) in 2015 due to reaching the mandated funding ratio of 80 percent.
- Beginning with the 2014 budget cycle, the City implemented the Capital Asset Request System (CARS) to allow departments to submit budget requests for the replacement of capital equipment items greater than five-thousand dollars, such as enterprise software upgrades, vehicles and construction equipment purchases and/or other large dollar items necessary to provide services. The CARS process uses a five-year planning horizon with the intent of establishing normal replacement cycles for all long-term assets used by the City Departments. In the third year of this program, approximately \$24.0 million will be dedicated to fund items through this process. The majority of items funded reflect deferred maintenance and replacement costs for existing operating capital including technology upgrades. Of this total, \$7.5 million is funded from existing General Fund resources.

Budget planning efforts conducted since 2003 collect all demands on the property tax into a ten-year projection. As part of this planning, the Council adopted a property tax revenue policy, effective in 2003, which limited the total annual increases for the City's property tax revenue to a maximum of eight percent. Half of this increase was dedicated to the City's debt payments for increased pension obligations, internal service fund deficits, and increased library capital projects as called

for in a voter-approved referendum in 2000. The other half of the increase was for the increasing cost of providing existing services. This policy was also adopted by the City's Board of Estimate and Taxation. Within the overall policy is a provision that limits the annual operating increase for the Minneapolis Park Board to four percent over the prior year.

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

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

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

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

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

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

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

In the course of the City's annual business and strategic planning process, City departments review and document the most significant trends and challenges affecting their work. While some of these issues are specific to department business, several enterprise-wide themes emerge including economic downturn and the reliance on tenuous intergovernmental funding; a shrinking workforce and increased demands; workforce turnover; increased demand for technological solutions; regulatory complexity and unfunded mandates; emergency and security management needs; stadium and hospitality facilities; aging facilities and other capital investments; and appropriate levels of fund reserves versus funding.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Budget Outlook:

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

- For 2016, the Council Adopted Budget for all City funds (including the Neighborhood Revitalization Program, Board of Estimate and Taxation, the Municipal Building Commission, and the City's contribution to the Minneapolis Public Housing Authority) of \$1.34 billion which represents a \$38.7 million or 3.0% increase from the 2015 Council Adopted Budget of \$1.30 billion.

- At the same time, the Council adopted a 2016 property tax levy of \$297.6 million, which results in a 3.4% increase, or \$10.0 million increase, from the 2015 adopted property tax levy. As part of this budget, funds that have accumulated in the General Fund due to a growing economy and fiscal restraint in prior years allows for utilization of fund balance in the amount of \$24.0 million.
- In 2016, City positions grew by 62.5 FTEs and salaries and wages increased by \$13.6 million. Health and dental insurance expenditures are budgeted to increase from \$68.9 million in 2015 to \$72.0 million in 2016. This estimate results from better than anticipated medical renewal rates for 2015 with rate caps for 2016 and 2017, offset by growth in employee headcount, and changes in coverage selections by employees.
- The 2016 budget bolsters public safety by raising the sworn complement of police officers to 862, providing funding for a recruit class and ongoing community service officer classes, and additional civilian personnel to assist in Crime Lab and data analysis. The budget also includes funding for police body cameras and civilian personnel to assist in program implementation. Funding is also included for the EMT Pathways and Community Outreach Explorer programs in the Fire Department which offers leadership development and encourages young and diverse people in Minneapolis public high schools to enter firefighting and emergency services as a career.
- The City's levies for its closed pension funds that merged into the Minnesota State Public Employees' Retirement Association (PERA) remain level at \$27.3 million for 2016. Due to sound financial management, the City does not anticipate a need to bond for pension costs in 2016.
- For 2016 – 2020, the five year capital program totals \$668.9 million including all funding sources. The 2016 portion of the five-year capital program is \$134.8 million which funds accelerated improvements to the City's infrastructure by continuing support for the expanded net debt bond program put in place in 2012.

In the 2016 budget, approximately \$24.0 million has been dedicated to fund items through the CARS process. The majority of items funded reflect deferred maintenance and replacement costs for existing operating capital including technology upgrades.

ECONOMIC OUTLOOK AND TAX TRENDS

In 2015 the City of Minneapolis continued to exhibit solid growth in population, jobs, housing, and commercial construction, which collectively strengthened its already strong economic base and contributed to higher than projected building permit fee revenue and tax base growth. Highlights include:

Job Growth

- As of third quarter 2015 [latest available data*], the City had 317,794 jobs, well above its pre-recession high of 296,000 and the highest quarterly total since at least 1960
- The City also added jobs at a faster annual rate (2.0%) than the 7 county metro area and the state
- The average annual unemployment rates for both the City and the 7-county metro area have been lower than those for the state as a whole and for the nation for most of the last ten years; for 2015, the City's average annual unemployment rate was 3.4%, the same as the metro area, but lower than the state (3.7%) and well below the national unemployment rate (5.3%)
- The City's labor force and number of employed residents have both seen steady gains in the six years since the recession's low point of 2009

*Data Source: MN Department of Employment and Economic Development

Population Growth—This growing employment base, as well as a national demographic trend towards urban living, has contributed to population growth since the 2010 Census. In mid-2015, the Metropolitan Council reported that the City had added 28,695 residents since 2010, for an estimated 2014 population of 411,273 a 7.5% increase. The Council further reported that the City of Minneapolis added more population than any other city in the metro area, and that the four year growth rate of 7.5% was higher than the comparable growth rate of 4.5% for the region as a whole.

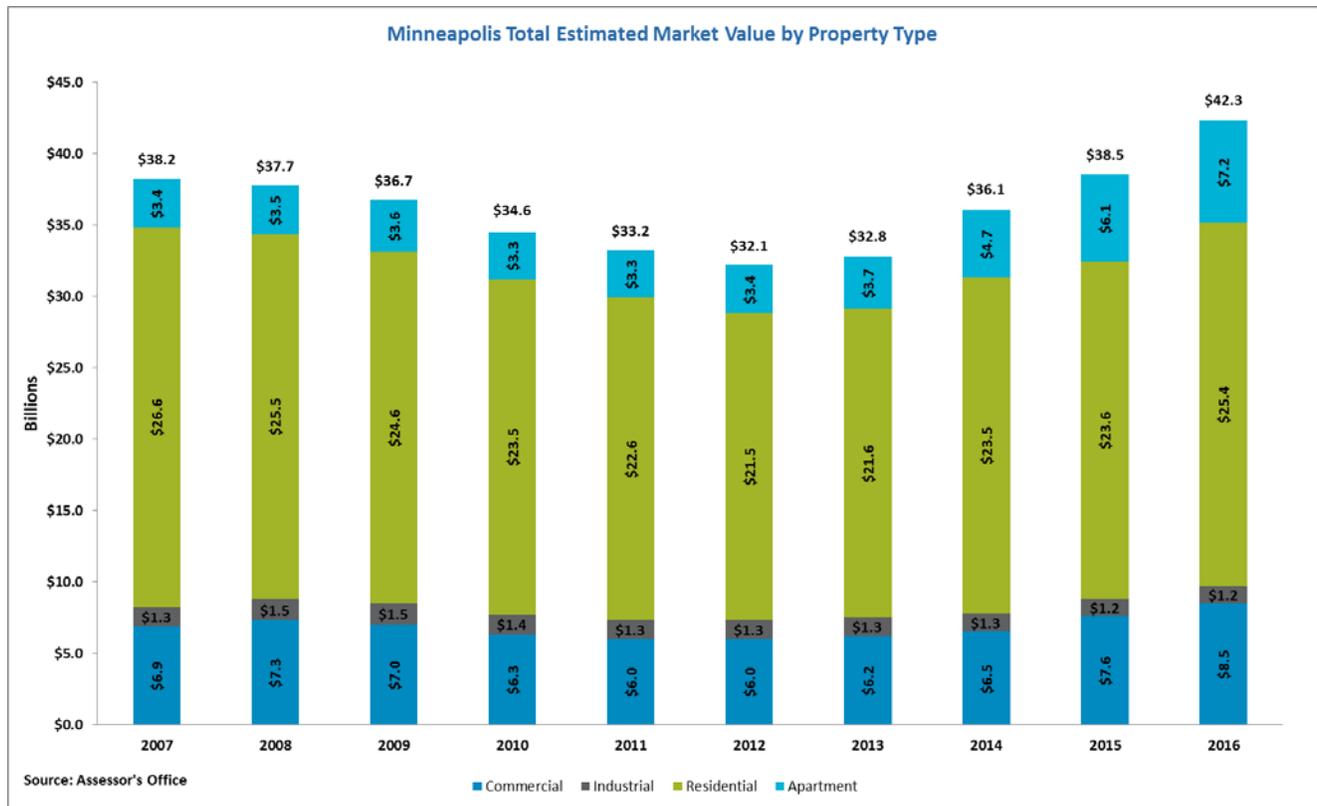
Construction Growth—Total construction value for permits issued in 2015 was \$1.39 billion, the second largest annual volume in the last 15 years, second only to the previous year’s record level of \$2 billion. Hotel development proved to be a trend in 2015 with four new developments and one remodel. Three of the new hotels were located in downtown including the Embassy Suites at 12 6th Street S (\$50.9 million), the Marriot AC Hotel at 401 Hennepin Ave (\$26.6 million), and the Radisson Red at 609 3rd Street S (\$24.0 million) near the new stadium. Additionally, a Hampton Inn & Suites located at 2812 University Avenue SE (\$9.7 million) began construction near the University of Minnesota and the Depot Renaissance Inn located at 300 Washington Ave S began its own expansion (\$10.7 million) not too far from Downtown East for a total of 926 rooms to be added to the city’s hotel allotment.

Housing development also played a big role in 2015 with rental housing leading the way with 17 new apartment projects located throughout the city. The Portland Tower (740 Portland Avenue) also added 113 new condos to downtown for a total of 1,571 new dwelling units added through major developments citywide.

Other major developments over \$1 million included: a new headquarters for Xcel Energy, several mixed use commercial properties and office buildings outside of downtown, and numerous public school remodels. In addition, the City saw continued work on two transformative projects downtown: a new \$1 billion Vikings football stadium and an adjacent \$300 million regional headquarters for Wells Fargo Bank, the first phase of the so-called Downtown East project. Both of these are slated to open in mid-2016. The continuing strong economy and development growth resulted in permit and license revenue exceeding budget expectations by 14%.

Job and population growth have combined to fuel an extraordinary residential building boom, as Minneapolis continued to lead the metro area in housing units permitted. Residential construction decreased in 2015 compared to 2014, but still produced a total of 1,706 new or converted units permitted, higher than the 10 year average.

Citywide Tax Base—As the following chart from the City Assessor indicates, the City’s tax base has more than recovered from the Great Recession and reached a record high water mark on January 2, 2016. Significant components of the tax base are discussed in more detail below.



Residential Tax Base—Approximately two-thirds of the value of the City’s tax base is comprised of residential property. As a result, real estate prices have a direct and significant impact on the City’s overall estimated market value. According to, the Minneapolis Area Association of Realtors, the median residential sales price in 2015 was \$220,000, a 7.3% percent increase from \$205,000 reported in 2014. This is almost equal to the pre-recession peak of \$225,000 in 2006. This recovery in residential value is reflected in the City’s overall market value. Minneapolis’ total market value for residential property in January 2016 is \$25.8 billion dollars.

Commercial Tax Base—Minneapolis maintains the highest concentration of commercial office buildings in the State of Minnesota and therefore is the largest contributor of revenue to the state general property tax on a per city basis. Minneapolis’ 2015 Commercial/Industrial (C/I) tax base is estimated at \$9.7 billion dollars, of which \$5.3 billion resides in the Minneapolis Central Business District (CDB).

The City’s commercial tax base hit a low point in 2012 due to the recession, however since that time the C/I tax base has grown 33.1%. Notable commercial projects making the news in 2015 included: the Be The Match headquarters, which was completed in December, Wells-Fargo Towers, U.S. Bank Stadium, Block E – Mayo Clinic Square, the Xcel Energy headquarters office building, and the speculative office development known as T3. New apartment developments continue to be announced as new apartment buildings hold grand openings. Developers and market analysts believe there is still a lot of room for growth in the apartment market before the sector becomes over-built. Downtown Minneapolis added 732 units in 2015 and looks to add another 772 in 2016. Major residential developments in 2015 included the 13-story Latitude 45 and 251-unit A-Mill Artist Lofts. The U of M area added the 333-unit WaHu which are furnished student rentals, and 259-unit Five15 among others. The Minneapolis neighborhoods outside of Downtown and U of M delivered about 390 units in 2015 with more projected for 2016.

According to a leading office market research and leasing firm, the sale of Class A office buildings at record prices will keep pressure on Class A rental rates, a prime bellwether of downtown commercial values. Here are some of the major building sales in 2015:

Building	Address	Total Sale Price
Fifth Street Towers	100 & 150 5th Street South	\$ 154,000
RSM Plaza	801 Nicollet Avenue	78,350
Canadian Pacific Plaza	120 6th Street South	68,550
Be the Match	524 5th Street North	68,215
Swervo Portfolio	510 Marquette Avenue	87,500
W Hotel (Foshay)	825 Marquette Avenue	86,000
Westin Hotel	88 6th Street South	66,400
7-West Apartments	1800 Washington Avenue South	54,500
The Paxon (Apartments)	360 1st Street North	38,750
412 Lofts (Apartments)	406 12 Avenue Southeast	26,300

Downtown Office Space Vacancy Rate—Commercial vacancy trends are an important economic gauge for municipalities since they track with commercial property values. Several commercial real estate companies compile and report real estate statistics. At the 2016 Annual Market Outlook conference sponsored by the Business Owners and Managers Association (BOMA), the Minneapolis CBD office vacancy rates were reported to have trended downward to 14.3%, which is close to pre-recession levels. Absorption in the office market was occurring at a healthy pace, rental rates were trending upward for prime space and large blocks of vacant space remained in some desirable Class A office buildings.

REQUESTS 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 requests for additional financial information should be addressed to the City’s Finance Officer at The City of Minneapolis, 350 South Fifth Street, Minneapolis, Minnesota 55415. The annual financial report is also available online at www.minneapolismn.gov.



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STATEMENT OF NET POSITION
December 31, 2015

CITY OF MINNEAPOLIS, MINNESOTA
(In Thousands)

	Primary Government				
	Governmental Activities	Business-type Activities	Total	Discrete Component Units	Total
ASSETS					
Cash and cash equivalents	\$ 587,501	\$ 115,713	\$ 703,214	\$ 26,118	\$ 729,332
Investments with trustees	2,187	39,556	41,743	-	41,743
Receivables - net	108,720	25,701	134,421	14,190	148,611
Loans receivable from component unit	2,031	-	2,031	-	2,031
Due from other governmental agencies	44,144	3,326	47,470	1,035	48,505
Capital leases	-	4,035	4,035	-	4,035
Prepays and other assets	742	-	742	283	1,025
Inventories	6,961	4,649	11,610	42	11,652
Internal balances	16,923	(16,923)	-	-	-
Long-term portion of loans and notes receivable	-	330	330	-	330
Long-term portion of loans due from component unit	1,046	-	1,046	-	1,046
Long-term portion of capital lease receivable	-	80,750	80,750	-	80,750
Properties held for resale	42,364	-	42,364	-	42,364
Capital assets:					
Nondepreciable	309,102	179,866	488,968	133,544	622,512
Depreciable, net	911,623	812,310	1,723,933	207,031	1,930,964
Total assets	\$ 2,033,344	\$ 1,249,313	\$ 3,282,657	\$ 382,243	\$ 3,664,900
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows - pensions	\$ 235,651	\$ 40,164	\$ 275,815	\$ 37,309	\$ 313,124
LIABILITIES					
Accrued salaries and benefits	\$ 12,481	\$ 1,192	\$ 13,673	\$ 1,864	\$ 15,537
Accounts payable	37,898	10,174	48,072	5,051	53,123
Interest payable	2,946	1,444	4,390	38	4,428
Unpaid claims payable	-	-	-	4,256	4,256
Loans payable to primary government	-	-	-	2,031	2,031
Fiscal agent liability	-	-	-	11	11
Due to other governmental agencies	20	629	649	-	649
Unearned revenue	12,297	1,354	13,651	646	14,297
Deposits held for others	5,816	6,229	12,045	-	12,045
Compensated absences:					
Due within one year	18,064	895	18,959	2,792	21,751
Due beyond one year	17,182	2,090	19,272	1,914	21,186
Other postemployment benefits - due beyond one year	35,340	1,477	36,817	4,257	41,074
Net pension liability	544,402	67,664	612,066	70,256	682,322
Long-term portion of loan payable					
Due to primary government	-	-	-	1,046	1,046
Long-term interest payable	-	-	-	20	20
Long-term liabilities:					
Due within one year	71,931	23,937	95,868	235	96,103
Due beyond one year	453,986	274,978	728,964	3,308	732,272
Total liabilities	\$ 1,212,363	\$ 392,063	\$ 1,604,426	\$ 97,725	\$ 1,702,151
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows - pensions	\$ 66,206	\$ 5,449	\$ 71,655	\$ 5,110	\$ 76,765
NET POSITION					
Net investment in capital assets	\$ 968,927	\$ 778,150	\$ 1,747,077	\$ 337,916	\$ 2,084,993
Restricted:					
Debt service	26,936	34,856	61,792	-	61,792
Community & economic development	131,673	-	131,673	-	131,673
Law enforcement	1,499	-	1,499	-	1,499
Grants	2,307	-	2,307	-	2,307
Capital improvements	5,889	-	5,889	178	6,067
Project and grant programs	-	-	-	1,901	1,901
Special trust	-	-	-	115	115
Special reserves	-	-	-	5,622	5,622
Unrestricted	(146,805)	78,959	(67,846)	(29,015)	(96,861)
Total net position	\$ 990,426	\$ 891,965	\$ 1,882,391	\$ 316,717	\$ 2,199,108

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

STATEMENT OF ACTIVITIES
For the Fiscal Year Ended December 31, 2015

CITY OF MINNEAPOLIS, MINNESOTA
(In Thousands)

FUNCTIONS/PROGRAMS	Net [Expenses] Revenues and Changes in Net Position									
	Program Revenues					Primary Government				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Discrete Component Units	Total	Total
General government	\$ 97,652	\$ 21,577	\$ 16,111	\$ 4,188	\$ (55,776)	\$ -	\$ (55,776)	\$ -	\$ (55,776)	\$ (55,776)
Public safety	275,495	16,357	35,431	-	(223,707)	-	(223,707)	-	(223,707)	(223,707)
Public works	122,472	26,976	24,714	1,040	(69,742)	-	(69,742)	-	(69,742)	(69,742)
Culture and recreation	4,570	-	-	-	(4,570)	-	(4,570)	-	(4,570)	(4,570)
Health and welfare	23,462	2,506	13,496	-	(7,460)	-	(7,460)	-	(7,460)	(7,460)
Community planning & economic development	192,957	71,117	37,763	-	(84,077)	-	(84,077)	-	(84,077)	(84,077)
Interest on long-term debt	16,329	-	-	-	(16,329)	-	(16,329)	-	(16,329)	(16,329)
Total governmental activities	732,937	138,533	127,515	5,228	(461,661)	-	(461,661)	-	(461,661)	(461,661)
Business-type Activities:										
Sanitary sewer	53,185	60,151	145	-	-	7,111	7,111	-	7,111	7,111
Stormwater	32,331	37,704	2,666	-	-	8,039	8,039	-	8,039	8,039
Water treatment and distribution services	64,973	72,624	1,289	-	-	8,940	8,940	-	8,940	8,940
Municipal parking	49,086	61,052	114	-	-	12,080	12,080	-	12,080	12,080
Solid waste and recycling	34,166	35,494	1,254	-	-	2,582	2,582	-	2,582	2,582
Community planning & economic development	6,684	6,494	-	-	-	(190)	(190)	-	(190)	(190)
Total business-type activities	240,425	273,519	5,468	-	-	38,562	38,562	-	38,562	38,562
Total primary government	\$ 973,362	\$ 412,052	\$ 132,983	\$ 5,228	(461,661)	38,562	(423,099)	-	(423,099)	(423,099)
Component units:										
Discrete component units	\$ 134,712	\$ 42,212	\$ 4,028	\$ 20,312				(68,160)	(68,160)	(68,160)
General Revenues:										
Taxes:										
General property tax and fiscal disparities					238,745	-	238,745	62,906	301,651	301,651
Property tax increment					45,205	-	45,205	-	45,205	45,205
Franchise taxes					30,118	-	30,118	-	30,118	30,118
Local taxes					78,293	-	78,293	-	78,293	78,293
Other taxes					313	-	313	-	313	313
Local government aid - unrestricted					68,022	-	68,022	233	68,255	68,255
Grants and contributions not restricted to programs					-	306	-	9,170	9,170	9,170
Unrestricted interest and investment earnings					3,399	306	3,705	1	3,706	3,706
Other					11,401	21	11,422	88	11,510	11,510
Gain on sale of capital assets					268	-	268	183	451	451
Transfers					14,604	(14,604)	-	-	-	-
Total general revenues and transfers					490,368	(14,277)	476,091	72,581	548,672	548,672
Change in net position					28,707	24,285	52,992	4,421	57,413	57,413
Net position - January 1, restated (see Note 1Q)					961,719	867,680	1,829,399	312,296	2,141,695	2,141,695
Net position - December 31					\$ 990,426	\$ 891,965	\$ 1,882,391	\$ 316,717	\$ 2,199,108	\$ 2,199,108

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

**GOVERNMENTAL FUNDS
BALANCE SHEET
December 31, 2015**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	General	Community Planning and Economic Development	Permanent Improvement	Special Assessment	Non-Major Governmental	Total
<u>ASSETS</u>						
Cash and cash equivalents	\$ 117,626	\$ 165,674	\$ 16,116	\$ 5,055	\$ 138,791	\$ 443,262
Investments with trustees	-	-	-	-	2,187	2,187
Receivables:						
Accounts - net	11,303	296	1,096	-	2,530	15,225
Taxes	3,183	158	22	-	1,367	4,730
Special assessments	529	597	2,812	35,943	1,230	41,111
Intergovernmental	5,225	406	31,544	-	6,969	44,144
Loans - net	-	24,555	-	-	21,225	45,780
Loans due from component unit	-	47	-	-	3,030	3,077
Accrued interest	869	376	44	9	260	1,558
Due from other funds	-	-	-	-	2,500	2,500
Advances to other funds	1,250	2,750	-	-	1,750	5,750
Properties held for resale	-	33,109	-	-	8,822	41,931
Prepaid items	1	-	-	-	-	1
Total assets	\$ 139,986	\$ 227,968	\$ 51,634	\$ 41,007	\$ 190,661	\$ 651,256
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u>						
Liabilities:						
Salaries payable	\$ 10,826	\$ 23	\$ 208	\$ -	\$ 646	\$ 11,703
Accounts payable	16,838	448	6,016	13	7,752	31,067
Intergovernmental payable	-	-	-	-	20	20
Due to other funds	-	-	-	-	2,500	2,500
Deposits held for others	3,169	622	360	-	1,665	5,816
Advances from other funds	-	-	4,000	-	-	4,000
Unearned revenue	9	-	977	-	4,358	5,344
Total liabilities	30,842	1,093	11,561	13	16,941	60,450
Deferred Inflows of Resources:						
Unavailable Revenue	3,153	25,689	33,554	36,271	23,039	121,706
Fund balances:						
Nonspendable	1,251	33,109	-	-	8,822	43,182
Restricted	-	131,673	5,889	4,723	26,019	168,304
Assigned	-	36,404	630	-	115,840	152,874
Unassigned	104,740	-	-	-	-	104,740
Total fund balances	105,991	201,186	6,519	4,723	150,681	469,100
Total liabilities, deferred inflows of resources, and fund balances	\$ 139,986	\$ 227,968	\$ 51,634	\$ 41,007	\$ 190,661	\$ 651,256

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

**Reconciliation of the Governmental Funds Balance Sheet to the
Government-Wide Statement of Net Position - Governmental Activities
December 31, 2015**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

Fund balances - total governmental funds \$ 469,100

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.

Non-depreciable	265,012	
Depreciable	1,517,660	
Accumulated depreciation	(695,008)	1,087,664

Deferred inflows are not available to pay for current-period expenditures and, therefore, in the governmental funds, are unavailable revenue. 121,706

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. 176,051

Receivable from business-type funds for internal service fund activity. 16,923

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.

Bonds and notes payable and any related unamortized premiums/discounts	(457,339)	
Other postemployment benefits payable	(34,575)	
Operating and capital leases payable	(182)	
Bond interest payable	(2,907)	
Compensated absences	(33,364)	(528,367)

The City's net pension liability and related deferred inflows and deferred outflows are recorded only on the government-wide statement of net position. Balances at year end are:

Deferred outflows - pensions	208,462	
Net pension liability	(498,594)	
Deferred inflows - pensions	(62,519)	(352,651)

Net position of governmental activities \$ 990,426

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

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended December 31, 2015**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	General	Community Planning and Economic Development	Permanent Improvement	Special Assessment	Non-Major Governmental	Total
REVENUES:						
Taxes	\$ 267,316	\$ 44,428	\$ 3,740	\$ -	\$ 77,531	\$ 393,015
Licenses and permits	44,317	-	290	-	1,271	45,878
Intergovernmental revenues	82,625	3	18,944	-	59,381	160,953
Charges for services and sales	46,873	4,940	10,258	-	9,538	71,609
Fines and forfeits	6,539	-	-	-	314	6,853
Special assessments	3,202	84	2,105	10,240	10,149	25,780
Investment earnings	1,613	936	114	59	1,181	3,903
Miscellaneous revenues	3,398	9,003	1,184	122	21,760	35,467
Total revenues	<u>455,883</u>	<u>59,394</u>	<u>36,635</u>	<u>10,421</u>	<u>181,125</u>	<u>743,458</u>
EXPENDITURES:						
Current:						
General government	67,160	-	-	-	35,396	102,556
Public safety	235,092	-	-	-	21,889	256,981
Public works	53,019	-	-	-	1,065	54,084
Culture and recreation	2,363	-	-	-	-	2,363
Health and welfare	8,289	-	-	-	12,946	21,235
Community planning & economic development	31,167	40,871	-	-	89,830	161,868
Capital outlay	-	-	76,361	-	-	76,361
Intergovernmental:						
General government	-	-	647	-	-	647
Public safety	-	-	-	-	168	168
Culture and recreation	-	-	2,207	-	-	2,207
Debt Service:						
Principal retirement	-	-	-	14,921	68,950	83,871
Interest and fiscal charges	-	-	-	1,461	14,733	16,194
Bond issuance costs	-	-	-	-	482	482
Payments to refunded bond escrow agents	-	-	-	-	22,753	22,753
Total expenditures	<u>397,090</u>	<u>40,871</u>	<u>79,215</u>	<u>16,382</u>	<u>268,212</u>	<u>801,770</u>
Excess (deficiency) of revenues over (under) expenditures	<u>58,793</u>	<u>18,523</u>	<u>(42,580)</u>	<u>(5,961)</u>	<u>(87,087)</u>	<u>(58,312)</u>
OTHER FINANCING SOURCES (USES):						
Transfers from other funds	4,258	2,423	1,604	439	105,330	114,054
Transfers to other funds	(59,499)	(23,567)	(3,382)	-	(29,495)	(115,943)
Premium (discount)	-	-	-	-	135	135
Refunding bonds issued	-	-	-	-	22,710	22,710
Loans and notes issued	-	-	20,000	-	-	20,000
Total other financing sources (uses)	<u>(55,241)</u>	<u>(21,144)</u>	<u>18,222</u>	<u>439</u>	<u>98,680</u>	<u>40,956</u>
Net change in fund balances	3,552	(2,621)	(24,358)	(5,522)	11,593	(17,356)
Fund balances - January 1	<u>102,439</u>	<u>203,807</u>	<u>30,877</u>	<u>10,245</u>	<u>139,088</u>	<u>486,456</u>
Fund balances - December 31	<u>\$ 105,991</u>	<u>\$ 201,186</u>	<u>\$ 6,519</u>	<u>\$ 4,723</u>	<u>\$ 150,681</u>	<u>\$ 469,100</u>

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

**Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds to the
Statement of Activities - Governmental Activities
For the Fiscal Year Ended December 31, 2015**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

Net increase (decrease) in fund balances - total governmental funds \$ (17,356)

Amounts reported for governmental activities in the statement of activities are different because:

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. 10,866

Transfers from business-type funds for internal service fund activity. (271)

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:	51,930	
Less loss on retirement of capital assets	(179)	
Less current year depreciation	(40,931)	10,820

Revenues not collected for several months after the City's fiscal year ends are not considered "available" revenues and are deferred in the governmental funds. The adjustment between the fund statements and the statement of activities is the increase or decrease in revenue deferred as available.

Deferred inflows of resources - December 31	121,706	
Deferred inflows of resources - January 1	(108,995)	12,711

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position:

Bonds principal payments	83,871	
Bond proceeds	(22,710)	
Loans and notes proceeds	(20,000)	
Premium/discount	(135)	41,026

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	(135)	
Change in other postemployment benefits payable	(2,610)	
Change in compensated absences	(1,002)	
Change in net pension liability	(50,294)	
Change in other long-term liabilities	24,952	(29,089)

Increase (decrease) in net position of governmental activities \$ 28,707

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

PROPRIETARY FUNDS
STATEMENT OF NET POSITION
December 31, 2015

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Business-type Activities - Enterprise Funds						Total	Governmental
	Sanitary Sewer	Stormwater	Water Treatment and Distribution Services	Municipal Parking	Solid Waste and Recycling	Community Planning and Economic Development		Internal Service Funds
ASSETS								
Current assets:								
Cash and cash equivalents	\$ 12,422	\$ 35,862	\$ 30,084	\$ 13,957	\$ 22,568	\$ 820	\$ 115,713	\$ 144,239
Investments with trustees	-	-	-	-	-	39,556	39,556	-
Receivables:								
Accounts - net	3,934	3,327	4,646	926	3,261	76	16,170	316
Special assessments:								
Current	113	224	1,113	58	133	-	1,641	-
Delinquent	23	51	122	7	29	-	232	-
Deferred	-	-	1,376	5,978	-	-	7,354	-
Intergovernmental	-	334	653	2,308	31	-	3,326	-
Loans	-	-	-	-	-	50	50	-
Accrued interest	-	-	-	-	-	254	254	-
Capital leases	-	-	-	-	-	4,035	4,035	-
Due from other funds	-	-	-	-	-	-	-	385
Inventories	-	-	2,660	-	1,989	-	4,649	6,961
Properties held for resale	-	-	-	-	-	-	-	433
Prepaid items	-	-	-	-	-	-	-	741
Total current assets	<u>16,492</u>	<u>39,798</u>	<u>40,654</u>	<u>23,234</u>	<u>28,011</u>	<u>44,791</u>	<u>192,980</u>	<u>153,075</u>
Long-term assets:								
Receivables:								
Loans	-	-	-	-	-	330	330	-
Capital leases	-	-	-	-	-	80,750	80,750	-
Capital assets:								
Nondepreciable:								
Land and easements	1	7,211	2,993	112,452	1,877	3,848	128,382	23,007
Construction in progress	11,240	18,527	17,532	1,932	2,253	-	51,484	21,083
Depreciable:								
Buildings and structures	-	-	231,949	284,077	2,047	12,743	530,816	55,650
Less accumulated depreciation	-	-	(79,187)	(130,643)	(2,041)	(11,846)	(223,717)	(31,278)
Public improvements	162,520	382,159	175,538	7,654	-	-	727,871	9,641
Less accumulated depreciation	(61,664)	(113,639)	(77,723)	(1,506)	-	-	(254,532)	(3,910)
Machinery and equipment	1,515	1,622	38,901	5,003	14,662	347	62,050	99,840
Less accumulated depreciation	(1,266)	(1,488)	(13,038)	(4,627)	(9,577)	(347)	(30,343)	(64,612)
Computer equipment	10	193	270	1,041	178	-	1,692	70,598
Less accumulated depreciation	(10)	(193)	(105)	(1,041)	(178)	-	(1,527)	(65,927)
Software	-	1,488	269	130	955	-	2,842	52,149
Less accumulated depreciation	-	(1,488)	(269)	(130)	(955)	-	(2,842)	(33,180)
Other capital outlay	-	-	19	15	-	-	34	51
Less accumulated depreciation	-	-	(19)	(15)	-	-	(34)	(51)
Total long - term assets	<u>112,346</u>	<u>294,392</u>	<u>297,130</u>	<u>274,342</u>	<u>9,221</u>	<u>85,825</u>	<u>1,073,256</u>	<u>133,061</u>
Total assets	<u>\$ 128,838</u>	<u>\$ 334,190</u>	<u>\$ 337,784</u>	<u>\$ 297,576</u>	<u>\$ 37,232</u>	<u>\$ 130,616</u>	<u>\$ 1,266,236</u>	<u>\$ 286,136</u>
DEFERRED OUTFLOWS OF RESOURCES								
Deferred outflows - pensions	\$ 4,402	\$ 7,351	\$ 15,522	\$ 3,685	\$ 9,204	\$ -	\$ 40,164	\$ 27,189

