

Comprehensive Annual Financial Report



City of Minneapolis, Minnesota
For the year ended December 31, 2017



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COMPREHENSIVE
ANNUAL FINANCIAL REPORT



CITY OF
MINNEAPOLIS, MINNESOTA

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017

FINANCE AND PROPERTY SERVICES DEPARTMENT

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July 9, 2018

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, 2017. 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, 2017. 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 Parks and Recreation Board, the Municipal Building Commission (MBC), and Meet Minneapolis 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.

Riding a bicycle is one of the more popular ways of getting around Minneapolis year round. The City is ranked as one of the best bicycling cities in the nation including being named the #2 bicycling commuting city by the U.S. Census Bureau. The city has also been awarded with the Gold Level Bicycle Friendly Community Award from the League of American Bicyclists. Minneapolis is also home to such popular walking destinations as the newly renovated Nicollet Mall, the Stone Arch Bridge, the Grand Rounds, and Milwaukee Avenue. In addition to the 57 miles of parkways, nearly 92% of the City's streets have sidewalks on both sides of the street providing nearly 1,800 miles of sidewalks. The City has developed both a Bicycle Master Plan and Pedestrian Master Plan for long range planning to both grow and support these low-polluting, cost effective and healthy ways to travel around the City. In 2016, the City Council approved a 20-year plan to provide \$30 million each year to ensure funding of the City's streets and neighborhood parks including its bikeways and pedestrian programs.

There are 81 residential neighborhoods within the City offering a broad range of housing to more than 181,000

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

Minneapolis' population continues to grow. As of 2016, Minneapolis is home to an estimated 413,645 people. From 2011 to 2016, the population within the City grew by a little over 25,772 people, a five year growth rate of 6.7%. 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 9% 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 21% 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 addition, with seven hospitals and the University of Minnesota, Minneapolis is a nationally known medical center that produces many high technology medical products.

Most of the preceding, and additional information, is available from 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. The next City election is scheduled for November 2021.

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, 2017, was \$105.8 million, which is \$23.9 million more than policy requires. Additional information regarding the 2017 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 2017, and is \$4.5 million in 2018.

ECONOMIC CONDITION AND OUTLOOK

A detailed discussion and analysis of the City's overall financial condition during the fiscal year ended 2017 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 – AA+
S&P Global Ratings - AAA

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, 2016. A Certificate of Achievement is valid for a period of one year only. The City has received this prestigious award for 43 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 2017 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 for their interest in conducting the financial operations of this City in a responsible and progressive manner.

Respectfully submitted,



Mark T. Ruff
Finance Officer