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

PROPRIETARY FUNDS
STATEMENT OF NET POSITION
December 31, 2015

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

	Business-type Activities - Enterprise Funds						Total	Governmental
	Sanitary Sewer	Stormwater	Water Treatment and Distribution Services	Municipal Parking	Solid Waste and Recycling	Community Planning and Economic Development		Internal Service Funds
LIABILITIES								
Current liabilities:								
Salaries payable	\$ 121	\$ 234	\$ 486	\$ 104	\$ 244	\$ 3	\$ 1,192	\$ 778
Accounts payable	1,246	712	3,485	3,440	1,212	79	10,174	6,831
Intergovernmental payable	-	-	-	52	577	-	629	-
Due to other funds	-	-	-	-	-	-	-	385
Deposits held for others	-	-	121	1,887	-	4,221	6,229	-
Interest payable	11	8	786	243	-	396	1,444	39
Unearned revenue	-	87	-	-	-	1,267	1,354	6,953
Bonds payable - current portion	2,000	2,553	5,030	4,594	-	4,035	18,212	3,035
Notes payable - current portion	-	-	4,350	1,375	-	-	5,725	-
Compensated absences payable - current portion	98	173	366	71	185	2	895	565
Unpaid claims payable - current portion	-	-	-	-	-	-	-	11,595
Total current liabilities	<u>3,476</u>	<u>3,767</u>	<u>14,624</u>	<u>11,766</u>	<u>2,218</u>	<u>10,003</u>	<u>45,854</u>	<u>30,181</u>
Long-term liabilities:								
Bonds payable	\$ 3,923	\$ -	\$ 17,073	\$ 64,537	\$ -	\$ 80,755	\$ 166,288	\$ 13,388
Advances from other funds	-	-	-	-	-	-	-	1,750
Notes payable	-	-	71,520	37,170	-	-	108,690	-
Compensated absences payable	230	404	854	165	431	6	2,090	1,317
Other postemployment benefits	130	212	624	167	344	-	1,477	765
Net pension liability	7,416	12,383	26,150	6,209	15,506	-	67,664	45,808
Unpaid claims payable	-	-	-	-	-	-	-	40,378
Total long-term liabilities	<u>11,699</u>	<u>12,999</u>	<u>116,221</u>	<u>108,248</u>	<u>16,281</u>	<u>80,761</u>	<u>346,209</u>	<u>103,406</u>
Total liabilities	<u>\$ 15,175</u>	<u>\$ 16,766</u>	<u>\$ 130,845</u>	<u>\$ 120,014</u>	<u>\$ 18,499</u>	<u>\$ 90,764</u>	<u>\$ 392,063</u>	<u>\$ 133,587</u>
DEFERRED INFLOWS OF RESOURCES								
Deferred inflows - pensions	<u>\$ 597</u>	<u>\$ 997</u>	<u>\$ 2,106</u>	<u>\$ 500</u>	<u>\$ 1,249</u>	<u>\$ -</u>	<u>\$ 5,449</u>	<u>\$ 3,687</u>
NET POSITION								
Net investment in capital assets	\$ 106,521	\$ 291,840	\$ 199,158	\$ 166,665	\$ 9,221	\$ 4,745	\$ 778,150	\$ 117,451
Restricted - debt service	-	-	-	-	-	34,856	34,856	-
Unrestricted	10,947	31,938	21,197	14,082	17,467	251	95,882	58,600
Total net position	<u>\$ 117,468</u>	<u>\$ 323,778</u>	<u>\$ 220,355</u>	<u>\$ 180,747</u>	<u>\$ 26,688</u>	<u>\$ 39,852</u>	<u>\$ 908,888</u>	<u>\$ 176,051</u>
Net position - total enterprise funds							\$ 908,888	
Some amounts reported for business-type activities in the statement of net position are different because certain internal service fund assets and liabilities are included with business-type activities.							(16,923)	
Net position of business-type activities							<u>\$ 891,965</u>	

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

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
For the Fiscal Year Ended December 31, 2015

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Business-type Activities - Enterprise Funds						Total	Governmental
	Sanitary Sewer	Stormwater	Water Treatment and Distribution Services	Municipal Parking	Solid Waste and Recycling	Community Planning and Economic Development		Internal Service Funds
Operating revenues:								
Licenses and permits	\$ 81	\$ -	\$ 89	\$ 386	\$ -	\$ -	\$ 556	\$ -
Intergovernmental revenues	-	1,326	-	-	-	-	1,326	-
Charges for services and sales	60,132	37,704	72,658	60,702	35,500	1,522	268,218	95,362
Fines and forfeits	-	-	-	-	-	-	-	28
Special assessments	119	235	345	-	232	-	931	-
Interest	-	-	-	-	-	4,972	4,972	-
Rents and commissions	-	-	-	10	-	-	10	29,177
Total operating revenues	60,332	39,265	73,092	61,098	35,732	6,494	276,013	124,567
Operating expenses:								
Personnel costs	5,775	9,981	22,676	5,073	13,333	128	56,966	44,002
Contractual services	13,475	13,702	20,493	33,008	17,563	1,211	99,452	52,362
Materials, supplies, services and other	36,995	4,173	12,102	2,520	2,698	17	58,505	15,688
Depreciation	1,522	4,339	10,615	6,456	976	348	24,256	12,516
Total operating expenses	57,767	32,195	65,886	47,057	34,570	1,704	239,179	124,568
Operating income (loss)	2,565	7,070	7,206	14,041	1,162	4,790	36,834	(1)
Nonoperating revenues (expenses):								
Intergovernmental	26	1,105	-	-	1,022	-	2,153	-
Interest revenue	-	-	-	-	-	306	306	-
Interest expense	(113)	(136)	(2,535)	(2,415)	-	(4,980)	(10,179)	(451)
Gain (loss) on disposal of capital assets	-	-	-	-	-	-	-	228
Special assessments	-	-	944	114	-	-	1,058	-
Other revenues	-	-	7	14	-	-	21	3,022
Total nonoperating revenues (expenses)	(87)	969	(1,584)	(2,287)	1,022	(4,674)	(6,641)	2,799
Income (loss) before transfers	2,478	8,039	5,622	11,754	2,184	116	30,193	2,798
Transfers in (out):								
Transfers from other funds	-	-	1,390	525	471	693	3,079	10,682
Transfers to other funds	(1,285)	(110)	-	(7,863)	-	-	(9,258)	(2,614)
Total transfers	(1,285)	(110)	1,390	(7,338)	471	693	(6,179)	8,068
Change in net position	1,193	7,929	7,012	4,416	2,655	809	24,014	10,866
Net position - January 1, as restated (see Note 1)	116,275	315,849	213,343	176,331	24,033	39,043	884,874	165,185
Net position - December 31	\$ 117,468	\$ 323,778	\$ 220,355	\$ 180,747	\$ 26,688	\$ 39,852	\$ 908,888	\$ 176,051

Change in net position - total enterprise funds \$ 24,014

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.

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Change in net position of business-type activities \$ 24,285

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, 2015

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Business-type Activities - Enterprise Funds						Governmental Activities	
	Sanitary Sewer	Stormwater	Water Treatment and Distribution Services	Municipal Parking	Solid Waste and Recycling	Community Planning and Economic Development	Total	Internal Service Funds
Cash flows from operating activities:								
Cash received from customers	\$ 60,488	\$ 38,115	\$ 72,664	\$ 60,130	\$ 35,342	\$ 11,993	\$ 278,732	\$ 591
Intergovernmental receipts	-	1,324	-	-	-	-	1,324	-
Cash received from interfund activities	44	65	356	866	6	-	1,337	121,178
Contribution (withdrawal from developer)	-	-	-	-	-	(2,951)	(2,951)	-
Payments to suppliers	(43,231)	(5,594)	(19,365)	(30,749)	(16,357)	(1,242)	(116,538)	(58,679)
Payments to employees	(4,562)	(7,861)	(18,620)	(4,027)	(10,963)	(137)	(46,170)	(36,408)
Payments for interfund activities	(6,386)	(12,759)	(11,880)	(5,317)	(4,616)	-	(40,958)	(9,033)
Other nonoperating revenues	-	-	7	14	-	-	21	3,022
Net cash provided (used) by operating activities	6,353	13,290	23,162	20,917	3,412	7,663	74,797	20,671
Cash flows from non-capital financing activities:								
Subsidies from federal and local grants	-	-	66	-	-	-	66	-
Transfers from other funds	-	-	1,390	525	471	693	3,079	10,682
Repayment of advances from other funds	-	-	-	-	-	-	-	(1,500)
Principal paid on bonds and notes	-	-	-	-	-	(5,310)	(5,310)	-
Interest paid on bonds and notes	-	-	-	-	-	(5,002)	(5,002)	-
Transfers to other funds	(1,285)	(110)	-	(7,863)	-	-	(9,258)	(2,614)
Intergovernmental	26	1,105	-	-	1,022	-	2,153	-
Net cash provided (used) by non-capital financing activities	(1,259)	995	1,456	(7,338)	1,493	(9,619)	(14,272)	6,568
Cash Flows from capital and related financing activities:								
Principal paid on bonds	(3,500)	(2,236)	(4,294)	(5,335)	-	-	(15,365)	(5,625)
Interest paid on bonds	(320)	(794)	(1,027)	(3,237)	-	-	(5,378)	(666)
Principal paid on notes	-	-	(4,360)	(105)	-	-	(4,465)	-
Interest paid on notes	-	-	(2,094)	(226)	-	-	(2,320)	-
Capital contributions	-	-	202	-	-	-	202	-
Special assessments	-	-	944	602	-	-	1,546	-
Acquisition and construction of capital assets	(7,972)	(10,354)	(9,038)	(1,819)	(2,257)	-	(31,440)	(26,491)
Proceeds from sale of capital assets	-	-	-	-	191	-	191	429
Net cash provided (used) by capital and related financing activities	(11,792)	(13,384)	(19,667)	(10,120)	(2,066)	-	(57,029)	(32,353)
Cash flows from investing activities:								
Purchase of investments	-	-	-	-	-	(18,131)	(18,131)	-
Sale of investments	-	-	-	-	-	20,555	20,555	-
Interest	-	-	-	-	-	337	337	-
Net cash provided (used) by investing activities	-	-	-	-	-	2,761	2,761	-
Net increase (decrease) in cash and cash equivalents	(6,698)	901	4,951	3,459	2,839	805	6,257	(5,114)
Cash and cash equivalents, beginning of year	19,120	34,961	25,133	10,498	19,729	15	109,456	149,353
Cash and cash equivalents, end of year	\$ 12,422	\$ 35,862	\$ 30,084	\$ 13,957	\$ 22,568	\$ 820	\$ 115,713	\$ 144,239
Reconciliation of operating income to net cash provided (used) by operating activities								
Operating income (loss)	\$ 2,565	\$ 7,070	\$ 7,206	\$ 14,041	\$ 1,162	\$ 4,790	\$ 36,834	\$ (1)
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:								
Depreciation	1,522	4,339	10,615	6,456	976	348	24,256	12,516
Accounts receivable - net	119	51	105	2,188	(387)	(19)	2,057	(223)
Intergovernmental receivable	38	(2)	-	(2,308)	(4)	-	(2,276)	1
Loans receivable	-	-	-	-	-	53	53	-
Special assessments receivable	44	103	(207)	-	8	-	(52)	-
Capital leases receivable	-	-	-	-	-	5,310	5,310	-
Inventories	-	-	399	-	(546)	-	(147)	(461)
Prepaid items	-	-	-	-	-	-	-	33
Deferred outflows - pensions	(3,971)	(6,631)	(14,001)	(3,324)	(8,302)	-	(36,229)	(24,526)
Salaries payable	(6)	12	(43)	1	(22)	(1)	(59)	(13)
Accounts payable	853	(478)	951	(590)	(409)	(14)	313	(1,253)
Intergovernmental payable	-	-	-	52	242	-	294	-
Deposits held for others	-	-	28	18	-	(3,005)	(2,959)	-
Unearned revenue	-	87	-	-	-	209	296	(2,677)
Compensated absences payable	35	98	(5)	18	13	(8)	151	179
Other postemployment benefits	(120)	(166)	(492)	(65)	(348)	-	(1,191)	(626)
Net pension liability	4,677	7,810	16,493	3,916	9,780	-	42,676	28,890
Unpaid claims payable	-	-	-	-	-	-	-	2,123
Deferred inflows - pensions	597	997	2,106	500	1,249	-	5,449	3,687
Other nonoperating revenues	-	-	7	14	-	-	21	3,022
Net cash provided (used) by operating activities	\$ 6,353	\$ 13,290	\$ 23,162	\$ 20,917	\$ 3,412	\$ 7,663	\$ 74,797	\$ 20,671
Non-cash investing, capital and financing activities:								
Capitalization of interest on construction in progress	\$ 59	\$ 136	\$ 211	\$ 40	\$ -	\$ -	\$ 446	\$ -
Increase (decrease) in the value of investments reported at fair value	-	-	-	-	-	393	393	-
Loss on disposal of capital assets	-	-	-	-	-	-	-	(201)

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

**STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 December 31, 2015**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 1,267
Receivables:	
Accounts - net	<u>298</u>
Total assets	<u>\$ 1,565</u>
<u>LIABILITIES</u>	
Accounts payable	\$ 1,291
Intergovernmental payable	<u>274</u>
Total liabilities	<u>\$ 1,565</u>

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

**COMBINING STATEMENT OF NET POSITION
DISCRETE COMPONENT UNITS
December 31, 2015**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Minneapolis Park and Recreation Board	Municipal Building Commission	Meet Minneapolis	Minneapolis Telecommunications Network	Total Discrete Component Units
ASSETS					
Cash and investments	\$ 22,063	\$ 1,977	\$ 1,951	\$ 127	\$ 26,118
Receivables - net	12,901	-	1,284	5	14,190
Due from other governmental agencies	-	1,035	-	-	1,035
Prepays and other assets	60	-	156	67	283
Inventories	42	-	-	-	42
Capital assets:					
Nondepreciable	121,530	12,014	-	-	133,544
Depreciable, net	193,625	11,650	1,538	218	207,031
Total assets	<u>\$ 350,221</u>	<u>\$ 26,676</u>	<u>\$ 4,929</u>	<u>\$ 417</u>	<u>\$ 382,243</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows - pensions	<u>\$ 36,454</u>	<u>\$ 855</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,309</u>
LIABILITIES					
Accrued salaries and benefits	\$ 1,087	\$ 112	\$ 644	\$ 21	\$ 1,864
Accounts payable	3,702	942	406	1	5,051
Interest payable	-	-	38	-	38
Unpaid claims payable	4,256	-	-	-	4,256
Loans payable to primary government	-	-	2,020	11	2,031
Fiscal agent liability	-	-	-	11	11
Unearned revenue	190	-	456	-	646
Compensated absences:					
Due within one year	2,631	161	-	-	2,792
Due beyond one year	1,863	51	-	-	1,914
Other postemployment benefits - due beyond one year	3,921	336	-	-	4,257
Net pension liability	65,747	4,509	-	-	70,256
Long-term portion of loan payable -					
Due to primary government	-	-	1,010	36	1,046
Long-term interest payable	20	-	-	-	20
Long - term liabilities:					
Due within one year	52	-	171	12	235
Due beyond one year	2,271	-	1,000	37	3,308
Total liabilities	<u>\$ 85,740</u>	<u>\$ 6,111</u>	<u>\$ 5,745</u>	<u>\$ 129</u>	<u>\$ 97,725</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows - pensions	<u>\$ 3,706</u>	<u>\$ 1,404</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,110</u>
NET POSITION					
Net investment in capital assets	\$ 312,832	\$ 23,664	\$ 1,202	\$ 218	\$ 337,916
Restricted					
Capital improvements	178	-	-	-	178
Project and grant programs	1,894	-	-	7	1,901
Special trust	115	-	-	-	115
Special reserves	5,622	-	-	-	5,622
Unrestricted	(23,412)	(3,648)	(2,018)	63	(29,015)
Total net position	<u>\$ 297,229</u>	<u>\$ 20,016</u>	<u>\$ (816)</u>	<u>\$ 288</u>	<u>\$ 316,717</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, 2015

CITY OF MINNEAPOLIS, MINNESOTA
(In Thousands)

FUNCTIONS/PROGRAMS	Program Revenues			Net (Expenses) Revenues and Changes in Net Position					Total Discrete Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Minneapolis Park and Recreation Board	Municipal Building Commission	Meet Minneapolis	Minneapolis Telecommunications Network	
Minneapolis Park and Recreation Board	\$ 111,837	\$ 20,992	\$ 4,028	\$ 18,844	\$ (67,973)	\$ -	\$ -	\$ -	\$ (67,973)
Municipal Building Commission	11,563	8,232	-	1,468	-	(1,863)	-	-	(1,863)
Meet Minneapolis	10,677	12,417	-	-	-	-	1,740	-	1,740
Minneapolis Telecommunications Network	635	571	-	-	-	-	-	(64)	(64)
Total discrete component unit activities	\$ 134,712	\$ 42,212	\$ 4,028	\$ 20,312	\$ (67,973)	\$ (1,863)	\$ 1,740	\$ (64)	\$ (68,160)
General Revenues:									
Taxes:									
General property tax and fiscal disparities					62,906				62,906
Local government aid - unrestricted					-	233			233
Grants and contributions not restricted to specific programs					9,170				9,170
Unrestricted interest and investment earnings					1				1
Other					-	75	13		88
Gain on sale of capital assets					183				183
Total general revenues					72,260	308	13		72,581
Change in net position					4,287	(1,555)	1,753	(64)	4,421
Net position - January 1, restated (see Note 1)					292,942	21,571	(2,569)	352	312,296
Net position - December 31					\$ 297,229	\$ 20,016	\$ (816)	\$ 288	\$ 316,717

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



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For the fiscal year ended December 31, 2015

(Dollar Amounts Expressed in Thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A – Reporting Entity

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

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

Blended Component Unit

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

▪ Board of Estimate and Taxation

The Board of Estimate and Taxation (BET) is established under Chapter 15 of the City Charter. It is composed of seven members, two of whom are elected by voters of the City. The Mayor, or the Mayor's appointee, the President of the City Council, and the Chair of the City Council's Ways and Means/Budget Committee are ex-officio members of the board. The Minneapolis Park and Recreation Board annually selects one of its members to serve on the Board of Estimate and Taxation. By action of the City Council, or such other governing board of a department requesting the sale of bonds, the Board of Estimate and Taxation may vote to incur indebtedness and issue and sell bonds and pledge the full faith and credit of the City for payment of principal and interest. The Board of Estimate and Taxation also establishes the maximum property tax levies for most City funds. Also, the City has operational responsibility over the BET. It is these criteria that results in the BET being reported as a blended component unit.

Discretely Presented Component Units

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

▪ Minneapolis Park and Recreation Board

The Minneapolis Park and Recreation Board (Park Board) was established according to Chapter 16 of the City Charter. The nine-member board is elected by the voters of the City and is responsible for developing and

For the fiscal year ended December 31, 2015

(Dollar Amounts Expressed in Thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**A – Reporting Entity****Discretely Presented Component Units****▪ Minneapolis Park and Recreation Board (continued)**

maintaining parkland and parkways as well as planting and maintaining the City's boulevard trees. Also, the City has no operational responsibility over the Park Board. It is these criteria that result in the Park Board being reported as a discrete component unit. The Mayor recommends the tax levies and budget for the Park Board, and the City Council and Mayor approve the allocation of the state's local government aid for Park Board operations. All Park Board actions are submitted to the Mayor and a mayoral veto may be overridden by a vote of two thirds of the members of the Park Board. The Board of Estimate and Taxation approves the maximum property tax levy for the Park Board, and the full faith and credit of the City secures debt issued for Park Board projects. The City Finance Officer acts as Treasurer of the Park Board. 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. It is this criterion that results in the MBC being reported as a discretely presented component unit. The Mayor recommends the tax levy and budget for the City's share of the MBC's operations and the City Council and Mayor approve the allocation of the state's local governmental aid to the MBC. The MBC does not issue separate financial statements.

▪ Meet Minneapolis

Greater Minneapolis Convention and Visitors Association (d.b.a. Meet Minneapolis) was incorporated on July 29, 1987. 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 a majority of its funding through annual contracts with the City and the state of Minnesota. The Association is a nonprofit corporation under Section 501 (c) (6) of the Internal Revenue Code. Management also has no operational responsibility over Meet Minneapolis. Based on its relationship with the City, it would be misleading to exclude Meet Minneapolis as a component unit. It is this criterion that results in Meet Minneapolis being reported as a discretely presented component unit. Complete financial statements for Meet Minneapolis can be obtained from Meet Minneapolis at 250 Marquette Avenue South, Suite 1300, Minneapolis, Minnesota 55401.

▪ Minneapolis Telecommunications Network

The Minneapolis Telecommunications Network (MTN) is a non-profit corporation organized by the City in 1983 under Minnesota Statutes, Chapter 317. Minneapolis Telecommunications Network provides public access media programming to residents of the City as well as providing media production training. Support for MTN comes from Public, Education, and Government (PEG) fees collected as part of agreements between the City and cable service providers. These agreements require cable companies to provide support for public, educational, and government access TV channels. The City Council and Mayor appoint the nine members of the board. There are up to three ex-officio members representing the City of Minneapolis, Comcast Cable, and the Minneapolis Public Schools. The City

For the fiscal year ended December 31, 2015

(Dollar Amounts Expressed in Thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**A – Reporting Entity****Discretely Presented Component Units****▪ Minneapolis Telecommunications Network (continued)**

provides a majority of the organization's funding through annual contracts. It is these criteria that result in MTN being reported as a discretely presented component unit. Complete financial statements for the MTN can be obtained from the Minneapolis Telecommunications Network at 1620 Central Avenue Suite 175, Minneapolis, Minnesota, 55413-1674.

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:

▪ Minnesota Sports Facilities Authority

On May 14, 2012 Governor Mark Dayton signed into law a stadium bill which provides for construction and operation of a new National Football League stadium to be located on the former site of the Metrodome. The bill established a new Minnesota Sports Facilities Authority (MSFA) and required that members be appointed within 30 days. The bill also required the Metropolitan Sports Facilities Commission (MSFC) transfer its assets, liabilities, and obligations to the MSFA within 90 days and then abolish the MFSC. The City is obligated to provide funding to build and maintain the new stadium. The MSFA is charged with the design, construction and operation of the new multi-purpose stadium. The MSFA consists of five members. Three authority members, including the chair, are appointed by the governor. Two authority members are appointed by the City of Minneapolis. Complete financial statements for the MFSFA can be obtained from the Minnesota Sports Facilities Authority at 900 South Fifth Street, Minneapolis, Minnesota, 55415-1903.

▪ Minneapolis Public Housing Authority

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

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.

For the fiscal year ended December 31, 2015

(Dollar Amounts Expressed in Thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**A – Reporting Entity (continued)****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-Duluth/Superior Passenger Rail Alliance

The Minneapolis-Duluth/Superior Passenger Rail Alliance was established under a joint powers agreement between Anoka County, Hennepin County, Isanti County, Pine County, St. Louis and Lakes Counties Regional Railroad Authority, City of Duluth, City of Minneapolis, and Douglas County (Wisconsin) to explore options for the development of rail transportation between the Twin Cities and Duluth Superior metropolitan areas. The nine-member board consists of one elected official selected by each party in the Alliance as well as a member of the Mille Lacs Band of Ojibwe. Each party also appoints an alternate member. The City of Minneapolis pays an annual membership fee to the Alliance to cover the costs of activities. The percentage share of the City in the Alliance's assets, liabilities, and equity cannot be determined at fiscal year-end. St. Louis and Lake Counties Regional Railroad Authority serves as the fiscal agent. Complete financial statements for the Minneapolis-Duluth/Superior Passenger Rail Alliance can be obtained from the St. Louis and Lakes Counties Regional Railroad Authority at 111 Station 44 Road, Eveleth, MN 55734.

▪ 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 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 330 2nd Avenue South, Room 540, Minneapolis, Minnesota 55401.

For the fiscal year ended December 31, 2015

(Dollar Amounts Expressed in Thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**A – Reporting Entity****Joint Ventures (continued)****▪ Metropolitan Emergency Services Board**

The Metropolitan Emergency Services Board (MESB) was established by a joint powers agreement pursuant to Minn. Stat. sec. 471.59 between the Counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington, and the City of Minneapolis, for the implementation and administration of a regional 911 system. Chisago County entered this agreement effective October 1, 2006. Isanti County later joined the joint powers agreement effective January 1, 2010.

There is a financial obligation if MESB incurs any liability for damages arising from any of its activities under the joint powers agreement. There is a formula to assess the participants in the agreement.

Current financial statements of the Metropolitan Emergency Services Board are available at the 911 Board Office, 2099 University Avenue, West Saint Paul, Minnesota 55104-3431.

▪ Mississippi Watershed Management Organization

The Mississippi Watershed Management Organization (MWMO) encompasses 25,543 acres (39.9 square miles) of fully-developed urban lands and waters within the Minneapolis—Saint Paul metropolitan core area. The original members included the cities of Falcon Heights, Lauderdale, Minneapolis, Saint Anthony Village and Saint Paul, the Minneapolis Park and Recreation Board and the University of Minnesota. The cities of Columbia Heights, Fridley and Hilltop became members of the MWMO in July 2012. These entities entered into a new, revised joint and cooperative agreement (i.e., Joint Powers Agreement under MS Section 471.59) that now form the MWMO.

Current financial statements of the Mississippi Watershed Management Organization are available at the MWMO Stormwater Park and Learning Center, 2522 Marshall St. NE, Minneapolis, MN 55418-3329.

▪ Shingle Creek Watershed Management Commission

The City is one of nine member cities of the Shingle Creek Watershed Management Commission (SCWMC), a joint powers organization formed to assist its members' preservation and use of natural water storage and retention systems. The nine cities with land in the Shingle Creek watershed entered into Joint Powers Agreement to form the Shingle Creek Water Management Organization, governed by a citizen Commission with one representative from each city. In addition to Minneapolis, the other participating cities are Brooklyn Center, Brooklyn Park, Crystal, Maple Grove, New Hope, Osseo, Plymouth, and Robbinsdale.

Current financial statements of the Shingle Creek Watershed Management Organization are available by contacting them at 3235 Fernbrook Lane N, Plymouth, MN 55447.

For the fiscal year ended December 31, 2015

(Dollar Amounts Expressed in Thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**A – Reporting Entity****Joint Ventures (continued)****▪ Basset Creek Watershed Management Commission**

The City is one of nine member cities of the Basset Creek Watershed Management Commission (BCWMC), a joint powers organization formed to assist its members' preservation and use of natural water storage and retention systems. Each member city is entitled to appoint one representative to BCWMC board. The nine-member board develops a budget for the year each July 1. Each member City contributes funds to cover the budgeted costs of operations based half on the assessed valuation of all taxable property, and half on the total area each member city has within the boundaries of the watershed. Any capital costs incurred by the BCWMC are apportioned to the members based half on the real property valuation of each member city within the watershed, and half on the total area each member city has within the boundaries of the watershed.

Current financial statements of the Basset Creek Watershed Management Commission are available on their website at www.bassettcreekwmo.org

B – Basis of Presentation**Government-Wide Financial Statements**

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

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

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

For the fiscal year ended December 31, 2015

(Dollar Amounts Expressed in Thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**B – Basis of Presentation (continued)****Fund Financial Statements**

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

The fund financial statements provide information about the City's funds. The City's funds include fiduciary funds and a blended component unit; the Board of Estimate and Taxation, a non-major special revenue fund. 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. Unearned revenue is reported in the governmental funds and government-wide financial statements in connection with resources that have been received but not earned. Tax revenues are recognized in the year for which the taxes are levied. Property tax levies are approved and certified to the County in December prior to the year collectible. The County acts as a collection agency. Such tax levies constitute a lien on the property on January 1st of the year collectible. Taxes are payable to the County in two installments by the fifteenth day of May and the fifteenth day of October. City property taxes are recognized as revenues when they become measurable and available to finance expenditures of the current period.

Major revenues that are determined to be susceptible to accrual include property taxes, special assessments, grants-in-aid, intergovernmental revenues, rentals, and intra-city charges. Interest on investments, short-term notes and loans receivable are accrued; interest on special assessments receivable is not accrued. Major revenues that are determined not to be susceptible to accrual because they are not available soon enough to pay liabilities of the current period or are not objectively measurable include delinquent property taxes and assessments, licenses, permits, fines and forfeitures. Issuances of long-term debt and acquisitions under capital leases are reported as other financing sources in governmental fund financial statements.

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. Compensated absences are considered expenditures when paid to employees.

The accounting and reporting treatment applied to the assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with a fund are determined by its measurement focus. All governmental funds are

For the fiscal year ended December 31, 2015

(Dollar Amounts Expressed in Thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**B – Basis of Presentation****Governmental Funds (continued)**

accounted for on a spending, or "financial flow," measurement focus. This means that only current assets, deferred outflows of resources, current liabilities and deferred inflows of resources, as defined by GAAP, are generally included on the balance sheets. Reported fund balance (net current assets and deferred outflows of resources) is considered a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing

sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, governmental funds are said to present a summary of sources and uses of "available spendable resources" during a period.

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

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

The City reports the following major governmental funds:

▪ General Fund

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

▪ Special Revenue Fund – Community Planning and Economic Development

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

▪ Capital Project Fund – Permanent Improvement

This fund is used to account for capital acquisition, construction and improvement projects including bridge construction, sidewalk construction, street construction, the Heritage Park Project, infrastructure projects and property services capital projects.

▪ Debt Service Fund – Special Assessment

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

Proprietary Funds

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

For the fiscal year ended December 31, 2015

(Dollar Amounts Expressed in Thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**B – Basis of Presentation****Proprietary Funds (continued)**

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

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

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 during the construction phase of capital assets against interest earned on invested proceeds over the same period.

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

Enterprise Funds

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

The City reports the following major enterprise funds:

- **Sanitary Sewer Fund**
This fund is used to account for sewage fees collected from customers connected to the City's sanitary sewer system and for all expenses of operating this system.
- **Stormwater Fund**
This fund is used to account for stormwater fees collected from customers, and for the City's street cleaning and other stormwater management activities.
- **Water Treatment and Distribution Services Fund**
This fund is used to account for the operation, maintenance and construction projects related to the water delivery system. This fund also accounts for the operations related to the billings for water, sewage and solid waste fees.
- **Municipal Parking Fund**
This fund is used to account for the operation, maintenance and construction of the City's parking facilities as well as on-street parking and the Municipal Impound Lot.

For the fiscal year ended December 31, 2015

(Dollar Amounts Expressed in Thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B – Basis of Presentation

Enterprise Funds (continued)

- **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
Convention Center
HUD Consolidated Plan
Self-Managed Special Service Districts
Employee Retirement
Grants – Federal
Grants – Other
Police
Neighborhood and Community Relations
Regulatory Services

Debt Service Funds:

Community Development Agency
Development
General Debt Service

Additionally, the City reports the following fund types:

- **Internal Service Funds**
Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments, on a cost-reimbursement basis. The internal service funds used by the City include:
 - Engineering Materials and Testing
 - Intergovernmental Services
 - Property Services
 - Equipment Services
 - Public Works Stores
 - Self-Insurance

For the fiscal year ended December 31, 2015

(Dollar Amounts Expressed in Thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**B – Basis of Presentation****Non-Major Funds (continued)****▪ Agency Funds**

Financial statements of agency funds are used to account for assets held by the City as an agent for individuals, private organizations, other governments, and/or other funds. These statements have no measurement focus, but utilize the accrual basis of accounting. Agency fund assets and liabilities are included in the fiduciary statement of net position.

- Minneapolis Agency
- Skyway Debt Service Agency
- Minneapolis Youth Coordinating Board Agency
- Joint Board Agency

C – Budgets

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

The 2014 process for the 2015 budget involved the following:

January – early April*Department-level assessment of prior year and planning for current year*

Analysis of what a department accomplished over the past year leads it to assess its business plan and make appropriate changes to the plan for the next year. Featured elements are reported and the reports made public. This analysis and reporting is the Department Results Minneapolis program. Additionally, the City engages in citywide strategic planning every four years to develop strategic policy guidance. The vision, values, city goals and strategic directions serve as guideposts for each department as it develops its business plan.

March*Preliminary prior year-end budget status report*

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

March – April*Capital Improvement Budget Development*

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

For the fiscal year ended December 31, 2015

(Dollar Amounts Expressed in Thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**C – Budgets (continued)****April – June***Operating Budget Development*

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

Capital Asset Request System (CARS) Plan and Budget Development

Departments work in coordination with Finance and Property Services to prepare five-year plans for the replacement of assets for operational effectiveness. Each request requires a justification and estimate of the impact on operating budgets, as well as identifying funding sources.

June – August*Mayor's Recommended Budget*

The 2015 Mayor's Recommended Budget was based on program proposals submitted by departments. These program proposals are reviewed and discussed by the submitting department, the Mayor's Office, Council Members, the Coordinator's Office and Finance for priority-setting. In addition to reviewing operating budgets, the Mayor meets with representatives from CLIC before finalizing the capital budget recommendation. By City Charter, the Mayor must make recommendations to the City Council on the budget no later than August 15 of each year.

September*Maximum Proposed Property Tax Levy*

As a requirement of State law, the maximum proposed property tax levy increase is authorized September 30 by the Board of Estimate and Taxation (BET). The BET sets the maximum property tax levies for the City, the Municipal Building Commission, the Public Housing Authority, and the Minneapolis Park and Recreation Board.

September – November*City Council Budget Review and Development*

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

Truth in Taxation

Truth in Taxation (TNT) property tax statements are mailed by Hennepin County to property owners indicating the maximum amount of property taxes that the owner will be required to pay based upon the preliminary levies approved in September. These statements also indicate the dates when public hearings will be held to provide opportunities for public input. State law was changed in the 2009 legislative session to eliminate a separate TNT hearing in lieu of a mandate to allow public comments at the meeting at which the final budget adoption occurs. The City Council has maintained a separate hearing however as part of the regularly scheduled budget meetings. According to State law, the meeting at which the budget is adopted must be held after 6:00 p.m., on a date after November 24.

For the fiscal year ended December 31, 2015

(Dollar Amounts Expressed in Thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C – Budgets (continued)

December

City Council Budget Adoption

The City Council adopts a final budget that reflects any and all changes made by the full Council to the Mayor's Recommended Budget. Once the final budget resolutions are adopted, requests from departments for additional funds or positions made throughout the year are to be brought as amendments to the original budget resolutions before the Ways and Means/Budget Committee and the City Council for approval. The independent boards and commissions adopt their own operating budgets.

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

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

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

	<u>Expenditure Budget at Beginning of Year</u>	<u>Changes During Year</u>	<u>Expenditure Budget at End of Year</u>
General	\$ 406,289	\$ 2,045	\$ 408,334
CPED Special Revenue	25,586	37,831	63,417
Arena Reserve Special Revenue	6,765	5,881	12,646
Board of Estimate and Taxation	188	16	204
Convention Center Special Revenue	45,863	4,605	50,468
HUD Consolidated Plan Special Revenue	15,514	6,887	22,401
Self-Managed Special Service Districts Special Revenue	6,100	150	6,250
Grants – Federal Special Revenue	10,419	12,153	22,572
Grants – Other Special Revenue	8,106	20,760	28,866
Police Special Revenue	2,132	41	2,173
Total	<u>\$ 526,962</u>	<u>\$ 90,369</u>	<u>\$ 617,331</u>

The following non-major special revenue funds had expenditures in excess of appropriation for the fiscal year ending December 31, 2015.

	<u>Final Budgeted Amounts</u>	<u>Actual</u>	<u>Variance</u>
Board of Estimate and Taxation	\$ 204	\$ 206	\$ (2)
Employee Retirement	35,638	37,612	(1,974)

To mitigate the effects of these excess expenditures, the City regularly reviews budgetary performance and makes adjustments as necessary.

For the fiscal year ended December 31, 2015

(Dollar Amounts Expressed in Thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**D – Non-Current Governmental Assets/Liabilities**

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

E – Deposits and Investments

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

Investment earnings in the investment pool, net of daily amortization of premiums and discounts, are calculated monthly and allocated to participating funds based on each fund's share of equity (positive or negative) in the investment pool.

Some funds, such as debt service funds, retain their monthly allocation of investment earnings while other funds, which are not required to retain their allocated interest, pass the interest on to either the City General Fund or to the Community Planning and Economic Development Special Revenue Fund. Also, periodically the City distributes investment earnings from the 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 And Prepaid Items

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government wide statement of net position and fund financial statements.

G – Receivables

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

Several developers under various financial arrangements have agreed to pay back development loans only if certain events occur. They are presented net of an estimated allowance for doubtful accounts. These loans include redevelopment agreements, neighborhood economic, commercial, and housing development loans, and second mortgages on rehabilitated homes. Some of these loans may be forgiven for continued owner occupancy, the attainment of certain employment goals, or the continuation of specified services.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

G – Receivables (continued)

Amounts due from individuals, organizations or other governmental units are recorded as receivables at year end. These amounts include charges for services rendered, or for goods and material provided by the City, including amounts for unbilled services. Receivables are shown net of an allowance for uncollectible accounts where applicable. Receivables are also recognized for property taxes, sales and excise taxes, loans, assessments, accrued interest, and intergovernmental grants.

Taxes and tax increments receivable consist of uncollected taxes levied and payable in prior years, net of allowance for uncollectible taxes. These receivables are deferred to indicate they are not available to finance expenditures of the current fiscal period.

Assessments receivable include current, delinquent and deferred assessments for various services including street and utility improvements. City Council approves special assessments throughout the year. These assessments are reported in the General Fund, Permanent Improvement Capital Projects Fund, Special Assessment Debt Service Fund, Non-Major Governmental Funds, and Enterprise Funds. The amounts that are approved by City Council are set up as a receivable and not collected at year end are recorded as unavailable revenue.

H – Capital Assets

Capital assets (including infrastructure) are recorded in the government-wide and proprietary fund financial statements at historical cost or at estimated historical cost if actual historical cost is not available. Infrastructure assets acquired prior to December 31, 1980 are included. Contributed capital assets are valued at their estimated fair market value on the date contributed. Capital assets include infrastructure (e.g. roads, bridges, water/sewer and lighting systems), land, buildings, improvements and equipment. The City defines capital assets as assets with an individual cost of more than \$5; or \$35 per group of assets by year for bike paths, street signage, street lighting and traffic signals; and \$100 per group of assets for parking meters. Capital assets used in operations are depreciated or amortized (assets under capital leases) using the straight-line method over the lesser of the capital lease period or their estimated useful lives in the government-wide statements and proprietary funds. As of 2008 the City is no longer using salvage values, and will depreciate assets to zero.

The estimated useful lives are as follows:

Infrastructure	15 to 100 years
Buildings and structures	25 to 50 years
Equipment	5 to 15 years
Public improvements	20 to 40 years

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

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

For the fiscal year ended December 31, 2015

(Dollar Amounts Expressed in Thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**I – Compensated Absences**

The City accrues compensated absences (vacation, sick leave, and compensatory time benefits) when vested. The current and non-current portions are recorded in the government-wide financial statements and represent a reconciling item between the funds and government-wide presentation. The City typically liquidates the liability for compensated absences to the fund where employees' salaries were originally charged. The current portion of the liability is determined based on historical information.

J – Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and the Teacher's Retirement Association (TRA) and additions to/deductions from PERA's and TRA's fiduciary net position have been determined on the same basis as they are reported by PERA and TRA except that PERA's and TRA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Plan investments are reported at fair value.

K – Interfund Transactions

Interfund transactions are reflected as loans, services provided, reimbursements, or transfers. Loans are reported as receivables or payables where appropriate, are subject to elimination upon consolidation and are referred to as either "due to/from other funds" (i.e., current portion of interfund loans) or "advances to/from other funds" (i.e. noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." Advances to other funds, as reported in the fund financial statements, are included in assigned fund balance in applicable governmental funds to indicate they are not available for appropriation and are not available financial resources. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when a fund incurs costs that are eventually repaid through charges to the benefiting fund. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

L – Properties Held for Resale

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

M – 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.

For the fiscal year ended December 31, 2015

(Dollar Amounts Expressed in Thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**M – Debt Service and Requirements (continued)**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as an other financing source. Premiums received on debt issuances are reported as an other financing source, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

N – Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the only item qualifying for reporting in this category is the deferred outflows of resources due to pension obligations as prescribed in GASB Statement Number 68 – *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has two items that qualify for reporting in this category. The first, which arises under a modified accrual basis of accounting, is unavailable revenue reported in the governmental funds balance sheet. The governmental funds report unavailable revenues from five sources: taxes, intergovernmental grants, special assessments, interest, and long-term receivables. These amounts are recognized as an inflow of resources in the period that the amounts become available. The second item is deferred outflows arising from pension obligation accounting standards as prescribed in GASB Statement Number 68 – *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*.

O – 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.

P – Change in Accounting Principle

During the year ended December 31, 2015, the City adopted new accounting guidance by implementing the provisions of GASB Statements 68, 71, and 82. GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, requires governments providing defined benefit pensions to employees through pension plans administered through trusts to record their proportionate share of the net pension obligation as a liability on their financial statements along with related deferred outflows of resources, deferred inflows of resources, and pension expense. This statement also requires additional note disclosures and schedules in the required supplementary information.

For the fiscal year ended December 31, 2015

(Dollar Amounts Expressed in Thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

P – Change in Accounting Principle (continued)

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, addresses an issue regarding amounts associated with contributions made to a pension plan after the measurement date of the net pension liability.

GASB Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*, modifies the measure of payroll that is presented in the required supplementary information schedules.

Q – Restatement of Net Position

As a result of a change in accounting principle for the implementation of GASB statements number 68 and 71, the City restated the beginning net position of the governmental and business-type activities as well as the discrete component units. Also for the year ended December 31, 2015, the City added the Minneapolis Telecommunications Network as a discretely presented component unit. This change in reporting entity resulted in the restatement of the net position of the discrete component units. Finally, there was a restatement of net position in the Stormwater Enterprise Fund as a result of a correction of prior year ending balances of construction in process, public improvements, and related accumulated depreciation. The effects of these changes are illustrated in the table below.

	Primary Government			Discrete Component Units
	Governmental Activities	Stormwater	Total Business-type Activities	
	\$	\$	\$	
Net Position January 1, 2015	1,278,328	326,721	895,753	339,105
GASB Statement No. 68	(352,989)	(4,572)	(24,989)	(31,528)
GASB Statement No. 71	36,380	721	3,937	4,367
Change in reporting entity	-	-	-	352
Prior period adjustment	-	(7,021)	(7,021)	-
Balance January 1, 2015 - restated	961,719	315,849	867,680	312,296

For the fiscal year ended December 31, 2015

(Dollar Amounts Expressed in Thousands)

NOTE 2 – DEPOSITS AND INVESTMENTS

A – Deposits

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

Deposits, per book	\$ 16,325
Investments	755,997
Imprest cash held by City	<u>20</u>
Total	<u>\$ 772,342</u>
Primary Government:	
Cash and cash equivalents	\$ 703,214
Cash in Agency Funds	1,267
Investments with trustees	<u>41,743</u>
Total primary government	<u>\$ 746,224</u>
Discretely Presented Component Units:	
Park and Recreation Board:	
Cash and cash equivalents	<u>22,063</u>
Municipal Building Commission:	
Cash and cash equivalents	<u>1,977</u>
Meet Minneapolis:	
Cash and cash equivalents	<u>1,951</u>
Minneapolis Telecommunications Network	
Cash and cash equivalents	<u>127</u>
Total discretely presented component units	<u>\$ 26,118</u>
Total reporting entity	<u>\$ 772,342</u>

The City has executed a Depository Pledge Agreement with its depository bank. The depository bank pledges to secure the deposited funds, to the extent not insured by the Federal Deposit Insurance Corporation (“FDIC”), by pledging securities of any type permitted by the provisions of Chapter 118A of the Minnesota Statutes, which are eligible to be held in a Securities Account at the Federal Reserve Bank of San Francisco. The bank balances at the City’s designated depository as of December 31, 2015, totaled \$19,815.

Reconciliation of bank cash balances to book cash balance:	
Bank balance, per December 31, 2015 bank statement	\$ 19,815
Reconciling items and outstanding checks	<u>(3,490)</u>
Deposits, per book	<u>\$ 16,325</u>

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the City’s deposits may be delayed or not be returned. 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, 2015, the City was not exposed to custodial credit risk since all deposits are either FDIC insured (where applicable) or are collateralized through securities pledged to the City of Minneapolis by the financial institution and held in safekeeping at the Federal Reserve Bank of San Francisco at 110% of deposit value.

For the fiscal year ended December 31, 2015

(Dollar Amounts Expressed in Thousands)

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

B – Investments

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

Investment derivative instruments

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

As of December 31, 2015, there were no derivative instruments held in the City’s Investment Portfolio.

Interest Rate Risk

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

The following table presents the City of Minneapolis’ investment balances (excluding accrued earnings) at December 31, 2015, and information relating to interest rate risks:

Investment Type	Weighted Average Maturity (Years)	Carrying (Fair) Value
U.S. Treasury obligations	1.9	\$ 347,633
U.S. Federal Agency obligations	0.8	193,510
U.S. Mortgage obligations	2.7	115,316
Municipal bonds	1.4	76,229
Commercial paper	0.1	7,770
Mutual funds	0.1	11,943
Negotiable certificates of deposit	0.5	3,596
Portfolio Weighted Average Maturity	1.6	
Total investments		\$ 755,997
Deposits per book		16,325
Imprest cash		20
Total cash and investments		\$ 772,342

For the fiscal year ended December 31, 2015

(Dollar Amounts Expressed in Thousands)

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."

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For the fiscal year ended December 31, 2015

(Dollar Amounts Expressed in Thousands)

NOTE 2 – DEPOSITS AND INVESTMENTS

B – Investments (continued)

At December 31, 2015, the City’s investments were rated by Standard & Poor’s and Moody’s as follows:

Investment Type	Standard & Poor’s		Moody’s	
U.S. Treasury obligations	AA+	\$ 347,633	Aaa	\$ 347,633
U.S. Federal agency obligations	AAA	\$ 3,528	Aaa	\$ 192,426
	AA+	188,898	Aa1	-
	Not rated	1,084	Not rated	1,084
Total federal agency obligations		<u>\$ 193,510</u>		<u>\$ 193,510</u>
U.S. Mortgage obligations	AA+	\$ 115,316	Aaa	\$ 115,316
Municipal bonds				
	AAA	\$ 24,176	Aaa	\$ 23,750
	AA+	15,199	Aa1	19,368
	AA	11,246	Aa2	18,546
	AA-	9,529	Aa3	-
	A-	-	A3	388
	Not rated	16,079	Not rated	14,177
Total municipal bonds		<u>76,229</u>		<u>76,229</u>
Commercial paper	A-1+	\$ 4,021	P-1	\$ 7,770
	A-1	3,749	P-1	-
Total commercial paper		<u>\$ 7,770</u>		<u>\$ 7,770</u>
Mutual funds	AAAmG	\$ 11,943	Aaa-mf	\$ 11,943
Negotiable certificates of deposit	FDIC Insured	\$ 3,596	FDIC Insured	\$ 3,596
Total		<u><u>\$ 755,997</u></u>		<u><u>\$ 755,997</u></u>

NOTE 2 – DEPOSITS AND INVESTMENTS

B – Investments (continued)

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City’s policy is to comply with Minnesota Statutes Chapter 118A and use a third party financial institution for safekeeping of securities which mitigates custodial credit risk. The City’s investments were not exposed to custodial credit risk at December 31, 2015.

Concentration of Credit Risk

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

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For the fiscal year ended December 31, 2015

(Dollar Amounts Expressed in Thousands)

NOTE 3 – RECEIVABLES

A – Receivables Detail

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	Community Planning and Economic Development	Permanent Improvement	Special Assessment	Non-Major Governmental Funds	Internal Service Funds	Total Governmental
Governmental Activities							
Accounts	\$ 11,336	\$ 296	\$ 1,096	\$ -	\$ 2,530	\$ 316	\$ 15,574
Taxes	3,183	158	22	-	1,367	-	4,730
Special assessments	529	597	2,812	35,943	1,230	-	41,111
Intergovernmental	5,225	406	31,544	-	6,969	-	44,144
Loans	-	170,459	-	-	89,618	-	260,077
Loans due from component unit	-	11	-	-	2,020	-	2,031
Accrued interest	869	376	44	9	260	-	1,558
Gross receivables	21,142	172,303	35,518	35,952	103,994	316	369,225
Less: Allowance for uncollectibles	(33)	(145,904)	-	-	(68,393)	-	(214,330)
Total receivables (due within one year)	\$ 21,109	\$ 26,399	\$ 35,518	\$ 35,952	\$ 35,601	\$ 316	\$ 154,895
Long-term portion of loans due from component unit	\$ -	\$ 36	\$ -	\$ -	\$ 1,010	\$ -	\$ 1,046

	Sanitary Sewer	Stormwater	Water Treatment and Distribution Services	Municipal Parking	Solid Waste and Recycling	Community Planning and Economic Development	Total Business-type
Business-type Activities							
Accounts	\$ 3,934	\$ 3,327	\$ 4,646	\$ 926	\$ 3,261	\$ 76	\$ 16,170
Special assessments	136	275	2,611	6,043	162	-	9,227
Intergovernmental	-	334	653	2,308	31	-	3,326
Loans	-	-	-	-	-	1,036	1,036
Accrued interest	-	-	-	-	-	254	254
Gross receivables	4,070	3,936	7,910	9,277	3,454	1,366	30,013
Less: Allowance for uncollectibles	-	-	-	-	-	(986)	(986)
Total receivables (due within one year)	\$ 4,070	\$ 3,936	\$ 7,910	\$ 9,277	\$ 3,454	\$ 380	\$ 29,027
Long-term portion of loans and notes receivable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 330	\$ 330

B – Business-type Activities – Leases

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, 2015

(Dollar Amounts Expressed in Thousands)

NOTE 3 – RECEIVABLES

B – Business-type Activities – Leases (continued)

The future payment requirements for these agreements are as follows:

<u>Scheduled Lease Payments</u>	<u>Capitalized Leases</u>
2016	\$ 8,789
2017	8,749
2018	8,636
2019	7,860
2020	7,664
2021-2025	33,502
2026-2030	28,642
2031-2035	25,354
2036-2040	16,627
Subtotal	<u>145,823</u>
Less: Interest over lease term	<u>(61,033)</u>
Total Principal	84,790
Less: Unexpended construction funds	<u>(5)</u>
Net Capitalized Leases and notes receivable	84,785
Less: Current Portion	<u>(4,035)</u>
Noncurrent Portion	<u>\$ 80,750</u>

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For the fiscal year ended December 31, 2015

(Dollar Amounts Expressed in Thousands)

NOTE 4 – CAPITAL ASSETS

A – Current Year Activity

Capital asset activity for the year ended December 31, 2015 was as follows:

	<u>Balance January 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance December 31, 2015</u>
Governmental Activities				
<i>Capital assets, not being depreciated</i>				
Land and easements	\$ 110,789	\$ -	\$ (1)	\$ 110,788
Construction in progress	193,890	79,969	(75,545)	198,314
Total capital assets, not being depreciated	<u>304,679</u>	<u>79,969</u>	<u>(75,546)</u>	<u>309,102</u>
<i>Capital assets, being depreciated</i>				
Infrastructure	887,085	29,457	-	916,542
Buildings and structures	581,698	14,296	(245)	595,749
Public improvements	29,393	104	-	29,497
Machinery and equipment	133,402	12,972	(6,720)	139,654
Computer equipment	72,283	2,309	(2,468)	72,124
Software	55,799	14,853	(17,960)	52,692
Other capital outlay	51	-	-	51
Total capital assets, being depreciated	<u>1,759,711</u>	<u>73,991</u>	<u>(27,393)</u>	<u>1,806,309</u>
Less accumulated depreciation for:				
Infrastructure	(441,688)	(26,865)	-	(468,553)
Buildings and structures	(211,892)	(11,975)	245	(223,622)
Public improvements	(8,343)	(1,180)	-	(9,523)
Machinery and equipment	(89,246)	(8,968)	6,352	(91,862)
Computer equipment	(67,471)	(2,349)	2,468	(67,352)
Software	(49,567)	(2,110)	17,954	(33,723)
Other capital outlay	(51)	-	-	(51)
Total accumulated depreciation	<u>(868,258)</u>	<u>(53,447)</u>	<u>27,019</u>	<u>(894,686)</u>
Total capital assets, being depreciated, net	<u>891,453</u>	<u>20,544</u>	<u>(374)</u>	<u>911,623</u>
Governmental activities capital assets, net	<u>\$ 1,196,132</u>	<u>\$ 100,513</u>	<u>\$ (75,920)</u>	<u>\$ 1,220,725</u>

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 276
Public Safety	1,591
Public Works	27,717
Community Planning and Economic Development	11,347
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>12,516</u>
Total depreciation expense - governmental functions	<u>\$ 53,447</u>

For the fiscal year ended December 31, 2015

(Dollar Amounts Expressed in Thousands)

NOTE 4 – CAPITAL ASSETS**A – Current Year Activity (continued)**

	Balance January 1, 2015 Restated	Additions	Retirements	Balance December 31, 2015
Business-type activities				
<i>Capital assets, not being depreciated</i>				
Land and easements	\$ 128,382	\$ -	\$ -	\$ 128,382
Construction in progress	46,040	31,385	(25,941)	51,484
Total capital assets, not being depreciated	174,422	31,385	(25,941)	179,866
<i>Capital assets, being depreciated</i>				
Buildings and structures	519,907	10,909	-	530,816
Public improvements	718,904	8,967	-	727,871
Machinery and equipment	55,793	6,257	-	62,050
Computer equipment	1,521	171	-	1,692
Software	2,842	-	-	2,842
Other capital outlay	34	-	-	34
Total capital assets, being depreciated	1,299,001	26,304	-	1,325,305
Less accumulated depreciation for:				
Buildings and structures	(212,259)	(11,458)	-	(223,717)
Public improvements	(245,468)	(9,064)	-	(254,532)
Machinery and equipment	(26,621)	(3,722)	-	(30,343)
Computer equipment	(1,515)	(12)	-	(1,527)
Software	(2,842)	-	-	(2,842)
Other capital outlay	(34)	-	-	(34)
Total accumulated depreciation	(488,739)	(24,256)	-	(512,995)
Total capital assets, being depreciated, net	810,262	2,048	-	812,310
Business-type activities capital assets, net	\$ 984,684	\$ 33,433	\$ (25,941)	\$ 992,176

The beginning balance of business-type activities was restated to correct construction in process, public improvements, and accumulated depreciation reported in a prior period. This correction was part of the capital assets of the Stormwater Enterprise Fund. Restatement amounts of \$5,959 for construction in progress, (\$13,955) in public improvements, and \$975 in related accumulated depreciation are reflected in the above beginning balances.

Interest incurred during the construction phase of capital assets is capitalized. Total interest incurred for business-type activities during 2015 was \$5,645. Of this amount, \$446 was capitalized.

For the fiscal year ended December 31, 2015

(Dollar Amounts Expressed in Thousands)

NOTE 4 – CAPITAL ASSETS

A – Current Year Activity (continued)

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

Sanitary Sewer	\$ 1,522
Stormwater	4,339
Water Treatment and Distribution Services	10,615
Municipal Parking	6,456
Solid Waste and Recycling	976
Economic Development	348
Total depreciation expense - business-type functions	<u>\$ 24,256</u>

B – Capital Project Commitments

For the year 2015, the City of Minneapolis made Capital Project commitments for the following:

Property Services	\$ 12,910
Sewer Construction	24,300
Street Construction	38,710
Bridge Construction	10,400
Sidewalk Construction	3,675
Street Lighting	1,400
Traffic Signals	9,060
Bicycle Trails	760
Non-Departmental	8,002
Information Technology	3,300
Water	22,250
Total Capital Project Commitments	<u>\$ 134,767</u>

C – Discretely Presented Component Units

Activity for the discretely presented component units for the year ended December 31, 2015, was as follows:

	Balance			Balance
Minneapolis Park and Recreation Board	January 1, 2015	Additions	Retirements	December 31, 2015
Capital assets, not being depreciated	\$ 108,353	\$ 29,377	\$ (16,200)	\$ 121,530
Capital assets, being depreciated, net	192,048	1,639	(62)	193,625
	<u>\$ 300,401</u>	<u>\$ 31,016</u>	<u>\$ (16,262)</u>	<u>\$ 315,155</u>

Depreciation expense charged \$ 13,086

	Balance			Balance
Municipal Building Commission	January 1, 2015	Additions	Retirements	December 31, 2015
Capital assets, not being depreciated	\$ 10,596	\$ 1,418	\$ -	\$ 12,014
Capital assets, being depreciated, net	14,976	(3,326)	-	11,650
	<u>\$ 25,572</u>	<u>\$ (1,908)</u>	<u>\$ -</u>	<u>\$ 23,664</u>

Depreciation expense charged \$ 3,334

For the fiscal year ended December 31, 2015

(Dollar Amounts Expressed in Thousands)

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 and Notes

Various issues of general obligation (GO) bonds and notes 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 and notes.

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 and Notes

Improvement bonds and notes 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 and notes.

Tax Increment General Obligation Bonds and Notes

Tax increment bonds and notes are payable primarily from the increase in property taxes resulting from replacing older improvements with new or remodeled improvements. These bonds and notes 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 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) Enterprise Fund.

Sinking Fund Provisions

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

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

2015 Bond and Note Sales

In 2015, the City of Minneapolis issued bonds and notes totaling \$42,710. Of this amount \$22,710 of bonds were issued to refund existing debt and \$20,000 of general obligation notes were issued to finance new capital improvements. Below are details of the 2015 debt issuances.

For the fiscal year ended December 31, 2015

(Dollar Amounts Expressed in Thousands)

NOTE 5 – LONG-TERM DEBT (continued)

In March 2015, the City issued \$8,245 of Tax Increment Revenue Refunding Bonds (Village at St. Anthony Falls Project) Series 2015. The City received net proceeds of \$8,160 including a \$39 bond premium offset by a \$124 million underwriter discount. These net proceeds were used on April 6, 2015 along with \$1,200 of cash on hand to redeem the remaining \$5,460 million of Tax Increment Revenue Refunding Bonds (Village at St. Anthony Falls Project), Series 2004 and remaining \$3,370 of Tax Increment Revenue Refunding Bonds (Village at St. Anthony Falls Project), Series 2005 and to pay the costs of issuing the bonds and establishing a \$405 debt service reserve fund. The refunding bonds were issued in fixed rate mode and had interest rates ranging from 1.60% to 4.00% and a final maturity date of March 1, 2027. As a result of this refunding, the City realized aggregate debt service savings of \$1,625 and an economic gain of \$1,343 or 11.79% net present value savings on the refunded bonds debt service.

In March 2015, the City also issued \$7,460 of Tax Increment Revenue Refunding Bonds (Grant Park Project) Series 2015. The City received net proceeds of \$7,337 including a \$22 reoffering discount and a \$101 underwriter discount. These net proceeds were used on April 13, 2015 along with \$1,259 of cash on hand to redeem the remaining \$8,160 of Tax Increment Revenue Refunding Bonds (Grant Park Project), Series 2006 and to pay the costs of issuing the bonds and establishing a \$310 debt service reserve fund. The refunding bonds were issued in fixed rate mode and had interest rates ranging from 1.55% to 4.00% and a final maturity date of March 1, 2030. As a result of this refunding, the City realized aggregate debt service savings of \$1,624 and an economic gain of \$1,411 or 10.70% net present value savings on the refunded bonds debt service.

In September 2015, the City issued \$920 of Tax Increment Revenue Refunding Bonds (East River/Unocal Site Project) Series 2015. The City received net proceeds of \$904 including a \$16 underwriter discount. These net proceeds were used on October 26, 2015 along with \$564 of cash on hand to redeem the remaining \$1,360 of Tax Increment Revenue Refunding Bonds (East River/Unocal Site Project), Series 2007 and to pay the costs of issuing the bonds and establishing a \$55 debt service reserve fund. The refunding bonds were issued in fixed rate mode and had interest rates ranging from 1.25% to 4.00% and a final maturity date of March 1, 2025. As a result of this refunding, the City realized aggregate debt service savings of \$881 and an economic gain of \$584 or 9.93% net present value savings on the refunded bonds debt service.

In September 2015, the City also issued \$6,085 of Tax-Exempt Tax Increment Revenue Refunding Bonds (Ivy Tower Project) Series 2015. The City received net proceeds of \$6,096 including a bond premium of \$118 offset by an underwriter discount of \$107. These net proceeds were used on October 26, 2015 along with \$804 of cash on hand to redeem the remaining \$4,155 of Tax Increment Revenue Refunding Bonds (Ivy Tower Condo Project), Series 2005 and \$2,338 Tax-Exempt Tax Increment Revenue Note (Ivy Tower Hotel Project), Series 2006 and to pay the costs of issuing the bonds and establishing a \$284 debt service reserve fund. The refunding bonds were issued in fixed rate mode and had interest rates ranging from 1.25% to 5.00% and a final maturity date of March 1, 2029. As a result of this refunding, the City realized aggregate debt service savings of \$1,110 and an economic gain of \$1,078 or 9.74% net present value savings on the refunded bonds debt service.

In December 2015, the City issued a \$25,000 Tax-Exempt General Obligation Note, Series 2015A to US Bank to finance a portion of the costs of a complete renovation of the Nicollet Mall roadway and streetscape in downtown Minneapolis. The note was issued on December 18, 2015 and will provide up to 24 months of drawdown flexibility for the project to reimburse expenses on a monthly basis during construction. Upon completion, or no later than December 18, 2017, this note will be taken out with a general obligation fixed rate bond financing. The fixed rate bonds will be paid for with special assessments levied on benefitting property owners in a broad section of the downtown area. The special assessments are currently planned to begin in 2017. The tax-exempt note is in variable rate mode and accrues interest based on the weekly SIFMA index plus a bank spread. Upon closing on December 18th, 2015, the City completed the first reimbursement draw for \$5,000 which will be the liability recorded on the City's books as of December 31, 2015.

For the fiscal year ended December 31, 2015

(Dollar Amounts Expressed in Thousands)

NOTE 5 – LONG-TERM DEBT (continued)

In December 2015, the City also issued a \$18,700 Tax-Exempt General Obligation Note, Series 2015B to US Bank to finance a variety of capital construction projects such as streets, bridges, traffic control, park projects, and municipal building projects. The note was issued on December 18, 2015 and has a maximum three-year term. It is the City's intent to complete all draws within 24 months to reimburse project expenses on a monthly basis during construction. The tax-exempt note is in variable rate mode and accrues interest based on the weekly SIFMA index plus a bank spread. Upon closing on December 18th, 2015, the City completed the first reimbursement draw for \$15,000 which will be the liability recorded on the City's books as of December 31, 2015.

In December 2015, the City also issued a \$6,300 Tax-Exempt General Obligation Note, Series 2015C to US Bank. The proceeds of this note will be received on January 19, 2016 and will be used on this same day to refund the 2018 – 2021 callable maturities of the City's General Obligation Various Purpose Refunding Bonds, Series 2005B totaling \$6,240. A portion of the proceeds will be used to pay the accrued interest on the callable maturities from December 1, 2015 to January 19, 2016 and to pay costs of issuing the note. The tax-exempt note is in variable rate mode and will accrue interest based on the weekly SIFMA index plus a bank spread. This note will have a three-year term expiring on December 18, 2018 and may be extended. The note will have maturities structured from 2018 – 2021 corresponding to the refunded bonds. Since this note will be drawn on January 19, 2016, there will be no liability reflected on the City's books as of December 31, 2015. The aggregate debt service savings and net present value savings are not able to be calculated since the refunding notes are in variable rate mode.

Minnesota Public Facilities Authority Notes

The City has entered into six general obligation notes with the Minnesota Public Facilities Authority (PFA) to finance the City's drinking water ultra-filtration project and new filter presses project. The notes are part of a federally sponsored below market financing program related to the Safe Drinking Water Act and the City saves 1.5% on interest costs by participating in the program. The interest rates on the six notes range from 1.00% - 2.83% and the final maturity dates range from 8/20/19 to 8/20/27. The City received proceeds totaling \$104,188 over the years and at December 31, 2015, the outstanding debt balance of the six general obligation notes in this program is \$75,870.

Discrete Component Unit Debt

Due to current debt issuance policies, the City issues debt on behalf of the Minneapolis Park and 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, 2015, \$86,770 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, \$73,745 is related to library improvements transferred to the Hennepin County Library System. The capital assets purchased with funds obtained from this debt issuance are held by the respective discrete component units and are reported with their capital assets on the Statement of Net Position, with the exception of the library assets now held by Hennepin County.

For the fiscal year ended December 31, 2015

(Dollar Amounts Expressed in Thousands)

NOTE 5 – LONG-TERM DEBT (continued)

Long-term liabilities at December 31, 2015 are detailed below.

	<u>Balance 1/1/2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/2015</u>	<u>Due Within One Year</u>
Governmental Activities:					
<u>Bonds and Notes</u>					
Property Tax Supported GO Bonds	\$ 128,530	\$ -	\$ 38,365	\$ 90,165	\$ 21,725
Property Tax Supported GO Notes	-	15,000	-	15,000	-
Self-Supporting GO Bonds	211,770	-	20,995	190,775	21,920
GO Improvement Bonds	49,213	-	14,920	34,293	6,796
GO Improvement Notes	-	5,000	-	5,000	-
Tax Increment GO Bonds	84,180	-	7,825	76,355	4,955
Tax Increment GO Notes	4,060	-	410	3,650	440
Revenue Bonds	23,500	22,710	23,500	22,710	1,085
Revenue Notes	14,055	-	360	13,695	380
Internal Service Fund Related GO Bonds	21,630	-	5,625	16,005	3,035
Total Governmental Bonds and Notes	<u>536,938</u>	<u>42,710</u>	<u>112,000</u>	<u>467,648</u>	<u>60,336</u>
<u>Other Long-term Liabilities</u>					
Unamortized Premium (Discount)	<u>8,632</u>	<u>135</u>	<u>2,653</u>	<u>6,114</u>	<u>-</u>
Total Long-term Liabilities Governmental	<u>545,570</u>	<u>42,845</u>	<u>114,653</u>	<u>473,762</u>	<u>60,336</u>
Business-type Activities:					
<u>Bonds and Notes</u>					
Stormwater Fund GO Bonds	4,736	-	2,236	2,500	2,500
Sanitary Sewer Fund GO Bonds	9,300	-	3,500	5,800	2,000
Water Fund GO Bonds	25,769	-	4,294	21,475	5,030
Water Fund GO Notes	80,230	-	4,360	75,870	4,350
Municipal Parking Fund GO Bonds	72,822	-	5,335	67,487	4,594
Municipal Parking Fund GO Notes	38,650	-	105	38,545	1,375
CPED Related Non GO Fund					
General Agency Reserve Fund System	90,100	-	5,310	84,790	4,035
Total Business-type Bonds and Notes	<u>321,607</u>	<u>-</u>	<u>25,140</u>	<u>296,467</u>	<u>23,884</u>
<u>Other Long-term Liabilities</u>					
Unamortized Premium (Discount)	<u>3,106</u>	<u>-</u>	<u>658</u>	<u>2,448</u>	<u>53</u>
Total Long-term Liabilities Business-type	<u>324,713</u>	<u>-</u>	<u>25,798</u>	<u>298,915</u>	<u>23,937</u>
Total Long-term Liabilities	<u>\$ 870,283</u>	<u>\$ 42,845</u>	<u>\$ 140,451</u>	<u>\$ 772,677</u>	<u>\$ 84,273</u>

For the fiscal year ended December 31, 2015

(Dollar Amounts Expressed in Thousands)

NOTE 5 – LONG-TERM DEBT (continued)

For governmental activities, debt service is generally paid from Debt Service Funds.

Amortization of Outstanding Governmental City Debt

As of December 31, 2015, annual debt service requirements for Governmental activities to maturity are as follows:

Year Ending December 31:	Governmental Activity - Non-Proprietary			
	Bonds		Notes	
	Principal	Interest	Principal	Interest
2016	\$ 56,481	\$ 13,102	\$ 820	\$ 1,407
2017	48,756	11,964	5,870	1,365
2018	50,976	10,819	15,925	1,071
2019	60,780	9,359	985	274
2020	42,950	7,575	1,045	224
2021 - 2025	80,505	24,392	3,500	364
2026 - 2030	25,290	13,441	-	-
2031 - 2035	13,445	9,632	9,200	-
2036 - 2040	16,855	6,286	-	-
2041 - 2044	18,260	1,759	-	-
	<u>\$ 414,298</u>	<u>\$ 108,329</u>	<u>\$ 37,345</u>	<u>\$ 4,705</u>

Year Ending December 31:	Total Governmental			
	Internal Service Fund Bonds		Activity Bonds & Notes	
	Principal	Interest	Principal	Interest
2016	\$ 3,035	\$ 474	\$ 60,336	\$ 14,983
2017	3,160	386	57,786	13,715
2018	9,810	294	76,711	12,184
2019	-	-	61,765	9,633
2020	-	-	43,995	7,799
2021 - 2025	-	-	84,005	24,756
2026 - 2030	-	-	25,290	13,441
2031 - 2035	-	-	22,645	9,632
2036 - 2040	-	-	16,855	6,286
2041 - 2044	-	-	18,260	1,759
	<u>\$ 16,005</u>	<u>\$ 1,154</u>	<u>\$ 467,648</u>	<u>\$ 114,188</u>

For the fiscal year ended December 31, 2015

(Dollar Amounts Expressed in Thousands)

NOTE 5 – LONG-TERM DEBT (continued)

Amortization of Outstanding Business-type Activities City Debt

As of December 31, 2015, annual debt service requirements for Business-type Activities to maturity are as follows:

Year Ending December 31:	Bonds		Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 18,159	\$ 7,939	\$ 5,725	\$ 3,915	\$ 23,884	\$ 11,854
2017	13,354	7,332	8,005	3,741	21,359	11,073
2018	12,124	6,821	9,550	3,504	21,674	10,325
2019	12,655	6,400	9,845	3,221	22,500	9,621
2020	10,315	5,925	10,240	2,927	20,555	8,852
2021 - 2025	62,430	22,742	33,340	10,951	95,770	33,693
2026 - 2030	20,845	12,383	28,690	5,048	49,535	17,431
2031 - 2035	17,915	7,439	9,020	907	26,935	8,346
2036 - 2040	14,255	2,372	-	-	14,255	2,372
	<u>\$ 182,052</u>	<u>\$ 79,353</u>	<u>\$ 114,415</u>	<u>\$ 34,214</u>	<u>\$ 296,467</u>	<u>\$ 113,567</u>

Discretely Presented Component Unit

Activity for the Minneapolis Park and Recreation Board for the year ended December 31, 2015, was as follows:

	Balance	Additions	Retirements	Balance	Amounts due
	January 1, 2015			December 31, 2015	Within one year
Notes payable	<u>\$ 373</u>	<u>\$ 2,000</u>	<u>\$ 50</u>	<u>\$ 2,323</u>	<u>\$ 52</u>

Year Ending December 31:	Principal	Interest
2016	52	15
2017	2,055	53
2018	58	10
2019	61	7
2020	64	4
2021	33	1
Total	<u>\$ 2,323</u>	<u>\$ 90</u>

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

As of December 31, 2015, outstanding industrial, commercial, and housing revenue bonds and notes approximated \$2,305 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.

For the fiscal year ended December 31, 2015

(Dollar Amounts Expressed in Thousands)

NOTE 7 – DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources for the City’s major individual governmental funds and non-major funds in aggregate include the following unavailable revenue sources:

Deferred Inflows of Resources	Community Planning and Economic Development					Total Governmental
	General	Development	Permanent Improvement	Special Assessment	Non-Major Governmental	
Property taxes	\$ 1,652	\$ -	\$ 12	\$ -	\$ 678	\$ 2,342
Special assessments	461	597	2,781	36,268	1,056	41,163
Loans receivable	-	24,601	30,747	-	21,225	76,573
Interest	270	117	14	3	80	484
Other unavailable revenue	770	374	-	-	-	1,144
Total Deferred inflows of resources	<u>\$ 3,153</u>	<u>\$ 25,689</u>	<u>\$ 33,554</u>	<u>\$ 36,271</u>	<u>\$ 23,039</u>	<u>\$ 121,706</u>

NOTE 8 – LEASES

A – Operating Leases

The City of Minneapolis leases office space for several departments. The future minimum lease payments for operating leases are as follows:

Year Ending December 31	Governmental Activities Amount
2016	\$ 3,434
2017	2,731
2018	2,675
2019	2,587
2020	2,171
2021-2025	10,780
2026-2030	10,194
2031-2035	5,364
2036-2040	77
	<u>\$ 40,013</u>

B – 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 \$384 over the lease terms results in a total annual lease amount of \$182.

For the fiscal year ended December 31, 2015

(Dollar Amounts Expressed in Thousands)

NOTE 8 – LEASES

B – Operating leases with scheduled rent increases (continued)

For 2015 the amount of lease expenditures is as follows:

	<u>Amount</u>
Operating leases	\$ 187
Additional straight line basis	<u>(5)</u>
Total expenditures	<u>\$ 182</u>

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

<u>Year</u>	<u>Governmental Activities Amount</u>
2016	\$ 116
2017	118
2018	120
2019	<u>30</u>
Total minimum lease payments	<u>\$ 384</u>

NOTE 9 – INTERFUND TRANSACTIONS

Interfund Receivables/Payables

The composition of interfund balances as of December 31, 2015 are as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Non-major Governmental Funds	Non-major Governmental Funds	\$ 2,500
Internal Service Funds	Internal Service Funds	<u>385</u>
	Total	<u>\$ 2,885</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>
General Fund	Permanent Improvement Fund	\$ 1,250
CPED Special Revenue Fund	Permanent Improvement Fund	2,750
Convention Center Special Revenue Fund	Internal Service Funds	<u>1,750</u>
	Total	<u>\$ 5,750</u>

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

For the fiscal year ended December 31, 2015

(Dollar Amounts Expressed in Thousands)

NOTE 9 – INTERFUND TRANSACTIONS (continued)

Transfers

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

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Total Transfers In</u>
Governmental Funds:		
General Fund	Municipal Parking Fund	\$ 4,148
	Stormwater Fund	<u>110</u>
		<u>4,258</u>
CPED Special Revenue Fund	Non-Major Governmental Funds	<u>2,423</u>
		<u>2,423</u>
Permanent Improvement Fund	General Fund	307
	Internal Service Funds	<u>1,297</u>
		<u>1,604</u>
Special Assessment Debt Service Fund	Permanent Improvement Fund	<u>439</u>
		<u>439</u>
Non-Major Governmental Funds	General Fund	52,343
	Non-Major Governmental Funds	24,321
	CPED Special Revenue Fund	22,349
	Permanent Improvement Fund	2,748
	Municipal Parking Fund	<u>3,569</u>
		<u>105,330</u>
	Total Governmental Funds	<u>\$ 114,054</u>
Proprietary Funds:		
Business-type Activities		
Water Treatment and Distribution Services Fund	General Fund	\$ 25
	Permanent Improvement Fund	80
	Sanitary Sewer Fund	<u>1,285</u>
		<u>1,390</u>
Municipal Parking Fund	CPED Special Revenue Fund	<u>525</u>
		<u>525</u>
Solid Waste & Recycling Fund	General Fund	325
	Municipal Parking Fund	<u>146</u>
		<u>471</u>
CPED Enterprise Fund	CPED Special Revenue Fund	<u>693</u>
		<u>693</u>
	Total Business-type Activities	<u>\$ 3,079</u>
Governmental Activities		
Internal Service Funds	General Fund	\$ 6,499
	Permanent Improvement Fund	115
	Non-Major Governmental Funds	2,751
	Internal Service Funds	<u>1,317</u>
		<u>10,682</u>
	Total Governmental Activities	<u>\$ 10,682</u>

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.

For the fiscal year ended December 31, 2015

(Dollar Amounts Expressed in Thousands)

NOTE 10 – NET POSITION/FUND BALANCES

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

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

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

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

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

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

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

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

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.

For the fiscal year ended December 31, 2015

(Dollar Amounts Expressed in Thousands)

NOTE 10 – NET POSITION/FUND BALANCES (continued)

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 17% of the following year’s budgeted expenditures for cash-flow timing needs.

Fund Balances	General	Community Planning and Economic Development	Permanent Improvement	Special Assessment	Non-Major Governmental	Total
<u>Nonspendable</u>						
Propertie held for resale	\$ -	\$ 33,109	\$ -	\$ -	\$ 8,822	\$ 41,931
Advances to other funds	1,250	-	-	-	-	1,250
Prepaid items	1	-	-	-	-	1
Total nonspendable	<u>1,251</u>	<u>33,109</u>	<u>-</u>	<u>-</u>	<u>8,822</u>	<u>43,182</u>
<u>Restricted for:</u>						
Debt service:						
Community development	-	-	-	-	2,394	2,394
Development	-	-	-	-	9	9
General debt service	-	-	-	-	19,810	19,810
Special assessment	-	-	-	4,723	-	4,723
Community and economic development	-	131,673	-	-	-	131,673
Capital improvements	-	-	5,889	-	-	5,889
Grants	-	-	-	-	2,307	2,307
Law enforcement:						
Gambling compliance	-	-	-	-	273	273
Forfeitures	-	-	-	-	1,226	1,226
Total restricted	<u>-</u>	<u>131,673</u>	<u>5,889</u>	<u>4,723</u>	<u>26,019</u>	<u>168,304</u>
<u>Assigned to:</u>						
General government	-	-	-	-	628	628
Public safety:						
Police	-	-	-	-	150	150
Compliance and regulation	-	-	-	-	4,498	4,498
Community & economic development	-	36,404	-	-	82,430	118,834
Neighborhood & community relations	-	-	-	-	3,910	3,910
Pension obligations	-	-	-	-	24,224	24,224
Capital improvements	-	-	630	-	-	630
Total assigned	<u>-</u>	<u>36,404</u>	<u>630</u>	<u>-</u>	<u>115,840</u>	<u>152,874</u>
<u>Unassigned</u>	<u>104,740</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>104,740</u>
Total fund balances	<u>\$ 105,991</u>	<u>\$ 201,186</u>	<u>\$ 6,519</u>	<u>\$ 4,723</u>	<u>\$ 150,681</u>	<u>\$ 469,100</u>

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For the fiscal year ended December 31, 2015

(Dollar Amounts Expressed in Thousands)

NOTE 11 – RESTRICTED NET POSITION – GOVERNMENTAL ACTIVITIES

Certain components of net position are classified on the statement of net position as restricted because their use is limited. The Governmental Activities report restricted amounts that are not available for operations or are legally restricted by outside parties for use for a specific purpose. As of December 31, 2015, the Governmental Activities restricted net position is as follows:

Purpose	Amount
Debt service:	
Community development	\$ 2,394
Development	9
General debt service	19,810
Special assessment	4,723
Community and economic development	131,673
Law enforcement:	
Gambling compliance	273
Forfeitures	1,226
Grants	2,307
Capital improvements	5,889
Total restricted net position	\$ 168,304

NOTE 12 – RESTRICTED NET POSITION – BUSINESS-TYPE ACTIVITIES

Certain components of net position are classified on the statement of net position as restricted because their use is limited. The Business-type Activities report restricted net position amounts that are not available for operations or are legally restricted by outside parties for use for a specific purpose. As of December 31, 2015, the Business-type component of restricted net position is as follows:

Purpose	Amount
Debt service	\$ 34,856

NOTE 13 – DEFINED BENEFIT PENSION PLANS

A – Plan Description

The City of Minneapolis, along with the discretely presented component units Park Board and MBC, participate in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA’s defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. PERA’s defined benefit pension plans are tax qualified plans under Section 401 (a) of the Internal Revenue Code. The City participates as a non-employer contributing entity in the Teachers’ Retirement Association (TRA) which is administered on a statewide basis.

1. General Employees Retirement Fund (GERF)

All full-time and certain part-time employees of the City, Park Board, and MBC are covered by the General Employees Retirement Fund (GERF). GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan and benefits vest after five years of service.

For the fiscal year ended December 31, 2015

(Dollar Amounts Expressed in Thousands)

NOTE 13 – DEFINED BENEFIT PENSION PLANS**A – Plan Description (continued)****2. Public Employees Police and Fire Fund (PEPFF)**

The PEPFF, originally established for police officers and firefighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, the PEPFF also covers police officers and firefighters belonging to local relief associations that elected to merge with and transfer assets and administration to PERA.

3. Teacher Retirement Association Fund (TRA)

TRA administers a Basic Plan (without Social Security coverage) and a Coordinated Plan (with Social Security coverage) in accordance with Minnesota Statutes, Chapters 354 and 356. TRA is a separate statutory entity and administered by a Board of Trustees. The Board consists of four active members, one retired member and three statutory officials.

B - Benefits Provided

PERA and TRA provide retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature.

PERA: Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90 percent funded for two consecutive years are given 2.5 percent increases. Members in plans that have not exceeded 90 percent funded, or have fallen below 80 percent, are given 1 percent increases.

TRA: Postretirement benefit increases are provided to eligible benefit recipients each January. The TRA increase is 2.0 percent. After the TRA Funded ratio exceeds 90 percent for two consecutive years, the annual postretirement benefit will increase to 2.5 percent.

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

1. GERS Benefits

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement is age 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

For the fiscal year ended December 31, 2015

(Dollar Amounts Expressed in Thousands)

NOTE 13 – DEFINED BENEFIT PENSION PLANS**B - Benefits Provided (continued)****2. PEPFF Benefits**

Benefits for the PEPFF members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50.0 percent after five years up to 100 percent after ten years of credited service. Benefits for PEPFF members first hired after June 30, 2014, vest on a prorated basis from 50.0 percent after ten years up to 100.0 percent after twenty years of credited service. The annuity accrual rate is 3.0 percent of average salary for each year of service. For PEPFF who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

3. TRA Benefits

The Teachers Retirement Association (TRA) covers teachers and other related professionals employed by school districts or by the state. Approximately 590 employers participate in this plan. The plan provides retirement, survivor, and disability benefits. Basic membership includes participants who are not covered by the Social Security Act, while coordinated membership includes participants who are covered by the Act. The annuity formula for the coordinated members is the greater of a step rate with a flat reduction for each month of early retirement, or a level rate (the higher step rate) with an actuarially based reduction for early retirement. The annuity formula for Tier I basic members is 2.2 percent for the first 10 years and 2.7 percent for each subsequent year and Tier II is 2.7 percent of the member's high-five average salary. The annuity formula for Tier I coordinated members for services prior to July 1, 2006, is 1.2 percent for the first 10 years and 1.7 percent each subsequent year of the member's high-five average salary. The annuity formula for Tier I coordinated members for services subsequent to July 1, 2006, is 1.4 percent for the first 10 years and 1.9 percent each subsequent year of the member's high-five average salary. The annuity formula for Tier II coordinated members is 1.7 percent for services prior to July 1, 2006, and 1.9 percent for each year subsequent of the member's high-five average salary. Annual benefits increase by 2.0 percent each year and 2.5 percent if the plan is funded at least 90 percent of full funding.

C – Contributions

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

1. GERS Contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.50 percent, respectively, of their annual covered salary in calendar year 2015. Participating employers are required to contribute 11.78 percent of pay for Basic Plan members and 7.50 percent for Coordinated Plan members in calendar year 2015. The City, Park Board, and MBC contributions to the GERS for the year ended December 31, 2015, were \$32,333, \$5,320, and \$518, respectively. The employer's contributions were equal to the required contribution as set by state statute.

2. PEPFF Contributions

Plan members were required to contribute 10.80 percent of their annual covered salary in calendar year 2015. Employers were required to contribute 16.20 percent of pay for PEPFF members in calendar year 2015. Contributions to the PEPFF for the year ended December 31, 2015, were \$28,504 for the City and \$473 for the Park Board. Employer contributions were equal to the required contributions as set by state statute.

For the fiscal year ended December 31, 2015

(Dollar Amounts Expressed in Thousands)

NOTE 13 – DEFINED BENEFIT PENSION PLANS

C – Contributions (continued)

3. TRA Contributions

The City’s contributions to the TRA for the year ended December 31, 2015, were \$2,250. The City’s contributions were equal to the required contributions as set by state statute.

D – Pension Costs

1. GERF Pension Costs

At December 31, 2015, the City, Park Board, and MBC reported a liability of \$354,821, \$62,247, and \$4,509 respectively for the proportionate share of the GERF’s net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Each employer’s proportion of the net pension liability was based on the employer’s contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA’s participating employers. At June 30, 2015, the City’s proportion share was 6.8465 percent, which was an increase of 4.0571 percent from its proportion measured as of June 30, 2014. A majority of the increase is due to the January 1, 2015 merger of the Minneapolis Employees Retirement Fund (MERF) with GERF. Prior to January 1, 2015, MERF was a separate plan within PERA and a majority of the plans participants are current and former City employees. At June 30, 2015, the Park Board’s proportion share was 1.2011 percent, which was an increase of 0.7186 percent from its proportion measured as of June 30, 2014. At June 30, 2015, MBC’s proportion share was 0.0870 percent, which was a decrease of 0.0334 percent from its proportion measured as of June 30, 2014.

For the year ended December 31, 2015, the City, Park Board, and MBC recognized pension expense of \$93,053, \$16,736, and \$1,889, respectively for the proportionate share of the GERF’s pension expense.

At December 31, 2015, the City, Park Board, and MBC reported proportionate shares of the GERF’s deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>			<u>Deferred Inflows of Resources</u>		
	<u>City</u>	<u>Park Board</u>	<u>MBC</u>	<u>City</u>	<u>Park Board</u>	<u>MBC</u>
Differences between expected and actual economic experiences	\$ -	\$ -	\$ -	\$ 17,889	\$ 3,138	\$ 227
Difference between projected and actual investment earnings	33,589	5,893	427	-	-	-
Changes in proportion	153,619	25,317	-	10,682	-	1,177
Contributions paid to PERA subsequent to the measurement date	<u>23,402</u>	<u>4,289</u>	<u>428</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 210,610</u>	<u>\$ 35,499</u>	<u>\$ 855</u>	<u>\$ 28,571</u>	<u>\$ 3,138</u>	<u>\$ 1,404</u>

For the fiscal year ended December 31, 2015

(Dollar Amounts Expressed in Thousands)

NOTE 13 – DEFINED BENEFIT PENSION PLANS

D – Pension Costs

1. GERP Pension Costs (continued)

Contributions subsequent to the measurement date are shown as deferred outflows in the above table and will be recognized as a reduction to net pension liability for the year ended December 31, 2016. These contributions total \$23,402 for the City, \$4,289 for the Park Board, and \$428 for MBC. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended</u> <u>December 31:</u>	<u>Pension Expense Amount</u>		
	<u>City</u>	<u>Park Board</u>	<u>MBC</u>
2016	\$ 50,080	\$ 8,866	\$ (361)
2017	50,080	8,866	(361)
2018	50,080	8,866	(361)
2019	8,397	1,473	106

2. PEPFF Pension Costs

At December 31, 2015, the City and Park Board reported a liability of \$220,680 and \$3,500, respectively for the proportionate share of the PEPFF’s net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Each employer’s proportion of the net pension liability was based on the employer’s contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA’s participating employers. At June 30, 2015, the City’s proportion share was 19.422 percent, which was a decrease of 0.438 percent from its proportion measured as of June 30, 2014. At June 30, 2015, the Park Board’s proportion share was 0.308 percent, which was an increase of 0.011 percent from its proportion measured as of June 30, 2014.

For the year ended December 31, 2015, the City and Park Board recognized pension expense of \$37,109 and \$623 respectively for the proportionate share of the PEPFF’s pension expense.

The City and Park Board also recognized \$1,748 and \$28 respectively as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota’s on-behalf contribution to the Public Employees Police and Fire Fund. Legislation requires the State of Minnesota to contribute \$9,000 to the Public Employees Police and Fire Fund each year, starting in fiscal year 2014, until the plan is 90.0 percent funded.

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For the fiscal year ended December 31, 2015

(Dollar Amounts Expressed in Thousands)

NOTE 13 – DEFINED BENEFIT PENSION PLANS

D – Pension Costs

2. PEPFF Pension Costs (continued)

At December 31, 2015, the City and Park Board reported proportionate shares of the PEPFF’s deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	City	Park Board	City	Park Board
Differences between expected and actual economic experiences	\$ -	\$ -	\$ 35,787	\$ 568
Difference between projected and actual investment earnings	38,450	610	-	-
Changes in proportion	-	99	3,942	-
Contributions paid to PERA subsequent to the measurement date	20,285	246	-	-
Total	\$ 58,735	\$ 955	\$ 39,729	\$ 568

Contributions subsequent to the measurement date are shown as deferred outflows in the above table and will be recognized as a reduction to net pension liability for the year ended December 31, 2016. These contributions total \$20,285 for the City and \$246 for the Park Board. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:	Pension Expense Amount	
	City	Park Board
2016	\$ 1,667	\$ 59
2017	1,667	59
2018	1,667	59
2019	1,667	59
2020	(7,947)	(95)

For the fiscal year ended December 31, 2015

(Dollar Amounts Expressed in Thousands)

NOTE 13 – DEFINED BENEFIT PENSION PLANS

D – Pension Costs (continued)

3. TRA Pension Costs

At December 31, 2015, the City reported a liability of \$36,565 for the proportionate share of the TRA’s net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Each employer’s proportion of the net pension liability was based on the employer’s contributions received by TRA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of TRA’s participating employers. At June 30, 2015, the City’s proportion share was 0.5911 percent, which was a decrease of 0.1131 percent from its proportion measured as of June 30, 2014.

For the year ended December 31, 2015, the City recognized pension expense of \$3,251 for its proportionate share of the TRA’s pension expense.

At December 31, 2015, the City reported proportionate shares of the TRA’s deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experiences	\$ 34	\$ -
Changes in actuarial assumptions	2,811	-
Difference between projected and actual investment earnings	3,626	
Changes in proportion	-	3,356
 Total	 <u>\$ 6,471</u>	 <u>\$ 3,356</u>

The City has a statutory obligation to contribute to the TRA as a non-employer contributing agency. There were no contributions subsequent to the measurement date are shown as deferred outflows in the above table and would be recognized as a reduction to net pension liability for the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31:</u>	<u>Pension Expense Amount</u>
2016	\$ 669
2017	669
2018	669
2019	669
2020	439

For the fiscal year ended December 31, 2015

(Dollar Amounts Expressed in Thousands)

NOTE 13 – DEFINED BENEFIT PENSION PLANS (continued)

E – Actuarial Assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the individual entry age normal actuarial cost method and the following actuarial assumptions:

<u>Assumption</u>	<u>GERF/PEPFF</u>	<u>TRA</u>
Inflation	2.75% per year	3.00%
Active Member Payroll Growth	3.50% per year	3.75% based on years of service
Investment Rate of Return	7.90%	8.00%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2000 tables for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees in GERF and PEPFF are assumed to be 1.0 percent effective every January 1st through 2035 and 2037 respectively, and 2.5 percent thereafter, and 2.5 percent for all years for TRA.

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of actuarial experience studies. The experience study in the GERF was for the period July 1, 2004, through June 30, 2008, with an update of economic assumptions in 2014. The experience study for PEPFF was for the period July 1, 2004, through June 30, 2009. The experience study for TRA was for the period of July 1, 2004, to June 30, 2008, and a limited scope experience study dated August 29, 2014. The limited scope experience study addressed only inflation and long-term rate of return for the GASB 67 valuation. There were no changes in actuarial assumptions in 2015 for PERA or TRA.

The long-term expected rate of return on pension plan investments is 7.9 percent for PERA and 8.0 percent for TRA. The State Board of Investment, which manages the investments of PERA and TRA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Stocks	45%	5.50%
International Stocks	15%	6.00%
Bonds	18%	1.45%
Alternative Assets	20%	6.40%
Cash	2%	0.50%

F – Discount Rate

The discount rate used to measure the total pension liability was 7.9 percent for PERA and 8.0 percent for TRA. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current and active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

For the fiscal year ended December 31, 2015

(Dollar Amounts Expressed in Thousands)

NOTE 13 – DEFINED BENEFIT PENSION PLANS (continued)

G – Pension Liability Sensitivity

The following presents the City’s, Park Board’s, and MBC’s proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City’s, Park Board’s, and MBC’s proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

<u>Plan and Entity</u>	<u>1% Decrease to Discount Rate</u>	<u>Current Discount Rate</u>	<u>1% Increase in Discount Rate</u>
GERF Discount Rate	6.9%	7.9%	8.9%
City	557,905	354,821	187,105
Park Board	97,875	62,247	32,825
MBC	7,089	4,509	2,378
PEPFF Discount Rate	6.9%	7.9%	8.9%
City	430,106	220,680	47,656
Park Board	6,821	3,500	756
TRA Discount Rate	7.0%	8.0%	9.0%
City	55,657	36,565	20,633

H – Pension Plan Fiduciary Net Position

Detailed information about PERA’s fiduciary net position is available in a separately issued PERA financial report. That report may be obtained on the Internet at www.mnpera.org; by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-7460 or 1-800-652-9026.

Detailed information about TRA’s fiduciary net position is available in a separately-issued TRA financial report. That report can be obtained at www.MinnesotaTRA.org; by writing to TRA at 60 Empire Drive #400, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-2409 or 1-800-657-3669.

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For the fiscal year ended December 31, 2015

(Dollar Amounts Expressed in Thousands)

NOTE 14 – DEFINED CONTRIBUTION PLAN – CPED**A – 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, 2015, was \$1,969 and the CPED's total payroll was \$18,339.

B – 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 \$109 and \$100 respectively to the plan during the year, which amounts represented 5.53 percent and 5.1 percent respectively of the covered payroll.

NOTE 15 – POSTEMPLOYMENT BENEFITS PLAN**A – 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 percent 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.

B – 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 2015, the City contributed \$2,168 to the plan. As of January 1, 2015, there were approximately 347 retirees receiving health benefits from the City's health plan.

For the fiscal year ended December 31, 2015

(Dollar Amounts Expressed in Thousands)

NOTE 15 – POSTEMPLOYMENT BENEFITS PLAN (continued)

C – 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	\$ 3,216
Interest on net OPEB obligation	1,081
Adjustment to annual required contribution	<u>(1,335)</u>
Annual OPEB cost (expense)	2,962
Contributions made	<u>2,168</u>
Increase in net OPEB obligation	794
Net OPEB obligation – beginning of year	<u>36,023</u>
Net OPEB obligation – end of year	<u>\$ 36,817</u>

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015, 2014 and 2013 was as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage Of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
12/31/2015	\$ 2,962	73.19%	\$36,817
12/31/2014	\$12,018	42.57%	\$36,023
12/31/2013	\$11,606	45.85%	\$29,123

D – Funded Status and Funding Progress

As of January 1, 2015, the most recent actuarial valuation date, the City had no assets deposited to fund the plan. The actuarial accrued liability for benefits was \$35,720 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$35,720. The covered payroll (annual payroll of active employees covered by the plan) was \$329,441, and the ratio of the UAAL to the covered payroll was 10.8 percent.

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.

For the fiscal year ended December 31, 2015

(Dollar Amounts Expressed in Thousands)

NOTE 15 – POSTEMPLOYMENT BENEFITS PLAN (continued)

E – 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, 2015, actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 3.0 percent discount rate, which is based on a blend of the long-term expected return on (1) plan assets to the extent they are projected to be sufficient to pay plan benefits, and (2) employer general assets to the extent that projected plan assets are insufficient to pay plan benefits. 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 7.2 percent initially, reduced incrementally to an ultimate rate of 5.0 percent after 7 years. Both rates included a 2.75 percent 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, 2015, 30 years remain.

Primary Government

	Balance 1/1/2015	Additions	Retirements	Balance 12/31/2015
Other postemployment benefits payable:				
Governmental activities	\$ 33,356	\$ 1,984	\$ -	\$ 35,340
Business-type activities	2,667	-	(1,190)	1,477
Total	<u>\$ 36,023</u>	<u>\$ 1,984</u>	<u>\$ (1,190)</u>	<u>\$ 36,817</u>

Discretely Presented Component Units

Activity for the discretely presented component units for the year ended December 31, 2015, was as follows:

	Balance 1/1/2015	Additions	Retirements	Balance 12/31/2015
Other postemployment benefits payable:				
Minneapolis Park and Recreation Board	\$ 3,967	\$ 167	\$ 213	\$ 3,921
Municipal Building Commission	348	96	108	336
Total	<u>\$ 4,315</u>	<u>\$ 263</u>	<u>\$ 321</u>	<u>\$ 4,257</u>

For the fiscal year ended December 31, 2015

(Dollar Amounts Expressed in Thousands)

NOTE 16 – 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 of 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.

Liabilities arising from compensated absences are generally liquidated from the fund where the employee’s salary was originally charged.

Primary Government

	<u>Balance 1/1/2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/2015</u>	<u>Amounts Due Within One Year</u>
Compensated absences payable:					
Governmental activities	\$ 34,064	\$ 21,454	\$ 20,272	\$ 35,246	\$ 18,064
Business-type activities	2,835	2,601	2,451	2,985	895
Total	<u>\$ 36,899</u>	<u>\$ 24,055</u>	<u>\$ 22,723</u>	<u>\$ 38,231</u>	<u>\$ 18,959</u>

Discretely Presented Component Units

Activity for the discretely presented component units for the year ended December 31, 2015, was as follows:

	<u>Balance 1/1/2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/2015</u>	<u>Amounts Due Within One Year</u>
Compensated absences payable:					
Minneapolis Park and Recreation Board	\$ 4,475	\$ 2,635	\$ 2,616	\$ 4,494	\$ 2,631
Municipal Building Commission	195	181	164	212	161
Total	<u>\$ 4,670</u>	<u>\$ 2,816</u>	<u>\$ 2,780</u>	<u>\$ 4,706</u>	<u>\$ 2,792</u>

NOTE 17 – RISK MANAGEMENT AND CLAIMS

The City is self-insured and exposed to a variety of risks related to liability claims; property, personal injury and accidents. The City is self-insured for workers' compensation, general liability, and re-employment. Liability claims under \$25 and unrepresented are managed by Risk Management and Claims. Liability claims that are represented and over \$25 are managed by the City Attorneys’ Office. The City, CPED and the BET are self-insured for general liability. The workers' compensation program includes the BET and all City departments. The Park Board and MBC maintain their own workers' compensation and liability programs. The claims liability of \$51,973 reported in the Self-Insurance Internal Service Fund at December 31, 2015, 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 and liability. An actuarial study completed in March of 2015 for claim exposure and settlements payments, calculated that the claims liability at December 31, 2015 is \$51,973, an increase of \$2,122 from the liability amount of \$49,851 at December 31, 2014.

For the fiscal year ended December 31, 2015

(Dollar Amounts Expressed in Thousands)

NOTE 17 – RISK MANAGEMENT AND CLAIMS (continued)

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).

The City, including all discrete and blended component units of government, also maintains a self-funded dental plan for covered employees. Dental coverage is based on plan design and includes Delta Dental PPO coverage of up to \$1.5 or Delta Dental Premier coverage of up to \$1.0 per person annually.

Changes in the claims liabilities during fiscal 2014 and 2015 are:

	<u>2014</u>	<u>2015</u>
Liability balance – January 1	\$ 54,668	\$ 49,851
Current year claims and changes in estimates	5,432	11,595
Claim payments	<u>(10,249)</u>	<u>(9,473)</u>
Liability balance – December 31	<u>\$ 49,851</u>	<u>\$ 51,973</u>

NOTE 18 – 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 19 – 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 two cases that allege injury or wrongful death, as a result of police misconduct.

For the fiscal year ended December 31, 2015

(Dollar Amounts Expressed in Thousands)

NOTE 20 – SUBSEQUENT EVENTS

The City issued the following note since December 31, 2015.

In March 2016, the City issued a \$74,000 Taxable General Obligation Sales Tax Note (Target Center Project), Series 2016 to Wells Fargo Bank, National Association to finance the City's share of the re-construction and upgrade of the Target Center Arena in downtown Minneapolis. The other funding partners include \$49,000 from the Minnesota Timberwolves Basketball Limited Partnership; a Minnesota limited partnership and \$5,900 from AEG Management TWN, LLC, the manager of the facility. The note was issued on March 23, 2016 and will provide up to 364 days of drawdown flexibility for the project to reimburse a proportionate share of expenses on a monthly basis during construction. The City and the bank may agree to extend the drawdown facility but the note matures on March 23, 2018. The City intends to complete a general obligation fixed rate bond financing to refund the note sometime before the maturity date. The general obligation note and general obligation fixed rate bonds will be paid for with local sales tax revenue. Upon closing on March 23, 2016, the City completed the first reimbursement draw request for \$4,097. The taxable note is in variable rate mode and accrues interest based on the weekly LIBOR index rate plus a bank spread. The interest rate at the inception of the note was 0.65 percent.

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended December 31, 2015**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES:				
Taxes	\$ 259,081	\$ 263,031	\$ 267,316	\$ 4,285
Licenses and permits	39,045	39,045	44,317	5,272
Intergovernmental revenues	83,118	83,118	82,625	(493)
Charges for services and sales	44,328	43,408	46,873	3,465
Fines and forfeits	7,248	7,248	6,539	(709)
Special assessments	3,569	3,469	3,202	(267)
Investment earnings	2,300	2,300	1,613	(687)
Miscellaneous revenues	6,589	3,559	3,398	(161)
Total revenues	<u>445,278</u>	<u>445,178</u>	<u>455,883</u>	<u>10,705</u>
CURRENT EXPENDITURES:				
Current:				
General government:				
Mayor	1,918	1,933	1,932	1
Council & Clerk	7,919	7,958	7,883	75
Assessor	4,869	4,869	4,613	256
Attorney	9,002	9,002	8,514	488
Civil rights	3,168	3,257	3,107	150
Clerk - Elections	1,312	1,312	1,311	1
Coordinator	3,249	3,162	3,159	3
Coordinator - 311	3,683	3,758	3,646	112
Coordinator - Communications	2,212	2,212	2,091	121
Coordinator - Finance	22,170	22,170	22,154	16
Coordinator - Human resources	7,231	7,271	6,847	424
Coordinator - Intergovernmental relations	1,513	1,497	1,365	132
Internal audit	507	507	538	(31)
Contingency	4,007	4,007	-	4,007
Coordinator - Information technology	-	125	-	125
Total general government	<u>72,760</u>	<u>73,040</u>	<u>67,160</u>	<u>5,880</u>
Public safety:				
Regulatory services	17,572	17,607	16,367	1,240
Coordinator - 911	9,052	9,052	8,759	293
Coordinator - Emergency management	768	768	767	1
Fire	60,231	61,445	61,315	130
Police	148,341	148,638	147,884	754
Total public safety	<u>235,964</u>	<u>237,510</u>	<u>235,092</u>	<u>2,418</u>
Public works:				
Administration	3,120	3,120	3,005	115
Engineering design	3,276	2,734	3,924	(1,190)
Field services	31,345	31,245	30,196	1,049
Transportation and special projects	16,115	16,692	15,894	798
Total public works	<u>53,856</u>	<u>53,791</u>	<u>53,019</u>	<u>772</u>
Culture and recreation - Library	<u>2,363</u>	<u>2,363</u>	<u>2,363</u>	<u>-</u>
Health and welfare - Health and family support	<u>8,439</u>	<u>8,439</u>	<u>8,289</u>	<u>150</u>
Community planning & economic development:				
Community planning & economic development	32,482	32,683	30,809	1,874
Coordinator - Neighborhood & community relations	425	508	358	150
Total community planning & economic development	<u>32,907</u>	<u>33,191</u>	<u>31,167</u>	<u>2,024</u>
Total expenditures	<u>406,289</u>	<u>408,334</u>	<u>397,090</u>	<u>11,244</u>
Excess (deficiency) of revenues over (under) expenditures	<u>38,989</u>	<u>36,844</u>	<u>58,793</u>	<u>21,949</u>
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	4,682	4,682	4,258	(424)
Transfers to other funds	(57,193)	(59,193)	(59,499)	(306)
Total other financing sources (uses)	<u>(52,511)</u>	<u>(54,511)</u>	<u>(55,241)</u>	<u>(730)</u>
Net change in fund balance	(13,522)	(17,667)	3,552	21,219
Fund balance - January 1	<u>102,439</u>	<u>102,439</u>	<u>102,439</u>	<u>-</u>
Fund balance - December 31	<u>\$ 88,917</u>	<u>\$ 84,772</u>	<u>\$ 105,991</u>	<u>\$ 21,219</u>

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

**COMMUNITY PLANNING AND ECONOMIC DEVELOPMENT
SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended December 31, 2015**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES:				
Taxes	\$ 42,650	\$ 42,650	\$ 44,428	\$ 1,778
Intergovernmental revenues	-	-	3	3
Charges for services and sales	3,964	3,964	4,940	976
Special assessments	-	-	84	84
Investment earnings	511	511	936	425
Miscellaneous revenues	2,587	6,704	9,003	2,299
Total revenues	<u>49,712</u>	<u>53,829</u>	<u>59,394</u>	<u>5,565</u>
EXPENDITURES:				
Current:				
Community planning & economic development	<u>25,586</u>	<u>63,417</u>	<u>40,871</u>	<u>22,546</u>
Excess (deficiency) of revenues over (under) expenditures	<u>24,126</u>	<u>(9,588)</u>	<u>18,523</u>	<u>28,111</u>
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	2,243	2,243	2,423	180
Transfers to other funds	<u>(28,415)</u>	<u>(28,415)</u>	<u>(23,567)</u>	<u>4,848</u>
Total other financing sources (uses)	<u>(26,172)</u>	<u>(26,172)</u>	<u>(21,144)</u>	<u>5,028</u>
Net change in fund balance	(2,046)	(35,760)	(2,621)	33,139
Fund balance - January 1	<u>203,807</u>	<u>203,807</u>	<u>203,807</u>	<u>-</u>
Fund balance - December 31	<u>\$ 201,761</u>	<u>\$ 168,047</u>	<u>\$ 201,186</u>	<u>\$ 33,139</u>

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

DEFINED BENEFIT PENSION PLANS

CITY OF MINNEAPOLIS, MINNESOTA

For the Fiscal Year Ended December 31, 2015 (Dollar Amounts Expessed In Thousands)

**Schedule of City of Minneapolis' Contributions
PERA General Employee Retirement Fund
Required Supplementary Information (Last Ten Years*)**

Fiscal Year Ending	Statutorily Required Contributions (a)	Contributions in Relation to the Statutorily Required Contributions (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll** (d)	Contributions as a Percentage of Covered Payroll*** (b/d)
December 31,2015	\$ 32,333	\$ 32,333	\$ -	\$167,834	19.3%

**Schedule of Municipal Building Commission's Contributions
PERA General Employee Retirement Fund
Required Supplementary Information (Last Ten Years*)**

Fiscal Year Ending	Statutorily Required Contributions (a)	Contributions in Relation to the Statutorily Required Contributions (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll** (d)	Contributions as a Percentage of Covered Payroll*** (b/d)
December 31,2015	\$ 518	\$ 518	\$ -	\$ 2,447	21.2%

* This schedule is presented prospectively beginning with the fiscal year ended December 31, 2015.

** For purposes of this schedule, covered payroll is defined as "pensionable wages."

*** Statutorily required contributions include additional contributions as required by statute which affects contributions as a percentage of covered payroll.

DEFINED BENEFIT PENSION PLANS

CITY OF MINNEAPOLIS, MINNESOTA

For the Fiscal Year Ended December 31, 2015

(Dollar Amounts Expessed In Thousands)

**Schedule of City of Minneapolis' Proportionate Share of Net Pension Liability
PERA General Employee Retirement Fund
Required Supplementary Information (Last Ten Years*)**

Fiscal Year Ending	Employer's Proportion (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Liability (Asset) (a)	Employer's Covered Payroll** (b)	Employer's Proportionate of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a/b)	Plan Fiduciary Net Position of the Total Pension Liability
June 30, 2015	6.8465%	\$ 354,821	\$ 160,155	221.5%	78.2%

**Schedule of Municipal Building Commission's Proportionate Share of Net Pension Liability
PERA General Employee Retirement Fund
Required Supplementary Information (Last Ten Years*)**

Fiscal Year Ending	Employer's Proportion (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Liability (Asset) (a)	Employer's Covered Payroll** (b)	Employer's Proportionate of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a/b)	Plan Fiduciary Net Position of the Total Pension Liability
June 30, 2015	0.0870%	\$ 4,509	\$ 2,365	190.7%	78.2%

* This schedule is presented prospectively beginning with the fiscal year ended December 31, 2015.

** For purposes of this schedule, covered payroll is defined as "pensionable wages."

DEFINED BENEFIT PENSION PLANS

CITY OF MINNEAPOLIS, MINNESOTA

For the Fiscal Year Ended December 31, 2015

(Dollar Amounts Expessed In Thousands)

**Schedule of City of Minneapolis' Contributions
PERA Public Employees Police and Fire Fund
Required Supplementary Information (Last Ten Years*)**

Fiscal Year Ending	Statutorily Required Contributions (a)	Contributions in Relation to the Statutorily Required Contributions (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll** (d)	Contributions as a Percentage of Covered Payroll*** (b/d)
December 31,2015	\$ 28,504	\$ 28,504	\$ -	\$ 104,749	27.2%

**Schedule of City of Minneapolis' Proportionate Share of Net Pension Liability
PERA Public Employees Police and Fire Fund
Required Supplementary Information (Last Ten Years*)**

Fiscal Year Ending	Employer's Proportion (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Liability (Asset) (a)	Employer's Covered Payroll** (b)	Employer's Proportionate of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a/b)	Plan Fiduciary Net Position of the Total Pension Liability
June 30, 2015	19.422%	\$ 220,680	\$ 101,015	218.5%	86.6%

* This schedule is presented prospectively beginning with the fiscal year ended December 31, 2015.

** For purposes of this schedule, covered payroll is defined as "pensionable wages."

*** Statutorily required contributions include additional contributions as required by statute which affects contributions as a percentage of covered payroll.

DEFINED BENEFIT PENSION PLANS

CITY OF MINNEAPOLIS, MINNESOTA

For the Fiscal Year Ended December 31, 2015

(Dollar Amounts Expessed In Thousands)

**Schedule of City of Minneapolis' Contributions
Teachers Retirement Association (Special Funding Situation)
Required Supplementary Information (Last Ten Years*)**

Fiscal Year Ending	Statutorily Required Contributions (a)	Contributions in Relation to the Statutorily Required Contributions (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll** (d)	Contributions as a Percentage of Covered Payroll (b/d)
December 31,2015	\$ 2,250	\$ 2,250	\$ -	\$ -	N/A

**Schedule of City of Minneapolis' Proportionate Share of Net Pension Liability
Teachers Retirement Association (Special Funding Situation)
Required Supplementary Information (Last Ten Years*)**

Fiscal Year Ending	Employer's Proportion (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Liability (Asset) (a)	Employer's Covered Payroll** (b)	Employer's Proportionate of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a/b)	Plan Fiduciary Net Position of the Total Pension Liability
June 30, 2015	0.5911%	\$ 36,365	\$ -	N/A	76.8%

* This schedule is presented prospectively beginning with the fiscal year ended December 31, 2015.

** For purposes of this schedule, covered payroll is defined as "pensionable wages."

For the Fiscal Year Ended December 31, 2015

(Dollar Amounts Expressed in Thousands)

NOTE 1 – BUDGETS

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

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATION

The legal level of budgetary control is at the department level within a fund. The following department in the General Fund had expenditures in excess of appropriation for the fiscal year ending December 31, 2015.

	<u>Final Budgeted Amounts</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
Internal Audit	\$ 507	\$ 538	\$ (31)

To mitigate the effects of these excess expenditures, the City regularly reviews budgetary performance and makes adjustments as necessary.

NOTE 3 – POSTEMPLOYMENT BENEFITS PLAN

A – 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)
1/1/2011	\$ -	\$ 96,450	\$ 96,450	0.0%	\$ 287,649	33.5%
1/1/2013	\$ -	\$ 118,093	\$ 118,093	0.0%	\$ 284,134	41.6%
1/1/2015	\$ -	\$ 35,720	\$ 35,720	0.0%	\$ 329,441	10.8%

B – Plan Changes Affecting Actuarial Accrued Liability

Changes to actuarial assumptions and plan participation caused a decrease in the actuarial accrued liability (AAL) between the valuations dated 1/1/2013 and 1/1/2015. Management reviewed and approved both the population data and actuarial assumptions used. A summary of the changes with the greatest effect is found below.

- The number of total plan participants decreased by 7.3 percent due to the Minneapolis Public Housing Authority no longer participating in the City’s plan.
- The 1/1/2013 valuation used a healthcare cost trend rate of 8.0 percent initially reduced to 5.0 percent after 12 years with a 3.0 percent inflation rate. The 1/1/2015 valuation used lower rates with a healthcare cost trend rate of 7.2 percent initially reduced to 5.0 percent after seven years with a 2.75 percent inflation rate.
- Changes in actuarial methodologies between the actuaries preparing the 1/1/2013 and the 1/1/2015 valuation caused the greatest reduction in AAL. For example, the most recent valuation differentiates between the contribution rates of different participant classes while the prior valuation used a blended rate.
- Actual medical claims experience and coverage election varied significantly from the previously projected amounts. New projections more closely aligned to actual experience resulted in a reduction in AAL.



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Non-Major Special Revenue Funds

Arena Reserve – This fund accounts 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.

Convention Center – This fund is used to account for the ownership, maintenance, and operations of the Minneapolis Convention Center.

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

Self-Managed Special Service Districts – This fund accounts for the special assessments that are collected to fund the special service districts.

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 Special Revenue Fund, Permanent Improvement Capital Projects Fund, Police Special Revenue Fund, Enterprise and Internal Service Funds.

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

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

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

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

Non-Major Debt Service Funds

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

Development – This fund is used primarily to account for debt of projects supported by property tax increments and transfers of sales tax revenues from the Convention Center Special Revenue Fund for related debt.

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

Internal Service Funds

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

Intergovernmental Services – This fund is used to account for information technology service, central mailing and printing services, and telecommunication operations. These services are provided to City departments as well as the Park Board, the Municipal Building Commission, and Minneapolis Youth Coordinating Board.

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

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

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

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

Agency Funds

Minneapolis Agency – This fund is used to account for the collection and remittance of funds to other governments and agencies.

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

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

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

**GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
NON-MAJOR FUNDS
December 31, 2015**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Total Non-Major Governmental</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 119,205	\$ 19,586	\$ 138,791
Investments with trustees	-	2,187	2,187
Receivables:			
Accounts - net	2,530	-	2,530
Taxes	482	885	1,367
Special assessments	1,230	-	1,230
Intergovernmental	6,969	-	6,969
Loans - net	21,225	-	21,225
Loans due from component unit	3,030	-	3,030
Accrued interest	220	40	260
Due from other funds	2,500	-	2,500
Advances to other funds	1,750	-	1,750
Properties held for resale	8,822	-	8,822
	<hr/>	<hr/>	<hr/>
Total assets	\$ 167,963	\$ 22,698	\$ 190,661
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u>			
Liabilities:			
Salaries payable	\$ 646	\$ -	\$ 646
Accounts payable	7,740	12	7,752
Intergovernmental payable	20	-	20
Due to other funds	2,500	-	2,500
Deposits held for others	1,665	-	1,665
Unearned revenue	4,358	-	4,358
	<hr/>	<hr/>	<hr/>
Total liabilities	16,929	12	16,941
	<hr/>	<hr/>	<hr/>
Deferred inflows of resources:			
Unavailable revenue	22,566	473	23,039
	<hr/>	<hr/>	<hr/>
Fund balances:			
Nonspendable	8,822	-	8,822
Restricted	3,806	22,213	26,019
Assigned	115,840	-	115,840
	<hr/>	<hr/>	<hr/>
Total fund balances	128,468	22,213	150,681
	<hr/>	<hr/>	<hr/>
Total liabilities, deferred inflows of resources, and fund balances	\$ 167,963	\$ 22,698	\$ 190,661
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NON-MAJOR FUNDS
For the Fiscal Year Ended December 31, 2015**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Total Non-Major Governmental</u>
REVENUES:			
Taxes	\$ 31,877	\$ 45,654	\$ 77,531
Licenses and permits	1,271	-	1,271
Intergovernmental revenues	59,332	49	59,381
Charges for services and sales	9,538	-	9,538
Fines and forfeits	314	-	314
Special assessments	10,149	-	10,149
Investment earnings	1,053	128	1,181
Miscellaneous revenues	20,433	1,327	21,760
Total revenues	<u>133,967</u>	<u>47,158</u>	<u>181,125</u>
EXPENDITURES:			
Current:			
General government	35,396	-	35,396
Public safety	21,889	-	21,889
Public works	1,065	-	1,065
Health and welfare	12,946	-	12,946
Community planning & economic development	89,830	-	89,830
Intergovernmental:			
Public safety	168	-	168
Debt Service:			
Principal retirement	-	68,950	68,950
Interest and fiscal charges	-	14,733	14,733
Bond issuance costs	-	482	482
Payments to refunded bond escrow agents	-	22,753	22,753
Total expenditures	<u>161,294</u>	<u>106,918</u>	<u>268,212</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(27,327)</u>	<u>(59,760)</u>	<u>(87,087)</u>
OTHER FINANCING SOURCES (USES):			
Transfers from other funds	62,092	43,238	105,330
Transfers to other funds	(24,321)	(5,174)	(29,495)
Premium (discount)	-	135	135
Refunding bonds issued	-	22,710	22,710
Total other financing sources (uses)	<u>37,771</u>	<u>60,909</u>	<u>98,680</u>
Net change in fund balances	10,444	1,149	11,593
Fund balances - January 1	<u>118,024</u>	<u>21,064</u>	<u>139,088</u>
Fund balances - December 31	<u>\$ 128,468</u>	<u>\$ 22,213</u>	<u>\$ 150,681</u>



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**SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
NON-MAJOR FUNDS
December 31, 2015**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	<u>Arena Reserve</u>	<u>Board of Estimate and Taxation</u>	<u>Convention Center</u>	<u>HUD Consolidated Plan</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 16,317	\$ 286	\$ 66,210	\$ 457
Receivables:				
Accounts - net	-	-	1,043	1,023
Taxes	-	3	-	-
Special assessments	-	-	-	14
Intergovernmental	-	-	-	228
Loans - net	-	-	-	21,225
Loans due from component unit	-	-	3,030	-
Accrued interest	36	-	140	-
Due from other funds	-	-	-	-
Advances to other funds	-	-	1,750	-
Properties held for resale	-	-	-	6,371
Total assets	<u>\$ 16,353</u>	<u>\$ 289</u>	<u>\$ 72,173</u>	<u>\$ 29,318</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u>				
Liabilities:				
Salaries payable	\$ 4	\$ 4	\$ 293	\$ 91
Accounts payable	1,117	7	2,985	717
Intergovernmental payable	-	-	-	-
Due to other funds	-	-	-	900
Deposits held for others	-	-	1,665	-
Unearned revenue	-	-	-	-
Total liabilities	<u>1,121</u>	<u>11</u>	<u>4,943</u>	<u>1,708</u>
Deferred inflows of resources:				
Unavailable revenue	<u>11</u>	<u>2</u>	<u>44</u>	<u>21,239</u>
Fund balances:				
Nonspendable	-	-	-	6,371
Restricted	-	-	-	-
Assigned	<u>15,221</u>	<u>276</u>	<u>67,186</u>	<u>-</u>
Total fund balances	<u>15,221</u>	<u>276</u>	<u>67,186</u>	<u>6,371</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 16,353</u>	<u>\$ 289</u>	<u>\$ 72,173</u>	<u>\$ 29,318</u>

**SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
NON-MAJOR FUNDS
December 31, 2015**

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

(In Thousands)

Self-Managed Special Service Districts	Employee Retirement	Grants- Federal	Grants- Other	Police	Neighborhood & Community Relations	Regulatory Services	Total
\$ 198	\$ 23,944	\$ 71	\$ 1,422	\$ 1,663	\$ 4,105	\$ 4,532	\$ 119,205
-	-	12	103	300	-	49	2,530
-	479	-	-	-	-	-	482
56	-	-	2	-	-	1,158	1,230
-	-	4,019	2,722	-	-	-	6,969
-	-	-	-	-	-	-	21,225
-	-	-	-	-	-	-	3,030
2	32	-	-	-	-	10	220
-	-	-	2,500	-	-	-	2,500
-	-	-	-	-	-	-	1,750
-	-	1,251	1,200	-	-	-	8,822
<u>\$ 256</u>	<u>\$ 24,455</u>	<u>\$ 5,353</u>	<u>\$ 7,949</u>	<u>\$ 1,963</u>	<u>\$ 4,105</u>	<u>\$ 5,749</u>	<u>\$ 167,963</u>
\$ -	\$ -	\$ 58	\$ 75	\$ 26	\$ 19	\$ 76	\$ 646
-	-	1,119	1,251	259	176	109	7,740
-	6	14	-	-	-	-	20
-	-	1,600	-	-	-	-	2,500
-	-	-	-	-	-	-	1,665
-	-	1,211	3,114	29	-	4	4,358
-	6	4,002	4,440	314	195	189	16,929
4	225	-	2	-	-	1,039	22,566
-	-	1,251	1,200	-	-	-	8,822
-	-	-	2,307	1,499	-	-	3,806
252	24,224	100	-	150	3,910	4,521	115,840
252	24,224	1,351	3,507	1,649	3,910	4,521	128,468
<u>\$ 256</u>	<u>\$ 24,455</u>	<u>\$ 5,353</u>	<u>\$ 7,949</u>	<u>\$ 1,963</u>	<u>\$ 4,105</u>	<u>\$ 5,749</u>	<u>\$ 167,963</u>

**SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NON-MAJOR FUNDS**

CITY OF MINNEAPOLIS, MINNESOTA

For the Fiscal Year Ended December 31, 2015

(In Thousands)

	Arena Reserve	Board of Estimate and Taxation	Convention Center	HUD Consolidated Plan
REVENUES:				
Taxes	\$ 1,580	\$ 163	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental revenues	-	-	-	18,273
Charges for services and sales	-	-	6,524	1,419
Fines and forfeits	-	-	-	-
Special assessments	-	-	-	1
Investment earnings	57	-	534	348
Miscellaneous revenues	1,352	-	11,920	1,090
Total revenues	<u>2,989</u>	<u>163</u>	<u>18,978</u>	<u>21,131</u>
EXPENDITURES:				
Current:				
General government	-	206	-	1,843
Public safety	-	-	-	977
Public works	-	-	-	-
Health and welfare	-	-	-	1,187
Community planning & economic development	3,367	-	43,666	16,747
Intergovernmental:				
Public safety	-	-	-	-
Total expenditures	<u>3,367</u>	<u>206</u>	<u>43,666</u>	<u>20,754</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(378)</u>	<u>(43)</u>	<u>(24,688)</u>	<u>377</u>
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	5,523	4	50,340	-
Transfers to other funds	-	-	(24,321)	-
Total other financing sources (uses)	<u>5,523</u>	<u>4</u>	<u>26,019</u>	<u>-</u>
Net change in fund balances	5,145	(39)	1,331	377
Fund balances - January 1	<u>10,076</u>	<u>315</u>	<u>65,855</u>	<u>5,994</u>
Fund balances - December 31	<u>\$ 15,221</u>	<u>\$ 276</u>	<u>\$ 67,186</u>	<u>\$ 6,371</u>

**SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NON-MAJOR FUNDS**

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

For the Fiscal Year Ended December 31, 2015

(In Thousands)

Self-Managed Special Service Districts	Employee Retirement	Grants- Federal	Grants- Other	Police	Neighborhood & Community Relations	Regulatory Services	Total
\$ -	\$ 29,832	\$ -	\$ 115	\$ 187	\$ -	\$ -	\$ 31,877
-	-	-	-	1,073	-	198	1,271
8	5,209	14,200	21,453	189	-	-	59,332
-	-	123	940	450	-	82	9,538
-	-	-	-	314	-	-	314
6,298	-	-	-	-	-	3,850	10,149
(6)	95	-	2	-	-	23	1,053
-	4,481	372	1,170	-	-	48	20,433
<u>6,300</u>	<u>39,617</u>	<u>14,695</u>	<u>23,680</u>	<u>2,213</u>	<u>-</u>	<u>4,201</u>	<u>133,967</u>
6,241	26,078	272	756	-	-	-	35,396
-	11,534	2,360	925	1,660	-	4,433	21,889
-	-	1,041	24	-	-	-	1,065
-	-	6,571	5,188	-	-	-	12,946
-	-	4,249	16,164	-	5,352	285	89,830
-	-	168	-	-	-	-	168
<u>6,241</u>	<u>37,612</u>	<u>14,661</u>	<u>23,057</u>	<u>1,660</u>	<u>5,352</u>	<u>4,718</u>	<u>161,294</u>
59	2,005	34	623	553	(5,352)	(517)	(27,327)
-	-	-	-	-	6,225	-	62,092
-	-	-	-	-	-	-	(24,321)
-	-	-	-	-	6,225	-	37,771
59	2,005	34	623	553	873	(517)	10,444
193	22,219	1,317	2,884	1,096	3,037	5,038	118,024
<u>\$ 252</u>	<u>\$ 24,224</u>	<u>\$ 1,351</u>	<u>\$ 3,507</u>	<u>\$ 1,649</u>	<u>\$ 3,910</u>	<u>\$ 4,521</u>	<u>\$ 128,468</u>

**ARENA RESERVE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended December 31, 2015**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES:				
Taxes	\$ 1,300	\$ 1,300	\$ 1,580	\$ 280
Investment earnings	41	41	57	16
Miscellaneous revenues	1,350	1,350	1,352	2
Total revenues	<u>2,691</u>	<u>2,691</u>	<u>2,989</u>	<u>298</u>
EXPENDITURES:				
Current:				
Community planning & economic development	<u>6,765</u>	<u>12,646</u>	<u>3,367</u>	<u>9,279</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,074)</u>	<u>(9,955)</u>	<u>(378)</u>	<u>9,577</u>
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	<u>3,523</u>	<u>5,523</u>	<u>5,523</u>	<u>-</u>
Net change in fund balance	(551)	(4,432)	5,145	9,577
Fund balance - January 1	<u>10,076</u>	<u>10,076</u>	<u>10,076</u>	<u>-</u>
Fund balance - December 31	<u>\$ 9,525</u>	<u>\$ 5,644</u>	<u>\$ 15,221</u>	<u>\$ 9,577</u>

**BOARD OF ESTIMATE AND TAXATION SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 For the Fiscal Year Ended December 31, 2015**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Budgeted Amount		Actual	Variance
	Original	Final		
REVENUES:				
Taxes	\$ 157	\$ 157	\$ 163	\$ 6
EXPENDITURES:				
Current:				
General government	188	204	206	(2)
Excess (deficiency) of revenues over (under) expenditures	(31)	(47)	(43)	4
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	4	4	4	-
Net change in fund balance	(27)	(43)	(39)	4
Fund balance - January 1	315	315	315	-
Fund balance - December 31	\$ 288	\$ 272	\$ 276	\$ 4

**CONVENTION CENTER SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended December 31, 2015**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Budgeted Amount		Actual	Variance
	Original	Final		
REVENUES:				
Charges for services and sales	\$ 6,200	\$ 6,200	\$ 6,524	\$ 324
Investment earnings	560	560	534	(26)
Miscellaneous revenues	11,247	11,247	11,920	673
Total revenues	<u>18,007</u>	<u>18,007</u>	<u>18,978</u>	<u>971</u>
EXPENDITURES:				
Current:				
Community planning & economic development	45,863	50,468	43,666	6,802
Excess (deficiency) of revenues over (under) expenditures	<u>(27,856)</u>	<u>(32,461)</u>	<u>(24,688)</u>	<u>7,773</u>
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	50,340	50,340	50,340	-
Transfers to other funds	<u>(24,502)</u>	<u>(24,502)</u>	<u>(24,321)</u>	<u>181</u>
Total other financing sources (uses)	<u>25,838</u>	<u>25,838</u>	<u>26,019</u>	<u>181</u>
Net change in fund balance	(2,018)	(6,623)	1,331	7,954
Fund balance - January 1	<u>65,855</u>	<u>65,855</u>	<u>65,855</u>	<u>-</u>
Fund balance - December 31	<u>\$ 63,837</u>	<u>\$ 59,232</u>	<u>\$ 67,186</u>	<u>\$ 7,954</u>

**HUD CONSOLIDATED PLAN SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended December 31, 2015**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES:				
Intergovernmental revenues	\$ 14,909	\$ 21,796	\$ 18,273	\$ (3,523)
Charges for services and sales	-	-	1,419	1,419
Special assessments	-	-	1	1
Investment earnings	-	-	348	348
Miscellaneous revenues	605	605	1,090	485
Total revenues	<u>15,514</u>	<u>22,401</u>	<u>21,131</u>	<u>(1,270)</u>
EXPENDITURES:				
Current:				
General government	1,856	2,206	1,843	363
Public safety	985	1,397	977	420
Health and welfare	708	1,355	1,187	168
Community planning & economic development	11,965	17,443	16,747	696
Total expenditures	<u>15,514</u>	<u>22,401</u>	<u>20,754</u>	<u>1,647</u>
Net change in fund balance	-	-	377	377
Fund balance - January 1	<u>5,994</u>	<u>5,994</u>	<u>5,994</u>	-
Fund balance - December 31	<u>\$ 5,994</u>	<u>\$ 5,994</u>	<u>\$ 6,371</u>	<u>\$ 377</u>

SELF-MANAGED SPECIAL SERVICE DISTRICTS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended December 31, 2015

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES:				
Intergovernmental revenues	\$ -	\$ -	\$ 8	\$ 8
Special assessments	6,100	6,250	6,298	48
Investment earnings	-	-	(6)	(6)
Total revenues	<u>6,100</u>	<u>6,250</u>	<u>6,300</u>	<u>50</u>
EXPENDITURES:				
Current:				
General government	<u>6,100</u>	<u>6,250</u>	<u>6,241</u>	<u>9</u>
Net change in fund balance	-	-	59	59
Fund balance - January 1	<u>193</u>	<u>193</u>	<u>193</u>	<u>-</u>
Fund balance - December 31	<u>\$ 193</u>	<u>\$ 193</u>	<u>\$ 252</u>	<u>\$ 59</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, 2015**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES:				
Taxes	\$ 33,956	\$ 29,018	\$ 29,832	\$ 814
Intergovernmental revenues	4,200	4,200	5,209	1,009
Investment earnings	-	-	95	95
Miscellaneous revenues	-	4,938	4,481	(457)
Total revenues	<u>38,156</u>	<u>38,156</u>	<u>39,617</u>	<u>1,461</u>
EXPENDITURES:				
Current:				
General government	24,104	24,104	26,078	(1,974)
Public safety	11,534	11,534	11,534	-
Total expenditures	<u>35,638</u>	<u>35,638</u>	<u>37,612</u>	<u>(1,974)</u>
Net change in fund balance	2,518	2,518	2,005	(513)
Fund balance - January 1	<u>22,219</u>	<u>22,219</u>	<u>22,219</u>	<u>-</u>
Fund balance - December 31	<u>\$ 24,737</u>	<u>\$ 24,737</u>	<u>\$ 24,224</u>	<u>\$ (513)</u>

**GRANTS - FEDERAL SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended December 31, 2015**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES:				
Intergovernmental revenues	\$ 10,419	\$ 15,917	\$ 14,200	\$ (1,717)
Charges for services and sales	-	-	123	123
Miscellaneous revenues	-	-	372	372
Total revenues	<u>10,419</u>	<u>15,917</u>	<u>14,695</u>	<u>(1,222)</u>
EXPENDITURES:				
Current:				
General government	389	700	272	428
Public safety	2,878	4,407	2,360	2,047
Public works	-	1,100	1,041	59
Health and welfare	4,266	11,761	6,571	5,190
Community planning & economic development	2,886	4,436	4,249	187
Intergovernmental:				
Public safety	-	168	168	-
Total expenditures	<u>10,419</u>	<u>22,572</u>	<u>14,661</u>	<u>7,911</u>
Net change in fund balance	-	(6,655)	34	6,689
Fund balance - January 1	<u>1,317</u>	<u>1,317</u>	<u>1,317</u>	-
Fund balance - December 31	<u>\$ 1,317</u>	<u>\$ (5,338)</u>	<u>\$ 1,351</u>	<u>\$ 6,689</u>

**GRANTS - OTHER SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended December 31, 2015**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES:				
Taxes	\$ 7	\$ 7	\$ 115	\$ 108
Intergovernmental revenues	7,081	18,084	21,453	3,369
Charges for services and sales	759	795	940	145
Investment earnings	-	-	2	2
Miscellaneous revenues	264	3,810	1,170	(2,640)
Total revenues	<u>8,111</u>	<u>22,696</u>	<u>23,680</u>	<u>984</u>
EXPENDITURES:				
Current:				
General government	276	3,354	756	2,598
Public safety	884	1,800	925	875
Public works	-	25	24	1
Health and welfare	5,124	7,499	5,188	2,311
Community planning & economic development	1,822	16,188	16,164	24
Total expenditures	<u>8,106</u>	<u>28,866</u>	<u>23,057</u>	<u>5,809</u>
Net change in fund balance	5	(6,170)	623	6,793
Fund balance - January 1	<u>2,884</u>	<u>2,884</u>	<u>2,884</u>	<u>-</u>
Fund balance - December 31	<u>\$ 2,889</u>	<u>\$ (3,286)</u>	<u>\$ 3,507</u>	<u>\$ 6,793</u>

**POLICE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended December 31, 2015**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES:				
Taxes	\$ 177	\$ 177	\$ 187	\$ 10
Licenses and permits	1,160	1,160	1,073	(87)
Intergovernmental revenues	-	-	189	189
Charges for services and sales	395	436	450	14
Fines and forfeits	400	400	314	(86)
Total revenues	<u>2,132</u>	<u>2,173</u>	<u>2,213</u>	<u>40</u>
EXPENDITURES:				
Current:				
Public safety	<u>2,132</u>	<u>2,173</u>	<u>1,660</u>	<u>513</u>
Net change in fund balance	-	-	553	553
Fund balance - January 1	<u>1,096</u>	<u>1,096</u>	<u>1,096</u>	-
Fund balance - December 31	<u>\$ 1,096</u>	<u>\$ 1,096</u>	<u>\$ 1,649</u>	<u>\$ 553</u>

**NEIGHBORHOOD AND COMMUNITY RELATIONS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended December 31, 2015**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES:	\$ -	\$ -	\$ -	\$ -
EXPENDITURES:				
Current:				
Community planning & economic development	6,225	6,225	5,352	873
Excess (deficiency) of revenues over (under) expenditures	(6,225)	(6,225)	(5,352)	(873)
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	6,225	6,225	6,225	-
Net change in fund balance	-	-	873	(873)
Fund balance - January 1	3,037	3,037	3,037	-
Fund balance - December 31	\$ 3,037	\$ 3,037	\$ 3,910	\$ (873)

**REGULATORY SERVICES SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended December 31, 2015**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES:				
Licenses and permits	\$ -	\$ -	\$ 198	\$ 198
Charges for services and sales	97	97	82	(15)
Fines and forfeits	5	5	-	(5)
Special assessments	3,719	3,719	3,850	131
Investment earnings	-	-	23	23
Miscellaneous revenues	-	-	48	48
Total revenues	<u>3,821</u>	<u>3,821</u>	<u>4,201</u>	<u>380</u>
EXPENDITURES:				
Current:				
Public safety	5,034	5,034	4,433	601
Community planning & economic development	300	300	285	15
Total expenditures	<u>5,334</u>	<u>5,334</u>	<u>4,718</u>	<u>616</u>
Net change in fund balance	(1,513)	(1,513)	(517)	996
Fund balance - January 1	<u>5,038</u>	<u>5,038</u>	<u>5,038</u>	-
Fund balance - December 31	<u>\$ 3,525</u>	<u>\$ 3,525</u>	<u>\$ 4,521</u>	<u>\$ 996</u>

DEBT SERVICE FUNDS
 COMBINING BALANCE SHEET
 NON-MAJOR FUNDS
 DECEMBER 31, 2015

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	<u>Community Development Agency</u>	<u>Development</u>	<u>General Debt Service</u>	<u>Total</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 206	\$ 9	\$ 19,371	\$ 19,586
Investments with trustees	2,187	-	-	2,187
Receivables:				
Taxes	-	-	885	885
Accrued interest	1	-	39	40
Total assets	<u>\$ 2,394</u>	<u>\$ 9</u>	<u>\$ 20,295</u>	<u>\$ 22,698</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12</u>	<u>\$ 12</u>
Deferred Inflows of Resources:				
Unavailable revenue	<u>-</u>	<u>-</u>	<u>473</u>	<u>473</u>
Fund balances:				
Restricted	<u>2,394</u>	<u>9</u>	<u>19,810</u>	<u>22,213</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,394</u>	<u>\$ 9</u>	<u>\$ 20,295</u>	<u>\$ 22,698</u>

DEBT SERVICE FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NON-MAJOR FUNDS
 For the Fiscal Year Ended December 31, 2015

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Community Development Agency	Development	General Debt Service	Total
REVENUES:				
Taxes	\$ -	\$ -	\$ 45,654	\$ 45,654
Intergovernmental revenues	-	-	49	49
Investment earnings	1	-	127	128
Miscellaneous revenues	-	181	1,146	1,327
Total revenues	<u>1</u>	<u>181</u>	<u>46,976</u>	<u>47,158</u>
EXPENDITURES:				
Debt Service:				
Principal retirement	995	28,485	39,470	68,950
Interest and fiscal charges	1,441	10,337	2,955	14,733
Bond issuance costs	482	-	-	482
Payments to refunded bond escrow agents	22,753	-	-	22,753
Total expenditures	<u>25,671</u>	<u>38,822</u>	<u>42,425</u>	<u>106,918</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(25,670)</u>	<u>(38,641)</u>	<u>4,551</u>	<u>(59,760)</u>
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	4,086	38,641	511	43,238
Transfers to other funds	(2,423)	-	(2,751)	(5,174)
Premium (discount)	135	-	-	135
Refunding bonds issued	22,710	-	-	22,710
Total other financing sources (uses)	<u>24,508</u>	<u>38,641</u>	<u>(2,240)</u>	<u>60,909</u>
Net change in fund balances	(1,162)	-	2,311	1,149
Fund balances - January 1	<u>3,556</u>	<u>9</u>	<u>17,499</u>	<u>21,064</u>
Fund balances - December 31	<u>\$ 2,394</u>	<u>\$ 9</u>	<u>\$ 19,810</u>	<u>\$ 22,213</u>

**INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
December 31, 2015**

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	\$ 1,553	\$ 38,360	\$ 4,958	\$ 23,702	\$ 16	\$ 75,650	\$ 144,239
Receivables:							
Accounts - net	66	101	19	24	-	106	316
Due from other funds	-	-	-	-	-	385	385
Inventories	-	-	15	1,243	5,703	-	6,961
Properties held for resale	-	-	-	-	-	433	433
Prepaid items	-	741	-	-	-	-	741
Total current assets	<u>1,619</u>	<u>39,202</u>	<u>4,992</u>	<u>24,969</u>	<u>5,719</u>	<u>76,574</u>	<u>153,075</u>
Long-term assets:							
Capital assets:							
Non-depreciable:							
Land and easements	-	-	20,821	2,186	-	-	23,007
Construction in progress	-	18,070	-	3,013	-	-	21,083
Depreciable:							
Buildings and structures	-	-	25,588	30,062	-	-	55,650
Less accumulated depreciation	-	-	(21,588)	(9,690)	-	-	(31,278)
Public improvements	-	-	7,937	1,704	-	-	9,641
Less accumulated depreciation	-	-	(3,466)	(444)	-	-	(3,910)
Machinery and equipment	463	2,270	12,671	84,329	107	-	99,840
Less accumulated depreciation	(287)	(1,410)	(9,735)	(53,073)	(107)	-	(64,612)
Computer equipment	61	70,368	162	-	7	-	70,598
Less accumulated depreciation	(61)	(65,697)	(162)	-	(7)	-	(65,927)
Software	-	52,132	8	-	9	-	52,149
Less accumulated depreciation	-	(33,163)	(8)	-	(9)	-	(33,180)
Other capital outlay	15	-	21	-	15	-	51
Less accumulated depreciation	(15)	-	(21)	-	(15)	-	(51)
Total long - term assets	<u>176</u>	<u>42,570</u>	<u>32,228</u>	<u>58,087</u>	<u>-</u>	<u>-</u>	<u>133,061</u>
Total assets	<u>\$ 1,795</u>	<u>\$ 81,772</u>	<u>\$ 37,220</u>	<u>\$ 83,056</u>	<u>\$ 5,719</u>	<u>\$ 76,574</u>	<u>\$ 286,136</u>
DEFERRED OUTFLOWS OF RESOURCES							
Deferred outflows - pensions	<u>\$ 1,011</u>	<u>\$ 7,919</u>	<u>\$ 4,970</u>	<u>\$ 5,539</u>	<u>\$ 737</u>	<u>\$ 7,013</u>	<u>\$ 27,189</u>
LIABILITIES							
Current liabilities:							
Salaries payable	\$ 30	\$ 251	\$ 151	\$ 158	\$ 21	\$ 167	\$ 778
Accounts payable	44	3,022	410	1,856	247	1,252	6,831
Due to other funds	-	-	-	-	385	-	385
Interest payable	-	-	6	33	-	-	39
Unearned revenue	-	6,953	-	-	-	-	6,953
Bonds payable - current portion	-	-	820	2,215	-	-	3,035
Compensated absences payable - current portion	21	153	120	113	15	143	565
Unpaid claims payable - current portion	-	-	-	-	-	11,595	11,595
Total current liabilities	<u>95</u>	<u>10,379</u>	<u>1,507</u>	<u>4,375</u>	<u>668</u>	<u>13,157</u>	<u>30,181</u>
Long-term liabilities:							
Bonds payable	-	-	1,745	11,643	-	-	13,388
Advances from other funds	-	1,750	-	-	-	-	1,750
Compensated absences payable	48	357	281	263	35	333	1,317
Other postemployment benefits	21	139	120	312	26	147	765
Net pension liability	1,703	13,341	8,374	9,332	1,242	11,816	45,808
Unpaid claims payable	-	-	-	-	-	40,378	40,378
Total long - term liabilities	<u>1,772</u>	<u>15,587</u>	<u>10,520</u>	<u>21,550</u>	<u>1,303</u>	<u>52,674</u>	<u>103,406</u>
Total liabilities	<u>\$ 1,867</u>	<u>\$ 25,966</u>	<u>\$ 12,027</u>	<u>\$ 25,925</u>	<u>\$ 1,971</u>	<u>\$ 65,831</u>	<u>\$ 133,587</u>
DEFERRED INFLOWS OF RESOURCES							
Deferred inflows - pensions	<u>\$ 137</u>	<u>\$ 1,074</u>	<u>\$ 674</u>	<u>\$ 751</u>	<u>\$ 100</u>	<u>\$ 951</u>	<u>\$ 3,687</u>
NET POSITION							
Net investment in capital assets	\$ 176	\$ 43,383	\$ 29,663	\$ 44,229	\$ -	\$ -	\$ 117,451
Unrestricted	626	19,268	(174)	17,690	4,385	16,805	58,600
Total net position	<u>\$ 802</u>	<u>\$ 62,651</u>	<u>\$ 29,489</u>	<u>\$ 61,919</u>	<u>\$ 4,385</u>	<u>\$ 16,805</u>	<u>\$ 176,051</u>

CITY OF MINNEAPOLIS, MINNESOTA

INTERNAL SERVICE FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENSES,
 AND CHANGES IN FUND NET POSITION
 For the Fiscal Year Ended December 31, 2015

	Engineering Materials and Testing	Inter- governmental Services	Property Services	Equipment Services	Public Works Stores	Self- Insurance	Total
Operating revenues:							
Charges for services and sales	\$ 1,539	\$ 41,419	\$ 5,348	\$ 15,614	\$ 1,355	\$ 30,087	\$ 95,362
Fines and forfeits	-	-	-	-	-	28	28
Rents and commissions	-	-	15,498	13,679	-	-	29,177
Total operating revenues	1,539	41,419	20,846	29,293	1,355	30,115	124,567
Operating expenses:							
Personnel costs	1,422	9,304	8,040	8,342	1,029	15,865	44,002
Contractual services	499	27,070	11,139	4,843	247	8,564	52,362
Materials, supplies, services and other	69	3,402	1,780	6,426	24	3,987	15,688
Depreciation	-	4,559	1,341	6,616	-	-	12,516
Total operating expenses	1,990	44,335	22,300	26,227	1,300	28,416	124,568
Operating income (loss)	(451)	(2,916)	(1,454)	3,066	55	1,699	(1)
Nonoperating revenues (expenses):							
Interest expense	-	(46)	(61)	(344)	-	-	(451)
Gain (loss) on disposal of capital assets	-	(40)	8	260	-	-	228
Other revenues	1	61	1,595	106	78	1,181	3,022
Total nonoperating revenues (expenses)	1	(25)	1,542	22	78	1,181	2,799
Income (loss) before transfers	(450)	(2,941)	88	3,088	133	2,880	2,798
Transfers in (out):							
Transfers from other funds	-	7,659	819	1,912	-	292	10,682
Transfers to other funds	-	-	(1,614)	-	-	(1,000)	(2,614)
Total transfers	-	7,659	(795)	1,912	-	(708)	8,068
Change in net position	(450)	4,718	(707)	5,000	133	2,172	10,866
Net position - January 1, as restated (see Note 1)	1,252	57,933	30,196	56,919	4,252	14,633	165,185
Net position - December 31	\$ 802	\$ 62,651	\$ 29,489	\$ 61,919	\$ 4,385	\$ 16,805	\$ 176,051

**INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Fiscal Year Ended December 31, 2015**

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	\$ 127	\$ 195	\$ 267	\$ 36	\$ -	\$ (34)	\$ 591
Cash received from interfund activities	1,348	38,547	20,561	29,253	1,355	30,114	121,178
Payments to suppliers	(340)	(29,066)	(12,296)	(6,622)	(535)	(9,820)	(58,679)
Payments to employees	(1,136)	(6,960)	(6,656)	(6,857)	(822)	(13,977)	(36,408)
Payments for interfund activities	(207)	(2,222)	(573)	(4,281)	(244)	(1,506)	(9,033)
Other nonoperating revenue	1	61	1,595	106	78	1,181	3,022
Net cash provided (used) by operating activities	(207)	555	2,898	11,635	(168)	5,958	20,671
Cash flows from non-capital financing activities:							
Transfers from other funds	-	7,659	819	1,912	-	292	10,682
Repayment of advances from other funds	-	(1,500)	-	-	-	-	(1,500)
Transfers to other funds	-	-	(1,614)	-	-	(1,000)	(2,614)
Repayment from (payment to) other fund for cash deficit	-	-	-	-	183	(183)	-
Net cash provided (used) by non-capital financing activities	-	6,159	(795)	1,912	183	(891)	6,568
Cash flows from capital and related financing activities:							
Principal paid on bonds	-	(2,705)	(820)	(2,100)	-	-	(5,625)
Interest paid on bonds	-	(108)	(98)	(460)	-	-	(666)
Acquisition and construction of capital assets	(176)	(15,429)	-	(10,886)	-	-	(26,491)
Proceeds from sale of capital assets	-	-	15	414	-	-	429
Net cash provided (used) by capital and related financing activities	(176)	(18,242)	(903)	(13,032)	-	-	(32,353)
Net increase (decrease) in cash and cash equivalents	(383)	(11,528)	1,200	515	15	5,067	(5,114)
Cash and cash equivalents, beginning of year	1,936	49,888	3,758	23,187	1	70,583	149,353
Cash and cash equivalents, end of year	\$ 1,553	\$ 38,360	\$ 4,958	\$ 23,702	\$ 16	\$ 75,650	\$ 144,239
Reconciliation of operating income to net cash provided (used) by operating activities							
Operating income (loss)	\$ (451)	\$ (2,916)	\$ (1,454)	\$ 3,066	\$ 55	\$ 1,699	\$ (1)
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:							
Depreciation	-	4,559	1,341	6,616	-	-	12,516
Accounts receivable - net	(64)	(101)	(19)	(4)	-	(35)	(223)
Intergovernmental receivable	-	-	1	-	-	-	1
Inventories	-	-	4	(5)	(460)	-	(461)
Prepaid items	-	33	-	-	-	-	33
Deferred outflows - pensions	(912)	(7,143)	(4,483)	(4,997)	(665)	(6,326)	(24,526)
Salaries payable	2	40	1	(18)	2	(40)	(13)
Accounts payable	21	(747)	46	372	(48)	(897)	(1,253)
Unearned revenue	-	(2,677)	-	-	-	-	(2,677)
Compensated absences payable	7	101	49	(11)	4	29	179
Other postemployment benefits	(22)	(143)	(138)	(127)	(17)	(179)	(626)
Net pension liability	1,074	8,414	5,281	5,886	783	7,452	28,890
Unpaid claims payable	-	-	-	-	-	2,123	2,123
Deferred inflows - pensions	137	1,074	674	751	100	951	3,687
Other nonoperating revenue	1	61	1,595	106	78	1,181	3,022
Net cash provided (used) by operating activities	\$ (207)	\$ 555	\$ 2,898	\$ 11,635	\$ (168)	\$ 5,958	\$ 20,671
Non-cash investing, capital and financing activities:							
Loss on disposal of capital assets	\$ -	\$ (40)	\$ (7)	\$ (154)	\$ -	\$ -	\$ (201)

COMBINING STATEMENT OF FIDUCIARY NET POSITION
 AGENCY FUNDS
 December 31, 2015

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Minneapolis Youth Coordinating Board Agency	Joint Board Agency	Total
ASSETS			
Cash and cash equivalents	\$ 262 \$	19 \$	\$ 1,267
Receivables:			
Accounts - net	12	68	298
Total assets	\$ 274 \$	87 \$	\$ 1,565
LIABILITIES			
Accounts payable	\$ - \$	87 \$	\$ 1,291
Intergovernmental payable	274	-	274
Total liabilities	\$ 274 \$	87 \$	\$ 1,565

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

CITY OF MINNEAPOLIS, MINNESOTA

For the fiscal year ended December 31, 2015

(In Thousands)

	Balance January 1, 2015	Additions	Deductions	Balance December 31, 2015
MINNEAPOLIS AGENCY				
<u>ASSETS</u>				
Cash and cash equivalents	\$ 4,500	\$ 236,682	\$ 240,920	\$ 262
Receivables:				
Accounts - net	11	3,191	3,190	12
Total assets	<u>4,511</u>	<u>239,873</u>	<u>244,110</u>	<u>274</u>
<u>LIABILITIES</u>				
Intergovernmental payable	<u>4,511</u>	<u>299,504</u>	<u>303,741</u>	<u>274</u>
SKYWAY DEBT SERVICE AGENCY				
<u>ASSETS</u>				
Cash and cash equivalents	<u>122</u>	<u>-</u>	<u>122</u>	<u>-</u>
<u>LIABILITIES</u>				
Deposits held for others	<u>122</u>	<u>-</u>	<u>122</u>	<u>-</u>
MINNEAPOLIS YOUTH COORDINATING BOARD AGENCY				
<u>ASSETS</u>				
Cash and cash equivalents	1,279	1,844	2,137	986
Receivables:				
Accounts - net	126	218	126	218
Total assets	<u>1,405</u>	<u>2,062</u>	<u>2,263</u>	<u>1,204</u>
<u>LIABILITIES</u>				
Accounts payable	<u>1,405</u>	<u>2,062</u>	<u>2,263</u>	<u>1,204</u>
JOINT BOARD AGENCY				
<u>ASSETS</u>				
Cash and cash equivalents	32	-	13	19
Receivables:				
Accounts - net	68	-	-	68
Total assets	<u>100</u>	<u>-</u>	<u>13</u>	<u>87</u>
<u>LIABILITIES</u>				
Accounts payable	<u>100</u>	<u>-</u>	<u>13</u>	<u>87</u>
TOTAL ALL AGENCY FUNDS				
<u>ASSETS</u>				
Cash and cash equivalents	5,933	238,526	243,192	1,267
Receivables:				
Accounts - net	205	3,409	3,316	298
Total assets	<u>6,138</u>	<u>241,935</u>	<u>246,508</u>	<u>1,565</u>
<u>LIABILITIES</u>				
Accounts payable	1,505	2,062	2,276	1,291
Intergovernmental payable	4,511	299,504	303,741	274
Deposits held for others	122	-	122	-
Total liabilities	<u>\$ 6,138</u>	<u>\$ 301,566</u>	<u>\$ 306,139</u>	<u>\$ 1,565</u>

SCHEDULE OF GOVERNMENTAL ACTIVITY BONDS AND NOTES

CITY OF MINNEAPOLIS, MINNESOTA

December 31, 2015

(In Thousands)

Issues Outstanding	Interest Rates	Issue Date	Final Maturity Date	Issued	Retired	Outstanding	Principal	
							Due in 2016	Interest Due in 2016
<u>Property Tax Supported General Obligation Bonds and Notes</u>								
<u>General Infrastructure Bonds</u>								
Bridges	1.00% Variable - Note	12/02/14 12/18/15	12/01/16 12/01/18	2,890 700	890 -	2,000 700	2,000 -	20 35
Park Improvements	1.00% Variable - Note	12/02/14 12/18/15	12/01/15 12/01/18	3,100 125	3,100 -	- 125	- -	- 6
Public Buildings	1.00% Variable - Note	12/02/14 12/18/15	12/01/16 12/01/18	5,167 2,400	3,167 -	2,000 2,400	2,000 -	20 120
Municipal Buildings	1.00% Variable - Note	12/02/14 12/18/15	12/01/15 12/01/18	365 300	365 -	- 300	- -	- 15
Street Improvements	2.00% to 5.00%	06/03/10 10/30/12	12/01/15 12/01/15	7,915 13,615	7,915 13,615	- -	- -	- -
	1.00% to 2.00%	12/03/13	12/01/17	13,795	10,295	3,500	2,000	70
	1.00%	12/02/14	12/01/16	15,500	6,580	8,920	8,920	89
	1.00% Variable - Note	12/02/14 12/18/15	12/01/15 12/01/18	2,053 11,475	2,053 -	- 11,475	- -	- 574
Public Safety Capital Initiative	3.00%	06/24/10	12/01/15	12,965	12,965	-	-	-
Sub-total General Infrastructure Bonds				92,365	60,945	31,420	14,920	949
<u>Library Referendum Bonds</u>								
	2.00%	11/22/11	12/01/19	42,200	9,100	33,100	2,650	662
	2.00% to 2.38%	10/30/12	12/01/25	28,860	4,600	24,260	1,500	509
	1.00% to 2.00%	12/03/13	12/01/18	17,930	3,045	14,885	1,155	298
	3.00% to 3.50%	05/29/08	12/01/16	11,605	10,105	1,500	1,500	52
Sub-total Library Referendum Bonds				100,595	26,850	73,745	6,805	1,521
Total Property Tax Supported General Obligation Bonds and Notes				192,960	87,795	105,165	21,725	2,470
<u>Self-Supporting General Obligation Bonds</u>								
Convention Center	4.00%	11/19/09	12/01/15	9,250	9,250	-	-	-
	4.00%	11/19/09	12/01/15	10,000	10,000	-	-	-
	2.00%	11/22/11	12/01/19	39,300	-	39,300	18,650	786

SCHEDULE OF GOVERNMENTAL ACTIVITY BONDS AND NOTES

CITY OF MINNEAPOLIS, MINNESOTA
(Continued)

December 31, 2015

Issues Outstanding	Interest Rates	Issue Date	Final Maturity Date	Issued	Retired	Outstanding	(In Thousands)	
							Principal Due in 2,016	Interest Due in 2,016
<u>Self-Supporting General Obligation Bonds (continued)</u>								
Convention Center (continued)	3.00%	04/05/11	12/01/17	33,800	29,300	4,500	2,000	135
	3.25% to 3.80%	04/05/11	12/01/20	71,250	-	71,250	-	2,521
	1.00% to 2.00%	10/30/12	12/01/17	4,200	3,200	1,000	500	20
Park Acquisition	3.00%	06/24/10	12/01/20	5,795	2,875	2,920	540	88
Park Board Energy Efficiency Project	2.00% to 5.00%	06/03/10	12/01/17	450	125	325	30	16
Parade Ice & Other Facility Energy Improvements	0.50% to 2.00%	12/03/13	12/01/20	2,800	-	2,800	-	56
Parade Ice & Other Facility Energy Improvements - Taxable	2.00% to 3.80%	12/03/13	12/01/26	7,000	225	6,775	200	220
Downtown East	0.95% to 4.63%	03/04/14	03/01/44	61,905	-	61,905	-	2,665
Total Self-Supporting General Obligation Bonds				245,750	54,975	190,775	21,920	6,507
<u>Special Assessment General Obligation Bonds and Notes</u>								
Improvements	3.50% to 4.50%	11/17/05	12/01/16	815	715	100	100	5
	3.50% to 4.50%	11/17/05	12/01/17	960	780	180	90	9
	3.00%	06/24/10	12/01/18	1,970	1,195	775	115	23
	3.00%	06/24/10	12/01/18	3,380	1,350	2,030	250	61
	3.00%	06/24/10	12/01/18	3,375	1,655	1,720	160	52
	1.00% to 2.00%	10/30/12	12/01/24	4,600	1,600	3,000	425	60
	4.00% to 4.50%	11/28/07	12/01/27	5,400	5,400	-	-	-
	3.25% to 4.75%	11/26/08	12/01/28	7,725	7,725	-	-	-
	2.00% to 4.00%	11/19/09	12/01/29	9,800	4,880	4,920	480	197
	2.00% to 4.00%	11/22/10	12/01/25	5,950	4,855	1,095	120	38
	2.00% to 3.50%	11/22/11	12/01/31	8,495	5,710	2,785	1,415	71
	2.00% to 2.63%	12/04/12	12/01/32	5,535	2,540	2,995	835	63
	1.00% to 2.00%	12/03/13	12/01/33	13,035	4,060	8,975	1,730	222
	2.00% to 3.50%	12/02/14	12/01/34	5,930	1,480	4,450	1,000	93
Housing Improvement Area Bonds	3.00% to 4.30%	12/03/13	12/01/32	1,260	90	1,170	50	45
Nicollet Mall Improvement	Variable - Note	12/18/15	12/18/17	5,000	-	5,000	-	250
Northrop Lane Improvement (Refunding)	4.00% to 5.00%	11/17/05	12/01/18	35	17	18	6	1

SCHEDULE OF GOVERNMENTAL ACTIVITY BONDS AND NOTES

CITY OF MINNEAPOLIS, MINNESOTA
(Continued)

December 31, 2015

Issues Outstanding	Interest Rates	Issue Date	Final Maturity Date	Issued	Retired	Outstanding	Principal		Interest Due in 2,016
							Due in 2,016	Due in 2,016	

Special Assessment General Obligation Bonds and Notes (continued)

Park Diseased Trees	2.00% to 5.00%	06/03/10	12/01/15	400	400	-	-	-	-
	3.00%	05/26/11	12/01/15	400	400	-	-	-	-
	1.00% to 2.00%	12/02/14	12/01/19	100	20	80	20	20	1
Total Special Assessment General Obligation Bonds and Notes				84,165	44,872	39,293	6,796	6,796	1,191

Tax Increment General Obligation Bonds and Notes

Laurel Village Tax Increment (Refunding)	2.00% to 2.50%	06/24/10	03/01/15	4,360	4,360	-	-	-	-
Laurel Village Tax Increment - Taxable	4.00% to 4.85%	03/11/08	03/01/18	12,360	12,360	-	-	-	-
Tax Redevelopment - Arena Acquisition	2.50% to 4.90%	12/30/09	03/01/25	57,480	11,635	45,845	2,755	1,985	404
West Side Milling District Tax Increment	2.00% to 4.40%	06/24/10	03/01/23	14,900	4,100	10,800	1,125	440	183
Block E Development (Refunding)	Variable - Note	01/03/12	12/01/22	5,170	1,520	3,650	440	440	351
Block E Development - Taxable	4.60% to 5.30%	10/20/05	03/01/27	14,000	7,100	6,900	425	425	133
Milwaukee Depot Development (Refunding)	2.00% to 3.50%	10/01/09	03/01/28	5,400	1,150	4,250	240	240	121
Humboldt Greenway	2.00% to 4.00%	06/24/10	03/01/30	4,170	440	3,730	140	140	55
Heritage Park (Refunding)	2.00% to 3.00%	10/30/12	03/01/26	3,000	495	2,505	190	190	110
Midtown Exchange	4.00% to 5.00%	03/11/08	03/01/32	2,770	445	2,325	80	80	3,342
Total Tax Increment General Obligation Bonds and Notes				123,610	43,605	80,005	5,395	5,395	3,342

Tax Increment Revenue Bonds

2004 Village at St. Anthony Falls - Tax Exempt	2.35% to 5.75%	03/01/04	03/01/27	7,470	7,470	-	-	-	-
2005 Village at St. Anthony Falls - Tax Exempt	4.00% to 5.65%	12/13/05	02/01/27	4,430	4,430	-	-	-	-
2015 Village at St. Anthony Falls - Tax Exempt (Refunding)	1.60% to 4.00%	03/05/15	03/01/27	8,245	-	8,245	525	274	-
2005 Ivy Tower	5.10% to 5.70%	12/20/05	02/01/29	4,935	4,935	-	-	-	-
2015 Ivy Tower (Refunding)	1.25% to 5.00%	09/24/15	03/01/29	6,085	-	6,085	135	222	-
2006 Grant Park Tax Increment Revenue (Refunding)	5.00% to 5.35%	09/26/06	02/01/30	10,545	10,545	-	-	-	-
2015 Grant Park Tax Increment Revenue (Refunding)	1.55% to 4.00%	03/12/15	03/01/30	7,460	-	7,460	365	250	-
2007 East River Unocal Site	4.50% to 5.40%	07/12/07	02/01/31	1,750	1,750	-	-	-	-
2015 East River Unocal Site (Refunding)	1.25% to 4.00%	09/24/15	03/01/25	920	-	920	60	29	-
Total Tax Increment Revenue Bonds				51,840	29,130	22,710	1,085	775	14,285

Total General Government Bonds and Notes

Total General Government Bonds and Notes				698,325	260,377	437,948	56,921	56,921	14,285
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SCHEDULE OF GOVERNMENTAL ACTIVITY BONDS AND NOTES

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

December 31, 2015

Issues Outstanding	Interest Rates	Issue Date	Final Maturity Date	Issued	Retired	Outstanding	(In Thousands)	
							Principal Due in 2,016	Interest Due in 2,016
<u>Tax Increment Revenue Notes</u>								
College of St. Thomas District	6.93%	04/01/91	02/01/16	9,200	-	9,200	-	-
Section 108 - Midtown Exchange	Variable	12/01/04	08/01/24	6,500	2,005	4,495	380	224
Total Tax Increment Revenue Notes				15,700	2,005	13,695	380	224
Total General Government Bonds and Notes				714,025	262,382	451,643	57,301	14,509
<u>Internal Service Funds General Obligation Bonds</u>								
Equipment Services Fund General Obligation Bonds								
Currie Facility	3.00%	06/24/10	12/01/18	16,640	4,955	11,685	1,495	350
Equipment Purchases 2003 (Refunding)	3.00%	06/24/10	12/01/18	4,470	3,210	1,260	420	38
Equipment Purchases 2004 (Refunding)	1.00% to 2.00%	10/30/12	12/01/17	1,500	900	600	300	12
Sub-total Equipment Services Fund General Obligation Bonds				22,610	9,065	13,545	2,215	400
Property Services Fund General Obligation Bonds								
	3.00%	06/24/10	12/01/18	4,290	2,450	1,840	495	55
	3.00%	06/24/10	12/01/17	2,535	1,915	620	325	19
Sub-total Property Services Fund General Obligation Bonds				6,825	4,365	2,460	820	74
Intergovernmental Services Fund General Obligation Bonds								
	2.00% to 5.00%	06/03/10	12/01/15	2,407	2,407	-	-	-
	1.00%	12/02/14	12/01/15	2,225	2,225	-	-	-
Sub-total Intergovernmental Services Fund General Obligation Bonds				4,632	4,632	-	-	-
Total Internal Service Funds General Obligation Bonds				34,067	18,062	16,005	3,035	474
Total Governmental Activity Bonds and Notes				748,092	280,444	467,648	60,336	14,983

SCHEDULE OF BUSINESS-TYPE ACTIVITY BONDS AND NOTES

CITY OF MINNEAPOLIS, MINNESOTA

December 31, 2015		(In Thousands)						
Issues Outstanding	Interest Rates	Issue Date	Final Maturity Date	Issued	Retired	Outstanding	Principal Due in 2016	Interest Due in 2016
<u>Stormwater Fund General Obligation Bonds and Notes</u>								
	4.70% to 5.75%	06/01/93	12/01/15	3,856	3,856	-	-	-
	2.00% to 4.00%	05/21/09	12/01/16	6,910	4,410	2,500	2,500	100
	4.00% to 5.00%	05/29/08	12/01/15	3,635	3,635	-	-	-
				14,401	11,901	2,500	2,500	100
Total Stormwater Fund General Obligation Bonds and Notes								
<u>Sanitary Sewer Fund General Obligation Bonds</u>								
	2.00% to 4.00%	05/21/09	12/01/16	5,800	4,800	1,000	1,000	40
	2.00% to 5.00%	06/03/10	12/01/15	3,650	3,650	-	-	-
	3.00%	05/26/11	12/01/15	4,000	4,000	-	-	-
	0.50% to 2.00%	12/03/13	12/01/19	7,050	2,250	4,800	1,000	96
				20,500	14,700	5,800	2,000	136
Total Sanitary Sewer Fund General Obligation Bonds								
<u>Water Treatment and Distribution Services Fund General Obligation Bonds and Notes</u>								
	4.70% to 5.75%	06/01/93	12/01/15	6,715	6,715	-	-	-
	2.00% to 4.00%	05/21/09	12/01/25	12,615	115	12,500	2,000	420
	4.00% to 5.00%	05/29/08	12/01/15	10,250	10,250	-	-	-
	2.00% to 4.00%	05/21/09	12/01/17	4,000	2,000	2,000	1,000	80
	2.00% to 5.00%	06/03/10	12/01/17	3,366	1,391	1,975	970	99
	1.00% to 2.00%	12/02/14	12/01/19	6,000	1,000	5,000	1,060	75
				27,400	10,400	17,000	2,000	479
Drinking Water Program - Notes Payable								
	2.83%	12/17/02	08/20/22	27,400	10,400	17,000	2,000	479
	2.80%	02/21/04	08/20/23	25,000	5,050	19,950	-	559
	2.53%	03/23/05	08/20/19	12,500	6,350	6,150	800	156
	2.60%	08/23/06	08/20/26	13,500	3,905	9,595	620	249
	2.69%	12/09/09	08/20/27	19,558	1,023	18,535	150	498
	1.00%	03/02/10	08/20/21	6,230	1,590	4,640	780	46
				147,134	49,789	97,345	9,380	2,661
Total Water Treatment and Distribution Services Fund General Obligation Bonds and Notes								

SCHEDULE OF BUSINESS-TYPE ACTIVITY BONDS AND NOTES

CITY OF MINNEAPOLIS, MINNESOTA
(Continued)

December 31, 2015

(In Thousands)

Issues Outstanding	Interest Rates	Issue Date	Final Maturity Date	Issued	Retired	Outstanding	Principal Due in 2,016	Interest Due in 2,016
<u>Municipal Parking Fund General Obligation Bonds and Notes</u>								
	4.70% to 5.75%	06/01/93	12/01/15	4,530	4,530	-	-	-
	4.00% to 5.00%	11/17/05	12/01/18	685	343	342	114	16
	2.00% to 4.00%	05/21/09	12/01/24	19,200	650	18,550	600	742
	3.50% to 5.00%	11/17/05	12/01/17	5,340	3,345	1,995	950	95
	3.00% to 4.00%	06/24/10	12/01/26	10,325	1,775	8,550	500	279
	2.00% to 2.50%	10/30/12	12/01/26	22,060	2,100	19,960	940	426
	Variable - Note	01/03/12	12/01/20	6,810	-	6,810	1,165	340
	Variable - Note	01/03/12	12/01/33	27,980	-	27,980	95	1,399
	3.00%	05/26/11	12/01/15	1,500	1,500	-	-	-
	1.00% to 2.00%	10/30/12	12/01/18	1,900	700	1,200	400	24
	0.50% to 2.00%	12/03/13	12/01/15	505	505	-	-	-
	2.50% to 4.25%	11/23/09	12/01/24	6,125	2,025	4,100	-	168
	3.50% to 5.00%	11/17/05	12/01/21	7,100	1,460	5,640	745	262
	3.00%	06/24/10	12/01/15	2,700	2,700	-	-	-
	2.00% to 3.25%	10/01/09	03/01/26	13,675	9,300	4,375	-	135
	3.50% to 5.00%	11/17/05	12/01/21	15,355	12,580	2,775	345	129
	Variable - Note	01/03/12	12/01/32	3,860	105	3,755	115	188
Total Municipal Parking Fund General Obligation Bonds and Notes				149,650	43,618	106,032	5,969	4,203
Total Business-type Activity General Obligation Bonds and Notes				331,685	120,008	211,677	19,849	7,100
<u>Community Planning & Economic Development Fund - General Agency Reserve Fund System (GARFS) Bonds</u>								
Halper Box	5.10% to 6.15%	04/01/97	06/01/17	2,400	2,065	335	185	15
Laurel Village Alden Limited Partnership II	4.30% to 5.75%	10/01/97	06/01/27	2,515	2,515	-	-	-
Cord Sets	4.10% to 5.50%	07/01/98	06/01/18	1,500	1,195	305	105	14
Discount Steel - A	5.00% to 5.25%	12/01/99	06/01/19	1,900	1,080	820	200	38
Kristol Properties	2.45% to 5.12%	11/20/03	12/01/23	3,300	2,170	1,130	115	58
Infinite Graphics	2.25% to 5.50%	07/14/04	12/01/24	2,475	1,330	1,145	100	63
HennepinTheatre Trust	5.23% to 6.30%	12/20/05	12/01/35	21,055	3,510	17,545	465	1,096
Ambassador Press Refunding	4.27% to 6.50%	06/26/06	12/01/26	8,400	4,345	4,055	660	234
Quality Resource Group	5.28% to 5.84%	03/04/07	12/01/27	3,100	865	2,235	135	128
New French Acquisition Holdco, Inc.	4.62% to 5.70%	07/26/07	06/01/28	9,990	2,445	7,545	425	379
Open Systems International, Inc	2.29% to 6.60%	06/01/10	06/01/40	18,000	1,150	16,850	315	1,053
Open Access Technology International, Inc (Tax Exempt)	1.25% to 6.25%	12/29/10	12/01/40	25,000	4,640	20,360	1,005	1,140
LifeSource Project	3.00% to 4.00%	10/17/13	06/01/39	12,595	130	12,465	325	536
Total Community Planning & Economic Development Fund - GARFS Bonds				112,230	27,440	84,790	4,035	4,754
Total Business-type Activity Bonds and Notes				443,915	147,448	296,467	23,884	11,854

SCHEDULE OF INTERGOVERNMENTAL REVENUE

CITY OF MINNEAPOLIS, MINNESOTA

December 31, 2015

(In Thousands)

	General Fund	Community Planning and Economic Development	Permanent Improvement	Non-major Governmental	Total Governmental Funds	Sanitary Sewer	Stormwater	Solid Waste and Recycling	Total Enterprise Funds	Total Intergovernmental Revenue
Shared revenue										
State										
Local government aid	\$ 68,022	\$ -	\$ -	\$ -	\$ 68,022	\$ -	\$ -	\$ -	\$ -	\$ 68,022
Police state aid	6,527	-	-	1,501	8,028	-	-	-	-	8,028
Fire state aid	1,901	-	-	3,665	5,566	-	-	-	-	5,566
PERA rate increase aid	530	1	-	-	531	-	-	-	-	531
Market value homestead credit	-	-	-	3	3	-	-	-	-	3
Municipal state aid	3,919	-	11,594	-	15,513	-	1,105	19	1,124	16,637
Total shared revenue	80,899	1	11,594	5,169	97,663	-	1,105	19	1,124	98,787
Payments										
Local										
County state aid	547	-	933	-	1,480	-	336	-	336	1,816
Other county grants	76	-	327	1,710	2,113	-	-	1,003	1,003	3,116
Bassett creek watershed management commission	-	-	-	-	-	-	704	-	704	704
Metropolitan council	150	-	-	8,555	8,705	26	-	-	26	8,731
Minnesota historical society	-	-	71	-	71	-	-	-	-	71
Minneapolis public schools	-	-	-	47	47	-	-	-	-	47
Other local payments	7	-	-	406	413	-	-	-	-	413
Payments in lieu of tax	230	2	1	90	323	-	-	-	-	323
Total local	1,010	2	1,332	10,808	13,152	26	1,040	1,003	2,069	15,221
Grants										
State										
Department of employment and economic development	-	-	-	5,192	5,192	-	-	-	-	5,192
Department of health	-	-	-	4,246	4,246	-	-	-	-	4,246
Department of natural resources	-	-	-	10	10	-	-	-	-	10
Department of public safety	258	-	-	477	735	-	2	-	2	737
Department of transportation	458	-	2,885	-	3,343	-	165	-	165	3,508
Minnesota board of water and soil resources	-	-	-	-	-	-	113	-	113	113
Department of commerce	-	-	-	149	149	-	-	-	-	149
Minnesota bridge bonds	-	-	277	-	277	-	-	-	-	277
Minnesota housing finance agency	-	-	-	522	522	-	-	-	-	522
Minnesota judicial branch	-	-	-	79	79	-	-	-	-	79
Minnesota department of veteran affairs	-	-	-	23	23	-	-	-	-	23
Minnesota board of firefighter training and education	-	-	-	71	71	-	-	-	-	71
Total state grants	716	-	3,162	10,769	14,647	-	280	-	280	14,927
Federal										
Department of health and human services	-	-	-	5,022	5,022	-	-	-	-	5,022
Department of homeland security	-	-	-	1,192	1,192	-	5	-	5	1,197
Department of housing and urban development	-	-	-	20,464	20,464	-	-	-	-	20,464
Department of the interior	-	-	-	18	18	-	-	-	-	18
Department of justice	-	-	-	1,809	1,809	-	-	-	-	1,809
Department of labor	-	-	-	2,531	2,531	-	-	-	-	2,531
Department of transportation	-	-	2,856	1,432	4,288	-	1	-	1	4,289
Equal employment opportunity commission	-	-	-	28	28	-	-	-	-	28
National endowment for the arts	-	-	-	37	37	-	-	-	-	37
Department of treasury	-	-	-	102	102	-	-	-	-	102
Total federal grants	-	-	2,856	32,635	35,491	-	6	-	6	35,497
Total state and federal grants	716	-	6,018	43,404	50,138	-	286	-	286	50,424
Total intergovernmental revenue	82,625	3	18,944	59,381	160,953	26	2,431	1,022	3,479	164,432

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 ALL FUND TYPES
 For the Fiscal Year Ended December 31, 2015

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures	Amount Provided to Subrecipients
U.S. Department of Housing and Urban Development				
Direct				
Community Development Block Grants/Entitlement Grants	14.218		\$ 12,991	\$ 3,357
Emergency Solutions Grant Program	14.231		958	364
Home Investment Partnerships Program	14.239		6,003	-
Housing Opportunities for Persons with AIDS	14.241		1,156	1,117
Neighborhood Stabilization Program - ARRA	14.256		1,235	-
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900		1,218	-
Healthy Homes Production Program	14.913		6	-
Passed Through Minnesota Housing and Finance Agency				
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	02-2009-09A-NSP	138	-
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	02-2011-02-NSP3	(18)	-
Total CFDA #14.228			<u>120</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development			\$ 23,687	\$ 4,838
U.S. Department of the Interior				
Passed Through Minnesota Historical Society				
Historic Preservation Fund Grants-In-Aid	15.904	27-14-61930.008	\$ 9	\$ -
Historic Preservation Fund Grants-In-Aid	15.904	27-15-13122.005	9	-
Total CFDA #15.904			<u>18</u>	<u>-</u>
Total U.S. Department of the Interior			\$ 18	\$ -
U.S. Department of Justice				
Direct				
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590		\$ 275	\$ -
Public Safety Partnership and Community Policing Grants	16.710		305	-
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742		79	-
Total Paul Coverdell Forensic Sciences Improvement Grant Program (CFDA #16.742 - \$94)				
Byrne Criminal Justice Innovation Program	16.817		69	-
National Forum on Youth Violence Prevention	16.819		436	159
Equitable Sharing Program	16.922		86	-
Passed Through Minnesota Department of Public Safety				
Juvenile Accountability Block Grants	16.523	A-JABGSP-2014-MPLS-HFS-00005	(1)	3
Violence Against Women Formula Grants	16.588	A-VAWA-2013-MPLS-AO-00024/3-16964	20	-
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	A-NFSIS-2015-MPLSPD-00002	15	-
Total Paul Coverdell Forensic Sciences Improvement Grant Program (CFDA #16.742 - \$94)				
Passed Through Hennepin County				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	A120567	106	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	A130960	141	-
Total CFDA #16.738			<u>247</u>	<u>-</u>
Total U.S. Department of Justice			\$ 1,531	\$ 162

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 ALL FUND TYPES
 For the Fiscal Year Ended December 31, 2015

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

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures	Amount Provided to Subrecipients
U.S. Department of Labor				
Passed Through Minnesota Department of Employment and Economic Development				
Workforce Investment Act (WIA) Cluster				
WIA/WIOA Adult Program	17.258	4103100	\$ 936	\$ 514
WIA/WIOA Adult Program	17.258	4103400	27	-
WIA/WIOA Adult Program	17.258	5103100	158	137
Total CFDA #17.258			<u>1,121</u>	<u>651</u>
WIA/WIOA Youth Activities	17.259	4103600	911	783
WIA/WIOA Youth Activities	17.259	5103600	196	196
Total CFDA #17.259			<u>1,107</u>	<u>979</u>
WIA/WIOA Dislocated Worker Formula Grants	17.278	3108000	19	3
WIA/WIOA Dislocated Worker Formula Grants	17.278	4108000	180	93
WIA/WIOA Dislocated Worker Formula Grants	17.278	5108000	104	61
Total CFDA #17.278			<u>303</u>	<u>157</u>
Total WIA Cluster (\$2,531)				
Total U.S. Department of Labor			\$ 2,531	\$ 1,787
U.S. Department of Transportation				
Passed Through Minnesota Department of Transportation				
Highway Planning and Construction	20.205	99903	\$ 2,403	\$ -
Highway Planning and Construction	20.205	01168	25	25
Highway Planning and Construction	20.205	04206	1	-
Highway Planning and Construction	20.205	89757	148	-
Highway Planning and Construction	20.205	92071	12	-
Highway Planning and Construction	20.205	93496	29	-
Highway Planning and Construction	20.205	95524	9	-
Highway Planning and Construction	20.205	97472	(66)	-
Highway Planning and Construction	20.205	97473	(19)	-
Highway Planning and Construction	20.205	97553	3	-
Highway Planning and Construction	20.205	98031	1	-
Highway Planning and Construction	20.205	95525	88	-
Highway Planning and Construction	20.205	00973	234	-
Highway Planning and Construction	20.205	02194	(3)	-
Highway Planning and Construction	20.205	03973	253	-
Highway Planning and Construction	20.205	98031	4	4
Total CFDA #20.205			<u>3,122</u>	<u>29</u>
Passed Through Minnesota Department of Public Safety				
Highway Safety Cluster				
State and Community Highway Safety	20.600	A-ENFRC15-2015-MPLSPD-00032	48	-
National Priority Safety Programs	20.616	A-ENFRC15-2015-MPLSPD-00032	5	-
National Priority Safety Programs	20.616	A-ENFRC16-2016-MPLSPD-00006	19	-
National Priority Safety Programs	20.616	A-OFFICR15-2015-MPLSPD-00007	13	-
National Priority Safety Programs	20.616	A-OFFICR16-2016-MPLSPD-00008	7	-
Total CFDA #20.616			<u>44</u>	<u>-</u>
Total Highway Safety Cluster (\$92)				
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	A-ENFRC15-2015-MPLSPD-00032	66	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	A-OFFICR15-2015-MPLSPD-00007	26	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	A-OFFICR16-2016-MPLSPD-00008	14	-
Total CFDA #20.608			<u>106</u>	<u>-</u>

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 ALL FUND TYPES
 For the Fiscal Year Ended December 31, 2015

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

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures	Amount Provided to Subrecipients
U.S. Department of Transportation (continued)				
Passed Through Metropolitan Council				
Federal Transit Cluster				
Federal Transit - Capital Investment Grants	20.500	10I045R	\$ 69	\$ -
Federal Transit - Capital Investment Grants	20.500	10I045Y	39	-
Total CFDA #20.500			108	-
Federal Transit Formula Grants	20.507	SG-2013-127	168	168
Federal Transit Formula Grants	20.507	SG-2014-075	179	179
Total CFDA #20.507			347	347
Total Federal Transit Cluster (\$455)				
Alternatives Analysis	20.522	SG-2011-029	26	-
Total U.S. Department of Transportation			\$ 3,801	\$ 376
U.S. Department of Treasury				
Direct				
National Foreclosure Mitigation Counseling	21.000		\$ 95	\$ -
National Endowment for the Arts				
Direct				
Promotion of the Arts - Grants to Organizations and Individuals	45.024		\$ 38	\$ -
U.S. Department of Health and Human Services				
Direct				
Maternal and Child Health Federal Consolidated Programs	93.110		\$ 300	\$ 103
Healthy Start Initiative	93.926		812	629
Passed Through Minnesota Department of Health				
Public Health Emergency Preparedness	93.069	65488	294	65
Public Health Emergency Preparedness	93.069	90407	14	-
Total CFDA #93.069			308	65
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	57370	1,100	1,100
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	38927	108	108
Total CFDA #93.505			1,208	1,208
Temporary Assistance for Needy Families	93.558	93083	1,029	960
Total Temporary Assistance for Needy Families (CFDA #93.558 - \$1,046)				
Child Lead Poisoning Prevention Surveillance financed in part by Prevention and Public Health (PPHF) Program	93.753	97204	20	-
State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease and Stroke (PPHF)	93.757	1U58DPO05452-01	207	15
Maternal and Child Health Services Block Grant to the States	93.994	IB04MC28107	818	282
Passed Through Hennepin County				
Teenage Pregnancy Prevention Program	93.297	A0100011-SR	158	-
Teenage Pregnancy Prevention Program	93.297	A153906-SR	35	-
Total CFDA #93.297			193	-
PPHF: Community Transformation Grants and National Dissemination and Support for Community Transformation Grants financed solely by Prevention and Public Health Funds	93.531	A112135	6	-

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 ALL FUND TYPES
 For the Fiscal Year Ended December 31, 2015

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

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures	Amount Provided to Subrecipients
U.S. Department of Health and Human Services (continued)				
Passed Through Minnesota Department of Employment and Economic Development				
Temporary Assistance for Needy Families	93.558	6107400	17	17
Total Temporary Assistance for Needy Families (CFDA #93.558 - \$1,046)				
Passed Through Regents of the University of Minnesota				
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	P004828001	6	-
Total U.S. Department of Health and Human Services			\$ 4,924	\$ 3,279
U.S. Department of Homeland Security				
Direct				
Assistance To Firefighters Grant	97.044		\$ 7	\$ -
Passed Through Minnesota Department of Public Safety				
Emergency Management Performance Grants	97.042	A-EMPG-2015-MPLSEMER-00050	30	-
Homeland Security Grant Program	97.067	A-SHSP-2014-MPLSBOMB-00014	61	-
Homeland Security Grant Program	97.067	A-SHSP-2013-HSEM6MIN-00013	6	-
Homeland Security Grant Program	97.067	A-SHSP-2014-HSEM6MIN-00010	33	-
Homeland Security Grant Program	97.067	A-UASI-2013-MPLSEMER-00010	440	-
Homeland Security Grant Program	97.067	A-UASI-2014-MPLSEMER-00009	511	-
Total CFDA #97.067			1,051	-
Total U.S. Department of Homeland Security			\$ 1,088	\$ -
Total Federal Awards			\$ 37,713	\$ 10,442

For the Fiscal Year Ended December 31, 2015

(Dollar Amounts Expressed in Thousands)

NOTE 1 – REPORTING ENTITY

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by the City of Minneapolis. The City's reporting entity is defined in Note 1 to the basic financial statements. This schedule does not include \$3,174 in federal awards expended by the Minneapolis Park and Recreation Board component unit, which had a separate single audit.

NOTE 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, 2015. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City of Minneapolis, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Minneapolis.

NOTE 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*, or the cost principles contained the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The City has elected not to use the 10.0 percent de minimis indirect cost rate allowed under the Uniform Guidance.

For the Fiscal Year Ended December 31, 2015

(Dollar Amounts Expressed in Thousands)

NOTE 4 – RECONCILIATION TO SCHEDULE OF INTERGOVERNMENTAL REVENUE

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 35,497
Federal Fixed Price Contracts	
Equal Employment Opportunity Commission	(28)
Metro Medical Response System	(24)
Minnesota Family Investment Program	(96)
Minnesota Cold Case Investigations Task Force	(12)
Drug Enforcement Admin Task Force	(28)
Minnesota Cyber Crime Task Force	(16)
Safe Streets Violent Crime Task Force	(113)
U.S. Marshalls Overtime - Predatory Offenders Unit	(10)
U.S. Marshalls Overtime May - December 2015	(9)
Joint Law Enforcement Operation (JLEO)	(2)
Joint Terrorism Task Force	(10)
Violent Crimes Investigation - ATF	(37)
Violent Crimes Investigation - HIS	(41)
Healthy Housing Solutions	(6)
Toward Zero Deaths Partners	(168)
Timing Differences Between Expenditures and Related Reimbursements	(25)
Expenditures occurring prior to 2015 but reimbursed in 2015	(411)
Federal Program Income	
Neighborhood Stabilization Program - ARRA	309
Lead-Based Paint Hazard Control in Privately - Owned Housing	85
Neighborhood Stabilization Program	85
Community Development Block Grants/Entitlement Grants	768
Home Investment Partnerships Program	2,005
Expenditures per Schedule of Expenditures of Federal Awards	<u>\$ 37,713</u>

**MUNICIPAL BUILDING COMMISSION
BALANCE SHEET
December 31, 2015**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	General Fund	Capital Projects Fund	Total
<u>ASSETS</u>			
Cash and cash equivalents	\$ 1,873	\$ 104	\$ 1,977
Receivables:			
Intergovernmental	887	148	1,035
Total assets	\$ 2,760	\$ 252	\$ 3,012
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Salaries payable	\$ 112	\$ -	\$ 112
Accounts payable	857	85	942
Total liabilities	969	85	1,054
Fund balances:			
Assigned	1,791	167	1,958
Total liabilities and fund balances	\$ 2,760	\$ 252	\$ 3,012

**Reconciliation of the Governmental Funds Balance Sheet to the
Government-Wide Statement of Net Position - Governmental Activities**

Fund balances - total governmental funds		\$ 1,958
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		
Non-depreciable	12,014	
Depreciable	75,115	
Accumulated depreciation	(63,465)	23,664
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Other postemployment benefits payable	(336)	
Net pension liability	(4,509)	
Compensated absences	(212)	(5,057)
Deferred outflows and deferred inflows resulting from pension obligations are not available resources and therefore, are not reported in the governmental funds.		
Deferred outflows of resources - pensions	855	
Deferred inflows of resources - pensions	(1,404)	(549)
Net position of governmental activities		\$ 20,016

**MUNICIPAL BUILDING COMMISSION
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the fiscal year ended December 31, 2015**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
REVENUES:			
Intergovernmental revenues	\$ 308	\$ 1,393	\$ 1,701
Charges for services and sales	8,232	-	8,232
Miscellaneous revenues	75	-	75
	<u>8,615</u>	<u>1,393</u>	<u>10,008</u>
EXPENDITURES:			
Current:			
General government	8,443	-	8,443
Capital outlay	8	1,418	1,426
	<u>8,451</u>	<u>1,418</u>	<u>9,869</u>
Total expenditures	<u>8,451</u>	<u>1,418</u>	<u>9,869</u>
Net change in fund balances	<u>164</u>	<u>(25)</u>	<u>139</u>
Fund balances - January 1	<u>1,627</u>	<u>192</u>	<u>1,819</u>
Fund balances - December 31	<u>\$ 1,791</u>	<u>\$ 167</u>	<u>\$ 1,958</u>

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities - Governmental Activities

Net increase (decrease) in fund balances - total governmental funds \$ 139

Amounts reported for governmental activities in the statement of activities are different because:

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:	1,426	
Less current year depreciation	<u>(3,334)</u>	<u>(1,908)</u>

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 other postemployment benefits payable	12	
Change in net pension obligation	219	
Change in compensated absences	<u>(17)</u>	<u>214</u>

Increase (decrease) in net position of governmental activities \$ (1,555)

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.	150-153
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	154-157
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.	158-165
Demographic and Economic Information: These table 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.	166-167
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.	168-171

Schedule 1
City of Minneapolis
Net Position by Component (In Thousands)
Last 10 Fiscal Years
December 31, 2015

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental Activities										
Net investment in capital assets	\$ 471,115	\$ 492,007	\$ 536,126	\$ 526,551	\$ 631,808	\$ 691,926	\$ 798,704	\$ 845,638	\$ 890,622	\$ 968,927
Restricted	47,526	54,226	59,629	112,895	60,814	192,829	193,107	198,251	195,322	168,304
Unrestricted	(24,659)	(113,865)	(33,767)	58,216	87,443	91,652	139,303	190,018	192,384	(146,805)
Total governmental activities net position	\$ 293,982	\$ 432,368	\$ 561,988	\$ 697,662	\$ 780,065	\$ 976,407	\$ 1,131,114	\$ 1,233,907	\$ 1,278,328	\$ 990,426
Business-type Activities										
Net investment in capital assets	\$ 541,670	\$ 529,140	\$ 591,964	\$ 615,455	\$ 634,686	\$ 666,986	\$ 694,243	\$ 731,372	\$ 760,038	\$ 778,150
Restricted	33,222	33,015	34,456	34,464	34,674	34,967	33,616	33,529	34,457	34,856
Unrestricted	14,460	83,340	46,266	57,157	69,905	77,751	88,330	89,137	101,258	78,959
Total business-type activities net position	\$ 589,352	\$ 645,495	\$ 672,686	\$ 707,076	\$ 739,265	\$ 779,704	\$ 816,189	\$ 854,038	\$ 895,753	\$ 891,965
Primary government										
Net investment in capital assets	\$ 1,012,785	\$ 1,021,147	\$ 1,128,090	\$ 1,142,006	\$ 1,266,494	\$ 1,358,912	\$ 1,492,947	\$ 1,577,010	\$ 1,650,660	\$ 1,747,077
Restricted	80,748	87,241	94,085	147,359	95,488	227,796	226,723	231,780	229,779	203,160
Unrestricted	(210,199)	(30,525)	12,499	115,373	157,348	169,403	227,633	279,155	293,642	(67,846)
Total primary government net position	\$ 883,334	\$ 1,077,863	\$ 1,234,674	\$ 1,404,738	\$ 1,519,330	\$ 1,756,111	\$ 1,947,303	\$ 2,087,945	\$ 2,174,081	\$ 1,882,391

(UNAUDITED)

Schedule 2
City of Minneapolis
Changes in Net Position (In Thousands)
Last 10 Fiscal Years
December 31, 2015

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses										
Governmental Activities:										
General government	\$ 67,780	\$ 57,519	\$ 79,609	\$ 72,276	\$ 120,378	\$ 82,897	\$ 98,546	\$ 83,726	\$ 109,005	\$ 97,652
Public safety	221,160	226,050	232,210	244,134	263,806	269,036	248,333	225,332	244,482	275,495
Public works	52,267	80,315	50,523	94,752	73,848	5,210	71,736	86,795	126,689	122,472
Culture and recreation	15,851	5,279	29,607	13,483	13,861	7,287	5,528	11,993	8,836	4,570
Health and welfare	14,572	14,325	13,028	14,164	14,240	16,260	13,709	18,442	20,098	23,462
Community planning & economic development	116,369	118,066	122,936	110,344	146,439	138,537	139,190	153,877	140,604	192,957
Interest on long-term debt	89,147	40,691	36,405	28,753	26,152	21,916	16,503	16,549	17,581	16,329
Total governmental activities expenses	\$ 577,146	\$ 542,245	\$ 564,318	\$ 577,906	\$ 658,724	\$ 541,143	\$ 593,545	\$ 596,714	\$ 667,295	\$ 732,937
Business-type Activities:										
Sanitary sewer	\$ 36,710	\$ 37,696	\$ 38,057	\$ 32,892	\$ 35,233	\$ 33,659	\$ 51,564	\$ 44,868	\$ 47,710	\$ 53,185
Stormwater	23,815	24,459	24,027	24,856	26,273	24,502	25,998	27,816	27,305	32,331
Water treatment and distribution services	53,209	52,983	56,310	51,751	55,980	52,891	59,940	57,961	57,899	64,973
Municipal parking	60,097	58,714	50,833	51,929	49,920	46,106	49,706	45,868	43,418	49,086
Solid waste and recycling	26,554	26,570	26,514	23,641	27,804	29,784	31,158	34,446	30,013	34,166
Community planning & economic development	9,035	6,446	6,367	6,860	6,472	8,266	7,875	7,862	7,759	6,684
Total business-type activities expenses	\$ 209,420	\$ 206,868	\$ 202,108	\$ 191,929	\$ 201,682	\$ 195,208	\$ 226,241	\$ 218,821	\$ 214,104	\$ 240,425
Total primary government expenses	\$ 786,566	\$ 749,113	\$ 766,426	\$ 769,835	\$ 860,406	\$ 736,351	\$ 819,786	\$ 815,535	\$ 881,399	\$ 973,362
Program Revenues										
Governmental Activities:										
Charges for services:										
General government	\$ 28,320	\$ 30,490	\$ 45,882	\$ 6,060	\$ 69,827	\$ 23,537	\$ 40,636	\$ 28,943	\$ 20,831	\$ 21,577
Public safety	43,889	34,486	37,525	42,511	41,805	49,673	46,992	14,382	17,604	16,357
Public works	8,461	10,239	11,670	22,112	22,567	5,998	15,507	16,298	14,522	26,976
Culture and recreation	-	2,252	-	-	-	-	-	-	-	-
Health and welfare	528	500	524	452	14	-	-	2,432	2,436	2,506
Community planning & economic development	35,595	30,169	30,470	29,416	27,601	36,233	35,523	63,606	72,896	71,117
Operating grants and contributions	68,894	84,926	100,095	92,775	118,118	115,622	128,205	115,838	103,219	127,515
Capital grants and contributions	18,717	19,174	13,136	26,928	28,198	20,630	25,230	15,466	3,885	5,228
Total governmental activities program revenues	\$ 204,404	\$ 212,236	\$ 239,302	\$ 220,254	\$ 308,130	\$ 251,693	\$ 292,093	\$ 256,965	\$ 235,393	\$ 271,276
Business-type Activities:										
Charges for services:										
Sanitary sewer	\$ 37,968	\$ 40,369	\$ 40,787	\$ 43,949	\$ 49,358	\$ 48,456	\$ 61,849	\$ 45,742	\$ 59,310	\$ 60,151
Stormwater	30,209	32,205	35,109	39,418	39,903	41,063	38,383	38,254	39,983	37,704
Water treatment and distribution services	59,541	29,193	61,088	67,539	67,408	69,301	74,412	73,506	71,881	72,624
Municipal parking	57,884	60,625	52,564	52,507	58,316	52,687	54,015	57,928	57,749	61,052
Solid waste and recycling	28,546	7,917	29,626	30,411	31,152	31,957	31,001	30,208	30,473	35,494
Community planning & economic development	7,483	60,152	7,698	31,820	6,426	7,872	2,239	2,350	1,842	6,494
Operating grants and contributions	13,553	1,737	2,641	-	-	-	4,552	3,435	4,696	5,468
Capital grants and contributions	-	-	-	1,826	1,215	2,146	1,808	2,972	157	-
Total business-type activities program revenues	\$ 235,184	\$ 232,198	\$ 229,513	\$ 267,470	\$ 253,778	\$ 253,482	\$ 268,259	\$ 254,395	\$ 266,091	\$ 278,987
Total primary government program revenues	\$ 439,588	\$ 444,434	\$ 468,815	\$ 487,724	\$ 561,908	\$ 505,175	\$ 560,352	\$ 511,360	\$ 501,484	\$ 550,263
Net (Expenses) Revenue										
Governmental Activities	\$ (372,742)	\$ (330,009)	\$ (325,016)	\$ (357,652)	\$ (350,594)	\$ (289,450)	\$ (301,452)	\$ (339,749)	\$ (431,902)	\$ (461,661)
Business-type Activities	25,764	25,330	27,405	75,541	52,096	58,274	42,018	35,574	51,987	38,562
Total primary government net expense	\$ (346,978)	\$ (304,679)	\$ (297,611)	\$ (282,111)	\$ (298,498)	\$ (231,176)	\$ (259,434)	\$ (304,175)	\$ (379,915)	\$ (423,099)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes										
General property tax and fiscal disparities	\$ 145,073	\$ 159,878	\$ 184,985	\$ 263,776	\$ 217,519	\$ 218,756	\$ 230,719	\$ 232,979	\$ 228,620	\$ 238,745
Property tax increment	71,556	77,979	82,686	13,440	42,117	61,003	52,679	41,159	48,568	45,205
Franchise taxes	29,026	29,548	31,705	28,053	27,855	29,128	26,120	29,620	33,531	30,118
Local taxes	56,725	60,065	60,480	54,868	61,307	65,850	56,349	70,634	76,292	78,293
Other taxes	188	215	183	202	42	218	13,079	165	180	313
Local government aid - unrestricted	81,626	70,712	60,702	70,540	56,578	56,378	56,404	56,379	66,860	68,022
Grants and contributions not restricted to programs	9	8	7	-	-	-	-	-	-	-
Unrestricted interest and investment earnings	14,407	17,574	13,121	6,843	5,961	5,088	4,248	(593)	4,213	3,399
Other	2,862	2,715	1,287	10,239	1,440	31,078	4,548	8,793	1,141	11,401
Gain on sale of capital assets	-	-	-	-	-	-	-	340	214	268
Transfers	416	5,023	4,250	45,365	20,178	18,293	10,889	3,066	16,704	14,604
Total governmental activities	\$ 401,888	\$ 423,717	\$ 439,406	\$ 493,326	\$ 432,997	\$ 485,792	\$ 455,035	\$ 442,542	\$ 476,323	\$ 490,368
Business-type Activities:										
Unrestricted interest and investment earnings	\$ 1,542	\$ 1,924	\$ 1,487	\$ 4,126	\$ 271	\$ 438	\$ 5,286	\$ 5,072	\$ 6,064	\$ 306
Other	2,039	3,187	1,479	88	-	-	56	244	119	21
Gain on sale of capital assets	-	30,725	565	-	-	20	54	25	249	-
Transfers	(416)	(5,023)	(4,250)	(45,365)	(20,178)	(18,293)	(10,889)	(3,066)	(16,704)	(14,604)
Total business-type activities	\$ 3,165	\$ 30,813	\$ (719)	\$ (41,151)	\$ (19,907)	\$ (17,835)	\$ (5,493)	\$ 2,275	\$ (10,272)	\$ (14,277)
Total primary government	\$ 405,053	\$ 454,530	\$ 438,687	\$ 452,175	\$ 413,090	\$ 467,957	\$ 449,542	\$ 444,817	\$ 466,051	\$ 476,091
Changes in Net Position										
Governmental Activities	\$ 29,146	\$ 93,708	\$ 114,390	\$ 135,674	\$ 82,403	\$ 196,342	\$ 153,583	\$ 102,793	\$ 44,421	\$ 28,707
Business-type Activities	28,929	56,143	26,686	34,390	32,189	40,439	36,525	37,849	41,715	24,285
Total primary government	\$ 58,075	\$ 149,851	\$ 141,076	\$ 170,064	\$ 114,592	\$ 236,781	\$ 190,108	\$ 140,642	\$ 86,136	\$ 52,992

(UNAUDITED)

Schedule 3
City of Minneapolis
Fund Balance, Governmental Funds (in Thousands)
Last 10 Fiscal Years
December 31, 2015

	Fiscal Year				
	2006	2007	2008	2009	2010
General Fund					
Reserved	\$ 2,471	\$ 1,394	\$ 1,073	\$ 927	\$ 1,270
Unreserved	52,641	53,851	48,615	67,340	60,092
Total general fund	\$ 55,112	\$ 55,245	\$ 49,688	\$ 68,267	\$ 61,362
All Other Governmental Funds					
Reserved	\$ 206,285	\$ 210,056	\$ 213,450	\$ 205,490	\$ 227,174
Unreserved					
Special revenue funds	77,561	79,230	84,491	106,681	65,760
Debt Service funds	47,526	54,226	58,989	112,895	60,814
Capital project funds	5,445	1,192	20,994	17,364	20,024
Total all other governmental funds	\$ 336,817	\$ 344,704	\$ 377,924	\$ 442,430	\$ 373,772
General Fund					
Nonspendable	\$ 36	\$ 6	\$ -	\$ -	\$ 1,251
Assigned	2,444	941	-	-	-
Unassigned	69,891	85,357	96,970	102,439	104,740
Total general fund	\$ 72,371	\$ 86,304	\$ 96,970	\$ 102,439	\$ 105,991
All Other Governmental Funds					
Nonspendable	\$ 55,604	\$ 54,176	\$ 45,871	\$ 45,706	\$ 41,931
Restricted	192,829	193,107	198,251	195,322	168,304
Committed	7,058	2,347	125	-	-
Assigned	103,307	107,495	128,085	143,134	152,874
Unassigned	-	(46)	(169)	(145)	-
Total all other governmental funds	\$ 358,798	\$ 357,079	\$ 372,163	\$ 384,017	\$ 363,109

Note: The City implemented GASB 54 starting in 2011.

(UNAUDITED)

Schedule 4
City of Minneapolis
Changes in Fund Balance, Governmental Funds (In Thousands)
Last 10 Fiscal Years
December 31, 2015

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues										
Taxes	\$ 300,893	\$ 326,187	\$ 362,553	\$ 359,500	\$ 343,956	\$ 374,123	\$ 379,519	\$ 375,006	\$ 387,322	\$ 393,015
Licenses and permits	25,838	26,407	27,118	29,348	29,301	32,851	37,663	40,735	50,996	45,878
Intergovernmental revenues	175,981	160,384	151,308	179,880	189,510	167,316	186,550	155,756	136,432	160,953
Charges for services and sales	55,112	53,778	62,186	59,340	56,776	58,722	68,158	63,028	62,863	71,609
Fines and forfeits	9,249	9,397	9,700	9,621	9,934	10,620	8,603	8,014	7,519	6,853
Special assessments	12,363	13,555	18,018	20,897	23,849	22,678	23,834	24,379	25,780	25,529
Investment earnings	14,517	19,075	13,660	7,037	6,269	5,050	4,603	(645)	4,067	3,903
Miscellaneous revenues	34,001	29,626	29,420	35,542	35,366	26,831	34,733	44,466	35,923	35,467
Total Revenues	627,954	638,409	673,963	701,165	694,961	698,191	743,663	710,739	710,651	743,458
Expenditures										
Current:										
General government	66,803	55,581	59,567	65,357	72,746	72,546	95,970	97,469	99,330	102,556
Public safety	220,346	222,823	237,692	242,061	258,507	260,307	244,297	232,311	245,341	256,981
Public works	39,171	41,892	43,893	43,495	50,165	49,918	49,759	54,915	56,173	54,084
Culture and recreation	15,851	5,279	29,607	13,424	13,808	7,287	5,528	4,106	3,238	2,363
Health and welfare	14,613	14,193	13,309	13,953	13,822	16,014	13,179	17,993	20,029	21,235
Community planning & economic development	112,103	116,348	117,396	115,384	146,082	128,338	136,076	148,082	142,326	161,868
Capital outlay	45,447	43,846	39,160	83,656	60,659	44,633	77,864	63,414	102,422	76,361
Intergovernmental:										
General government	-	-	-	-	-	-	-	898	297	647
Public safety	-	-	-	-	-	-	-	169	176	168
Culture and recreation	-	-	-	-	-	-	-	7,887	5,598	2,207
Debt Service:										
Principal retirement	72,768	66,744	68,617	102,518	179,242	96,947	108,042	58,386	77,391	83,871
Interest and fiscal charges	63,490	62,424	60,191	56,924	30,505	26,247	22,152	16,712	17,065	16,194
Bond issuance costs	-	-	-	-	-	-	-	-	-	482
Payments to refunded bond escrow agents	-	-	-	-	-	-	-	-	-	22,753
Total expenditures	650,592	629,130	669,432	736,772	825,536	702,237	752,867	702,342	769,386	801,770
Excess (deficiency) of revenues over (under) expenditures	(22,638)	9,279	4,531	(35,607)	(130,575)	(4,046)	(9,204)	8,397	(58,735)	(58,312)
Other Financing Sources (Uses)										
Transfers from other funds	157,161	129,321	133,635	151,259	115,103	105,800	117,868	60,967	105,459	114,054
Transfers to other funds	(185,576)	(151,672)	(152,056)	(154,190)	(139,658)	(129,803)	(124,335)	(92,941)	(126,862)	(115,943)
Bonds issued	26,835	20,344	39,965	35,280	24,687	20,377	26,610	47,805	97,010	22,710
Premium (discount)	49	478	1,490	4,213	3,165	3,707	1,481	1,522	451	135
Refunding bonds issued	10,545	1,750	12,360	82,130	51,715	186,550	36,460	18,430	-	-
Loans and notes issued	-	-	-	-	-	-	5,170	-	-	20,000
Payments to escrow agents	(9,989)	(1,480)	(12,262)	-	-	(186,550)	(41,630)	(18,430)	-	-
Total other financing sources (uses)	(975)	(1,259)	23,132	118,692	55,012	81	21,624	17,353	76,058	40,956
Net change in fund balance	\$ (23,613)	\$ 8,020	\$ 27,663	\$ 83,085	\$ (75,563)	\$ (3,965)	\$ 12,420	\$ 25,750	\$ 17,323	\$ (17,356)
Debt service as a percentage of noncapital expenditures	22.4%	21.1%	20.6%	24.1%	27.4%	20.6%	19.3%	11.9%	13.6%	16.4%

(UNAUDITED)

Schedule 5
City of Minneapolis
Assessed Value and Actual Value of Taxable Property
Last Ten Fiscal Years
(in thousands of dollars)
December 31, 2015

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	
		\$		\$		\$		\$		\$		\$		\$				\$		
2006	5,282,718	\$ 3,393,675	24,309,842	\$ 1,392,094	413,521	\$ 8,426,487	34,791,850	7.75	\$ 39,067,565	89%										
2007	6,141,186	3,341,167	25,883,768	1,305,858	424,587	8,465,785	37,096,566	7.55	39,943,095	93%										
2008	6,869,181	3,448,334	26,571,451	1,341,775	415,390	9,549,066	38,646,131	7.52	43,857,249	88%										
2009	7,295,669	3,499,200	25,461,784	1,459,942	401,699	9,025,112	38,118,294	7.68	43,473,340	88%										
2010	7,020,347	3,556,811	24,611,900	1,474,662	393,785	8,777,609	37,057,504	7.81	39,746,514	93%										
2011	6,304,914	3,287,604	23,533,625	1,426,447	529,962	10,550,339	35,082,552	9.23	41,079,647	85%										
2012	5,987,868	3,266,162	22,638,806	1,301,688	404,729	10,340,495	33,599,253	10.33	39,412,937	85%										
2013	5,982,739	3,363,752	21,512,948	1,281,968	426,840	9,927,053	32,568,247	9.56	34,459,013	95%										
2014	6,166,615	3,690,983	21,634,886	1,313,800	430,582	10,482,230	33,236,865	8.82	45,164,553	74%										
2015	6,534,226	4,723,778	23,516,623	1,339,382	430,523	11,679,375	36,544,532	8.28	43,879,415	83%										

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

Notes:

¹Total of the first five property types.

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

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

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

(UNAUDITED)

Schedule 6
City of Minneapolis
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
December 31, 2015

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
City Direct Rates										
<i>Tax Capacity Based Rates</i>										
General	4.27	4.24	4.80	4.86	5.04	5.73	6.09	5.36	4.76	4.48
Estimate and Taxation	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	-
Building Commission	0.14	0.13	0.13	0.13	0.13	0.14	0.15	0.16	0.14	0.13
Permanent Improvement	0.07	0.05	0.05	0.05	0.05	0.06	0.03	0.03	0.03	0.03
Bond Redemption	0.74	0.63	0.57	0.69	0.47	0.61	0.65	1.00	1.11	1.06
Firefighter's Relief Association	0.05	0.10	0.11	0.06	0.04	0.16	0.01	0.09	0.08	0.08
Police Relief Association	0.08	0.12	0.11	0.09	0.35	0.51	0.79	0.22	0.20	0.18
Minneapolis Employees Retirement Fund	0.11	0.08	0.09	0.07	0.07	0.09	0.60	0.62	0.56	0.51
Parks	1.42	1.34	1.29	1.35	1.33	1.56	1.63	1.69	1.56	1.52
Libraries	0.48	0.45	-	-	-	-	-	-	-	-
Public Housing	0.04	0.04	0.04	0.04	-	-	-	-	-	-
Teacher's Retirement Association	0.08	0.07	0.07	0.07	0.07	0.08	0.09	0.08	0.07	0.06
<i>Market Value Based Rates</i>										
Library Referendum	0.27	0.27	0.25	0.25	0.25	0.27	0.29	0.29	0.30	0.24
Total City Direct Rates	7.76	7.53	7.52	7.67	7.81	9.22	10.34	9.55	8.82	8.29
Overlapping Rates										
<i>Tax Capacity Based Rates</i>										
Watershed Districts	0.13	0.14	0.18	0.19	0.21	0.21	0.23	0.23	0.22	0.22
Hennepin County	4.59	4.40	4.38	5.09	5.38	5.76	6.24	6.33	5.92	5.78
Minneapolis Public Schools	3.23	3.06	2.78	3.15	2.57	2.95	3.47	3.29	2.85	2.72
Other Special Taxing Districts	0.52	0.54	0.54	0.49	0.52	0.59	0.70	0.73	0.71	0.67
<i>Market Value Based Rates</i>										
Minneapolis Public Schools Referendum	0.01	0.01	0.01	0.02	0.02	0.02	0.02	0.01	0.02	0.02
Total Overlapping Rates	8.48	8.15	7.89	8.94	8.70	9.53	10.66	10.59	9.72	9.41
Grand Total	16.24	15.68	15.41	16.61	16.51	18.75	21.00	20.14	18.54	17.70

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: Minneapolis Finance and Property Services Department

(UNAUDITED)

Schedule 7
City of Minneapolis
Principal Property Tax Payers
Current Year and Nine Years Ago
(in thousands of dollars)
December 31, 2015

<u>Taxpayer</u>	2015			2006		
	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 Co.	\$ 378,158	1	1.67%	\$ 307,629	1	3.17%
First Minneapolis-Hines Co.	270,438	2	1.20%	112,000	7	1.24%
SRI Ten City Center LLC	243,740	3	1.08%	-	-	-
Target Corporation	239,191	4	1.06%	214,898	2	2.41%
BRI 1855 IDS Center LLC	209,970	5	0.93%	-	-	-
NWC Limited Partnership	193,280	6	0.86%	154,000	4	1.72%
Minneapolis 225 Holdings LLC	187,950	7	0.83%	-	-	-
Wells Operating Partnership LP	145,600	8	0.64%	130,000	5	1.46%
Diamondrock Minneapolis LLC	133,000	9	0.59%	-	-	-
Wells Fargo Bank and Home Mortgage	127,496	10	0.56%	-	-	-
City Center Associates	-	-	-	102,500	9	1.18%
American Express Financial Corp.	-	-	-	108,539	8	1.19%
Byte Investment Partnership	-	-	-	116,000	6	1.28%
80 South Eighth LLC	-	-	-	167,000	3	1.89%
SP 100-150 South 5th LLC	-	-	-	100,000	10	1.11%
Total	<u>\$ 2,128,823</u>		<u>9.42%</u>	<u>\$ 1,512,566</u>		<u>16.65%</u>

Source: City Assessor 12/31/15 and Bond Issue Report 06/19/06

(UNAUDITED)

Schedule 8
City of Minneapolis
Property Tax Levies and Collections
Last Ten Fiscal Years
(in thousands of dollars)
December 31, 2015

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		Amount	Percentage of Levy
2006	\$ 205,830	94.32%	\$ 194,134	94.32%	\$ 3,269	\$ 197,403	95.91%
2007	222,523	94.80%	210,960	94.80%	4,190	215,150	96.69%
2008	240,553	94.85%	228,176	94.85%	4,529	232,705	96.74%
2009	245,003	94.96%	232,655	94.96%	3,940	236,595	96.57%
2010	264,805	95.15%	251,967	95.15%	1,262	253,229	95.63%
2011	277,357	95.40%	264,605	95.40%	2,471	267,076	96.29%
2012	279,607	98.31%	274,883	98.31%	2,139	277,022	99.08%
2013	284,409	98.76%	280,888	98.76%	1,828	282,716	99.40%
2014	281,874	98.74%	278,320	98.74%	1,511	279,831	99.28%
2015	287,630	99.15%	285,190	99.15%	-	285,190	99.15%

Source: Minneapolis Finance and Property Services Department
* Includes special levies

(UNAUDITED)

Schedule 9

City of Minneapolis

Outstanding Debt by Type and Per Capita

Last Ten Fiscal Years

(in thousands of dollars, except per capita)

December 31, 2015

Fiscal Year	Governmental Activities				Business-type Activities				Total Primary Government	Per Capita (1)
	General Obligation Bonds & Notes	Revenue Bonds	Notes Payable	General Obligation Bonds & Notes	Revenue Bonds	Notes Payable	Total Primary Government			
2006	\$ 817,771	\$ 65,756	\$ 26,709	\$ 396,019	\$ 57,985	\$ 950	\$ 1,365,190	\$ 3,521		
2007	777,385	56,306	22,735	368,335	63,695	837	1,289,293	3,323		
2008	755,946	45,647	22,291	338,188	60,730	718	1,223,520	3,153		
2009	772,936	35,980	19,040	310,607	57,365	591	1,196,519	3,067		
2010	673,926	26,700	15,585	308,383	95,925	455	1,120,974	2,930		
2011	586,500	25,990	15,276	296,857	91,985	311	1,016,919	2,658		
2012	495,545	25,210	14,695	272,790	85,255	157	893,652	2,304		
2013	491,517	24,385	14,385	254,971	94,100	41	879,399	2,243		
2014	508,015	23,500	14,055	234,613	90,100	-	870,283	2,171		
2015	437,357	22,710	13,695	214,125	84,790	-	772,677	1,879		

Notes:

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

(1) See Schedule 14 for population data.

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

(UNAUDITED)

Schedule 10
City of Minneapolis
Ratios Of Net General Bonded Debt Outstanding
Last Ten Fiscal Years
(in thousands of dollars, except per capita)
December 31, 2015

Fiscal Year	Net General Bonded Debt Outstanding					Percentage of Total Taxable Assessed Value of Property (1)	Per Capita (2)
	Governmental General Obligation Bonds & Notes	Business-type General Obligation Bonds & Notes	Less Resources Restricted to Pay Debt Service	Total	Total		
2006	\$ 817,771	\$ 396,019	\$ 30,978	\$ 1,182,812	\$	3.40%	3,051
2007	777,385	368,335	36,559	1,109,161		2.99%	2,859
2008	755,946	338,188	40,196	1,053,938		2.73%	2,701
2009	772,936	310,607	108,567	974,976		2.56%	2,569
2010	673,926	308,383	57,397	924,912		2.50%	2,418
2011	586,500	296,857	30,839	852,518		2.43%	2,228
2012	495,545	272,790	28,681	739,654		2.20%	1,907
2013	491,517	254,971	29,302	717,186		2.20%	1,830
2014	508,015	234,613	27,753	714,875		2.15%	1,783
2015	437,357	214,125	24,542	626,940		1.72%	1,524

Notes:

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

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

(UNAUDITED)

Schedule 11
City of Minneapolis
Direct and Overlapping Governmental Activities Debt
(in thousands of dollars)
December 31, 2015

Governmental Unit	General Obligation Governmental Debt Outstanding (1)	Estimated Percentage Applicable (2)	Estimated Share of Direct and Overlapping Debt
City of Minneapolis - Direct Debt	\$ 467,648	100.00%	\$ 467,648
<u>Overlapping Debt:</u>			
Special School District No. 1	289,107	100.00%	289,107
Hennepin County	689,516 (3)	29.79%	205,407
Hennepin County Regional Railroad Authority	34,389	29.79%	10,244
Metropolitan Council	107,386	13.83%	14,851
Subtotal, Overlapping Debt			\$ 519,609
Total Direct and Overlapping Debt			\$ 987,257

Notes:

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

(1) This table represents the governmental debt of the City of Minneapolis and the net debt share of the overlapping jurisdictions.

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

Sources:

Minneapolis Finance and Property Services Department - Capital and Debt Management
Minneapolis Public School District 1
Hennepin County
Metropolitan 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, 2015

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt Limit	\$ 1,159,728	\$ 1,253,051	\$ 1,306,194	\$ 1,282,797	\$ 1,254,206	\$ 1,173,628	\$ 1,131,060	\$ 1,102,298	\$ 1,117,046	\$ 1,226,826
Total net debt applicable to limit	339,712	313,129	302,772	270,629	246,979	213,714	154,317	155,494	146,506	114,260
Legal debt margin	\$ 820,016	\$ 939,922	\$ 1,003,422	\$ 1,012,168	\$ 1,007,227	\$ 959,914	\$ 976,743	\$ 946,804	\$ 970,540	\$ 1,112,566
Total net debt applicable to limit as a percentage of debt limit	29.29%	24.99%	23.18%	21.10%	19.69%	18.21%	13.64%	14.11%	13.12%	9.31%

Legal Debt Margin Calculation for Fiscal Year 2015

Real Property (2015 Assessed Market Value)	\$ 36,134,709
Personal Property (2015 Assessed Market Value)	409,823
Adjustment for Exempt Personal Property (1966 Market Value)	298,030
Adjustment for Net Fiscal Disparities (Contribution)/Distribution	(37,784)
Total 2015 Assessed Market Value	<u>\$ 36,804,778</u>
Debt Limit (3-1/3% of Market Value Applicable to Debt Limit)	1,226,826
Debt applicable to limit:	
General Obligation Bonds Subject to Debt Limit	134,070
Less: Amount set aside to pay general obligation debt	(19,810)
Total Net Debt Applicable to Limit	<u>114,260</u>
Legal Debt Margin	<u>\$ 1,112,566</u>

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

(UNAUDITED)

Schedule 13

City of Minneapolis

Pledged-Revenue Coverage

Last Ten Fiscal Years

(in thousands of dollars)

December 31, 2015

WATER TREATMENT AND DISTRIBUTION SERVICES BONDS

Fiscal Year	Operating Revenue (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements		Coverage Ratio
				Principal	Interest	
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
2012	76,502	47,421	29,081	5,796	4,476	2.83
2013	75,793	50,474	25,319	5,982	4,401	2.44
2014	73,097	50,428	22,669	6,146	4,314	2.17
2015	73,099	55,271	17,828	8,654	3,121	1.51

Notes:

(1) Operating revenue includes fees for services and other non-operating revenues available for debt service.

(2) Operating expenses are exclusive of depreciation.

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

(UNAUDITED)

Schedule 13
City of Minneapolis
Pledged-Revenue Coverage
Last Ten Fiscal Years
(in thousands of dollars)
December 31, 2015

(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 Ratio
					Principal	Interest	
2006	\$ 58,349	\$ 39,431	\$ 16,816	\$ 35,734	\$ 14,174	\$ 13,186	1.31
2007	60,554	39,548	18,361	39,367	16,924	12,882	1.32
2008	52,752	35,383	17,219	34,588	16,239	10,047	1.32
2009	52,521	37,564	22,923	37,880	30,165	8,870	0.97
2010	58,155	43,101	14,777	29,831	14,740	6,232	1.42
2011	52,687	36,450	15,196	31,433	14,820	5,730	1.53
2012	54,082	39,861	13,799	28,020	16,770	5,299	1.27
2013	58,185	37,745	11,622	32,062	14,629	4,142	1.71
2014	57,866	37,652	373	20,587	10,884	3,628	1.42
2015	61,226	40,601	525	21,150	5,440	3,463	2.38

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 was paid using sales tax revenues transferred from the Convention Center Special Revenue Fund through 2013. The remaining debt was paid in full during 2014.
- (4) Tax Increment Transfers In were used to subsidize certain parking ramps through 2013 with a small remaining subsidy from 2014 on.

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

(UNAUDITED)

Schedule 13
City of Minneapolis
Pledged-Revenue Coverage
Last Ten Fiscal Years
(in thousands of dollars)
December 31, 2015

(Continued)

Fiscal Year	Operating Revenue (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	SANITARY SEWER BONDS			Coverage Ratio
				Principal	Interest	Total	
2006	\$ 39,342	\$ 38,542	\$ 800	\$ 72	\$ 9	\$ 81	9.88
2007	41,915	39,954	1,961	767	137	904	2.17
2008	41,615	38,216	3,399	1,200	378	1,578	2.15
2009	43,963	38,388	5,575	2,436	500	2,936	1.90
2010	49,292	40,584	8,708	2,850	701	3,551	2.45
2011	49,482	42,607	6,875	4,100	714	4,814	1.43
2012	62,327	51,920	10,407	4,600	617	5,217	1.99
2013	61,852	52,115	9,737	4,150	350	4,500	2.16
2014	60,057	53,372	6,685	5,150	414	5,564	1.20
2015	60,358	56,245	4,113	3,500	320	3,820	1.08

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

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

Schedule 13
City of Minneapolis
Pledged-Revenue Coverage
Last Ten Fiscal Years
(in thousands of dollars)
December 31, 2015

(Continued)

Fiscal Year	Operating Revenue (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	STORMWATER BONDS			Coverage Ratio
				Principal	Interest	Total	
2006	\$ 30,575	\$ 18,250	\$ 12,325	\$ 8,360	\$ 2,483	\$ 10,843	1.14
2007	33,008	19,348	13,660	7,797	2,563	10,360	1.32
2008	35,824	19,738	16,086	8,620	1,564	10,184	1.58
2009	39,381	19,279	20,102	9,959	1,753	11,712	1.72
2010	39,542	21,310	18,232	5,345	1,405	6,750	2.70
2011	41,704	19,930	21,774	11,773	1,341	13,114	1.66
2012	41,805	21,590	20,215	6,555	1,136	7,691	2.63
2013	39,906	23,508	16,398	6,913	975	7,888	2.08
2014	42,313	23,079	19,234	3,235	850	4,085	4.71
2015	40,370	27,856	12,514	2,236	794	3,030	4.13

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

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

Schedule 14
City of Minneapolis
Demographic and Economic Statistics
Last 10 Fiscal Years
December 31, 2015

Year	Population (1)	Per Capita Income (2)	Personal Income	Median Age (3)	Households (4)	Jobs (5)	Annual average Unemployment Rate (6)	Median Household Income (7)	School Enrollment (8)
2006	387,970	\$ 27,487	\$ 10,664,131,390	33.6	167,317	294,370	3.8%	\$ 43,369	36,428
2007	388,020	\$ 30,343	\$ 11,773,690,860	35.3	167,367	292,833	4.3%	\$ 44,423	34,570
2008	390,131	\$ 30,825	\$ 12,025,788,075	34.1	168,669	291,019	5.1%	\$ 48,724	33,958
2009	386,691	\$ 28,131	\$ 10,878,004,521	31.6	169,798	280,899	7.3%	\$ 45,538	33,424
2010	382,578	\$ 29,558	\$ 11,308,240,524	31.4	163,540	281,577	6.9%	\$ 46,508	33,418
2011	387,873	\$ 30,256	\$ 11,735,485,488	32.3	166,110	287,846	6.1%	\$ 46,682	33,476
2012	392,008	\$ 29,936	\$ 11,735,151,488	31.4	166,513	297,012	5.3%	\$ 47,604	34,423
2013	400,938	\$ 32,791	\$ 13,147,157,958	32.1	170,195	303,135	4.6%	\$ 50,563	35,356
2014	411,273	\$ 31,764	\$ 13,063,675,572	31.8	175,119	308,714	3.8%	\$ 50,791	35,400
2015	NA	NA	NA	NA	NA	317,794	3.4%	NA	35,717

Sources:

- (1) Population 2006-2009 & 2011-2014 - Metropolitan Council. 2010 figure from US Census
- (2) Per Capita Income - US Census Bureau - American Community Survey Table B19301 (2014 - 1 year estimate)
- (3) Median Age - US Census Bureau - American Community Survey Table S0101 - (2014 - 1 year estimate)
- (4) Households 2006-2009 & 2011-2014 - Metropolitan Council. 2010 figure from US Census
- (5) Jobs data from MN DEED/QCEW tables; 2015 number reflects 3rd quarter, latest available data
- (6) Annual Average Unemployment Rate - from MN DEED/LAUS tables
- (7) Median Household Income - American Community Survey Table B19013 (2014 - 1 year estimate)
- (8) School Enrollment - Minneapolis Public Schools/Student Accounting Office

NA - 2015 data is not yet available for these categories.

(UNAUDITED)

Schedule 15
City of Minneapolis
Principal Employers
Current Year and Nine Years Ago
December 31, 2015

Employer	2015 (City only) (a)			2006 (metro-wide) (b)		
	Approximate Number of Employees	Rank	Percentage of Total City Employment	Approximate Number of Employees	Rank	Percentage of Total Metro Employment
University of Minnesota	14,400	1	4.5%	30,200	1	1.9%
Wells Fargo Bank	11,000	2	3.5%	19,100	4	1.2%
Fairview Health Services	10,200	3	3.2%	18,500	5	1.1%
Target Corporation	9,500	4	3.0%	24,300	2	1.5%
Allina Health	9,400	5	3.0%	22,500	3	1.4%
Hennepin Healthcare Systems Inc. HCMC	7,200	6	2.3%	(d)	(d)	(c)
Minneapolis Public Schools	6,900	7	2.2%	(c)	(c)	(c)
Hennepin County	6,200	8	2.0%	12,500	6	0.8%
Ameriprise Financial Services	5,000	9	1.6%	6,500	8	0.4%
City of Minneapolis	5,000	9	1.6%	5,600	9	0.3%
US Bancorp	4,100	-	1.3%	9,400	7	0.6%
Xcel Energy Inc.	2,900	-	0.9%	5,400	10	0.3%
Total	91,800		29.1%	154,000		9.5%

Notes:

- a) Figures reflect 2015 estimates of Minneapolis-based employees, both full- and part-time; numbers rounded to nearest 100.
Sources for City jobs: Reference USA, Minneapolis Downtown Council, direct communications with companies
- b) 2006 totals not available for City only, so metro totals were used; source was MN DEED <http://www.mnpro.com> as previously published in 2006 City CAFR.
- c) Employer not part of top ten metro -wide employers in 2006 City CAFR.
- d) Hennepin Healthcare was part of Hennepin County in 2006.

(UNAUDITED)

Schedule 16
City of Minneapolis
Full-time Equivalent City Government Employees by Function
Last 10 Fiscal Years
December 31, 2015

	Full-time Equivalent Employees as of December 31, 2015									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Function Program										
General Government										
Assessor	34.50	37.00	37.00	36.50	36.50	34.50	35.00	35.00	36.00	36.00
Attorney	106.50	108.00	108.00	105.50	102.00	105.00	101.00	102.00	108.00	110.00
City Clerk/Council	66.50	66.00	67.00	65.50	65.50	64.75	65.02	66.00	66.00	70.00
City Coordinator	911.03	917.00	941.00	919.10	949.80	546.60	691.40	677.40	702.60	711.60
Civil Rights	26.00	26.00	26.00	21.00	19.00	19.00	19.00	21.00	22.00	23.00
Community Planning and Economic Development	142.00	141.00	139.00	141.00	135.00	128.00	116.79	224.80	228.00	230.00
Fire	444.50	447.00	449.00	444.00	438.00	406.00	392.00	413.00	413.00	413.00
Minneapolis Health Department	66.30	66.00	66.00	67.00	60.00	61.70	50.25	91.00	94.30	100.80
Internal Audit	-	-	-	-	2.00	3.00	2.50	2.00	3.00	3.00
Mayor	11.00	12.00	12.00	12.00	10.00	11.00	11.00	11.00	11.00	12.00
Police	1,058.00	1,088.00	1,093.00	1,092.00	999.20	992.00	967.80	980.50	985.50	1,020.50
Public Works	1,206.59	1,197.00	1,203.00	1,189.20	1,024.50	1,000.35	932.08	911.65	946.98	955.50
Regulatory Services**	-	-	-	-	-	379.00	285.30	141.00	149.00	155.50
	4,072.92	4,105.00	4,141.00	4,092.80	3,841.50	3,750.90	3,669.14	3,676.35	3,765.38	3,840.90
Independent Boards										
Board of Estimate & Taxation	2.00	2.00	2.00	2.00	1.00	1.00	1.00	1.00	1.00	1.00
Library	261.90	273.00	-	-	-	-	-	-	-	-
Minneapolis Park and Recreation Board	909.55	902.00	886.00	859.00	827.00	811.18	802.40	814.72	819.24	832.00
Municipal Building Commission	61.00	62.00	62.00	62.00	62.00	60.00	54.00	55.00	55.00	55.00
Minneapolis Youth Coordinating Board	4.50	5.00	5.00	5.00	5.00	5.80	5.80	5.80	9.00	8.00
NRP	10.00	10.00	9.00	9.00	7.00	5.00	-	-	-	-
	1,248.95	1,254.00	964.00	937.00	902.00	882.98	863.20	876.52	884.24	896.00
Total	5,321.87	5,359.00	5,105.00	5,029.80	4,743.50	4,633.88	4,532.34	4,552.87	4,649.62	4,736.90

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

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

Source: City Management and Budget

(UNAUDITED)

Schedule 17
City of Minneapolis
Operating Indicators by Function/Program - Last 10 Fiscal Years
December 31, 2015

Function/Description	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Government										
Assessor										
Sales ratio, all classes aggregated	89%	93%	94%	97%	98%	98%	99%	95%	95%	96%
Number of parcels' valuations petitioned in tax court	900	1,431	2,235	2,304	1,822	1,346	1,047	591	606	572
Attorney - City litigation										
Liability payouts, millions \$	2	9	1	3	2	8	1	5	2	2
Civil litigation caseload	999	1,226	1,107	1,028	1,036	1,193	972	811	978	629
City Clerk - Elections										
Number of registered voters	226,585	220,740	240,022	231,078	227,024	223,696	214,003	233,351	227,660	225,027
Number of votes cast in election	149,318	no election	209,000	45,968	140,363	9,065	215,804	80,099	137,362	no election
Voter turnout, percentage of registered voters	65.90%	no election	87.08%	19.89%	55.59%	10.07%	80.84%	33.00%	56.00%	no election
Type of election, highest level of government	state	no election	federal	municipal	state	3 state specials	federal	municipal	state	no election
Number of new voters registered at the polls	28,907	no election	50,505	2,950	25,471	422	52,952	6,634	19,622	no election
Number of spoiled ballots	2,284	no election	NA	1,888	NA	NA	NA	NA	NA	no election
Number of absentee ballots	7,410	no election	17,100	1,619	6,405	355	15,143	4,954	12,279	no election
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	70%	74%	78%	NA	NA	NA	NA	NA	NA	NA
Civil Rights										
Number of new civil rights complaints	250	232	294	254	158	117	153	77	95	101
Number of new complaints of police misconduct	89	75	68	114	89	97	157	396	398	344
Community Planning and Economic Development										
Number of jobs from City-loan assisted businesses (projected)	2,115	318	NAP	NA	434	1,106	693	602	414	484
Multifamily housing investment: City funds, millions \$	12	10	6	9	16	18	23	6	18	12
Multifamily housing investment: Other public funds, millions \$	14	12	4	8	34	47	12	19	22	22
Multifamily housing investment: Private funds, millions \$	165	57	14	46	21	267	164	195	205	157
Business finance loans: City funds, millions \$	4	2	3	3	4	3	2	3	2	2
Number of foreclosure sales	1,610	2,895	3,077	2,233	2,308	1,719	1,448	879	640	502
Convention Center										
Occupancy rate	62%	61%	61%	57%	51%	57%	56%	54%	60%	57%
Total attendance	841,196	697,867	755,497	643,753	661,461	749,691	767,803	777,446	963,364	786,790
Health & Family Support										
Number of three-year old screenings conducted by the schools	837	828	989	1,082	1,118	1,096	1,251	1,758	1,483	NAP
Number of homicide deaths in Minneapolis, ages 0-24	22	10	14	5	17	20	11	12	7	NAP
Percent of one and two year olds tested for lead	69%	71%	74%	66%	71%	56%	61%	66%	72%	NAP
Number of children under age 6 with elevated lead levels	351	282	217	170	161	76	120	50	253	NAP
Public Safety										
Coordinator - 311 - 911										
911 answer time, seconds	7.53	7.90	7.10	6.23	5.98	6.15	7.33	10.43	6.76	NA
911 pending time to dispatch, high priority calls, minutes	2.97	3.17	1.82	1.24	1.14	1.16	1.34	0.07	2.05	NA
Percent of 311 calls answered in 20 seconds or less	90%	74%	80%	82%	71%	66%	72%	63%	64%	79%
Percent of 311 calls resolved at first call	70%	76%	80%	83%	83%	83%	82%	82%	83%	80%
Attorney - Criminal Prosecution										
Number of chronic offenders convicted	129	130	145	136	134	127	133	139	130	99
Domestic violence conviction rate	58%	54%	61%	66%	70%	70%	72%	64%	69%	68%
Prosecution caseload	27,195	27,377	32,076	30,467	28,352	24,509	25,731	24,092	20,391	18,505
Fire										
Number of emergency responses	22,199	34,019	34,146	32,165	33,561	35,204	37,011	38,137	40,662	41,343
Number of fires extinguished (all non EMS runs prior to 2002)	1,808	1,859	1,489	1,401	1,373	1,348	1,347	1,210	1,154	1,272
Number of hazmat, false alarms, and other non EMS/ fire runs	9,638	9,961	10,165	9,403	10,410	9,818	10,071	11,108	27,619	11,432
Number of inspections	8,271	4,821	7,337	10,447	10,298	7,763	2,992	3,083	921	3,529
Percent of time response is five minutes or less	84.8%	83.0%	86.5%	86.1%	84.0%	81.8%	81.0%	82.8%	92.0%	79.8%
Lives lost due to fires	2	2	6	2	13	5	3	2	10	8
Civilian injuries due to fire	29	21	21	15	29	33	33	27	33	24

City of Minneapolis
Operating Indicators by Function/Program - Last 10 Fiscal Years
December 31, 2015

Function/Description	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Public Safety-Continued										
Police										
Number of major crimes	29,474	28,498	25,898	22,469	22,646	23,114	23,532	23,726	23,496	22,000
Number of livability crimes	40,323	38,213	35,206	33,325	32,219	23,343	28,771	30,808	28,587	33,127
Number of violent crimes (subset of major crimes)	6,483	5,661	4,884	4,318	4,093	3,668	3,950	4,094	4,142	4,458
Number of guns seized	1,458	1,087	1,002	929	867	637	792	666	692	685
Community Planning and Economic Development - Building permits										
Permits issued	34,587	10,787	11,022	12,200	13,249	17,178	12,864	12,100	11,796	15,127
Estimated value, in millions \$	840	761	773	778	548	753	1,118	1,212	2,001	1,389
Public Works										
Refuse Collection										
Refuse collected, tons	135,714	130,583	125,423	122,453	121,589	120,246	114,797	115,293	114,964	115,522
Compostable material collected, tons	17,089	15,696	19,523	19,076	15,875	16,116	16,967	18,635	17,577	20,160
Non-recyclable construction material collected, tons	8,363	7,462	6,125	6,661	6,154	5,961	5,493	4,479	5,213	5,112
Recyclables, tons	25,267	24,010	22,848	21,759	20,592	19,683	19,927	26,585	28,583	28,065
Percent of solid waste stream recycled, by weight	18.6%	18.4%	18.2%	17.8%	16.9%	16.4%	17.4%	23.3%	25.0%	25.3%
Water										
Average daily production, thousands of gallons	60,904	61,049	58,677	58,630	54,227	54,611	54,986	54,186	53,881	52,546
Sewer										
Number of sanitary sewer backups	23	22	10	16	15	24	12	8	11	15
Streets										
Safety and ride-ability pavement condition index (PCI), average of all City streets	74	73	73	73	70	71	72	71	69	69
Number of traffic crashes	5,712	6,170	5,640	5,923	6,177	6,127	5,894	6,144	6,425	6,700
Number of injuries in traffic crashes	2,535	2,383	2,171	2,103	1,886	2,027	1,935	2,351	2,389	2,700

Notes:

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

Source: Prepared by Minneapolis Finance and Property Services Department using City department reports/personnel
(UNAUDITED)

Schedule 18
City of Minneapolis
Capital Assets Statistics by Function/Program
Last 10 Fiscal Years
December 31, 2015

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<u>Primary Government</u>										
<u>Public Safety:</u>										
Police stations	5	5	5	5	5	5	5	5	5	5
Patrol units	206	222	215	203	192	189	177	189	176	195
Unmarked, trucks, trailers, scooters, motorcycles	299	299	299	286	225	219	255	261	244	221
Fire Stations	19	19	19	19	19	19	19	19	19	19
Fire Trucks/Pumpers/Ladders/Engines/Cars	114	116	123	129	115	110	109	118	114	110
Regulatory Services Fleet	117	130	150	127	165	175	159	96	97	101
<u>Public Works:</u>										
Refuse collection trucks, heavy equipment, dumpsters	138	135	135	144	144	144	144	144	124	156
Streets (miles)	896	896	896	896	896	896	896	896	896	903
Alleys (miles)	380	380	380	380	380	380	380	380	380	380
Sidewalks (miles)	2,000	2,000	2,000	2,000	1,715	1,715	1,715	1,715	1,715	1,715
Streetlights	18,000	18,500	19,000	19,000	19,000	19,000	19,000	19,000	19,000	19,000
Traffic signals	916	916	916	916	916	916	916	916	916	916
Buildings/Plants/Garages	31	31	31	31	31	32	32	33	33	33
Equipment, cars, trucks, tractors, vans	1,443	1,448	1,436	1,471	1,141	1,155	1,028	1,046	1,137	1,395
<u>Community and Economic Development:</u>										
Convention Center	1	1	1	1	1	1	1	1	1	1
Target Center	1	1	1	1	1	1	1	1	1	1
<u>Business-type Activities</u>										
<u>Water Treatment and Distribution Services:</u>										
Water mains (miles)	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Fire hydrants	8,084	8,084	8,084	8,084	8,084	8,084	8,084	8,084	8,084	8,084
Storage capacity (thousands of gallons)	180,000	180,000	180,000	180,000	180,000	180,000	180,000	180,000	180,000	147,000
Buildings	14	13	13	13	13	13	13	13	14	14
Reservoirs	3	3	3	3	3	3	3	3	3	8
<u>Sanitary Sewer:</u>										
Sanitary sewers (miles)	838	830	830	830	830	830	830	830	830	830
Sanitary Lift Stations	9	9	9	9	9	9	9	9	9	9
<u>Stormwater:</u>										
Storm sewers (miles)	571	522	522	522	522	581	581	581	581	581
Stormwater Pump Stations	26	26	26	25	25	25	25	25	23	23
Holding Ponds	3	3	3	3	3	18	18	18	27	27
Number of parking ramps	24	15	14	14	14	14	14	14	14	14

(UNAUDITED)

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



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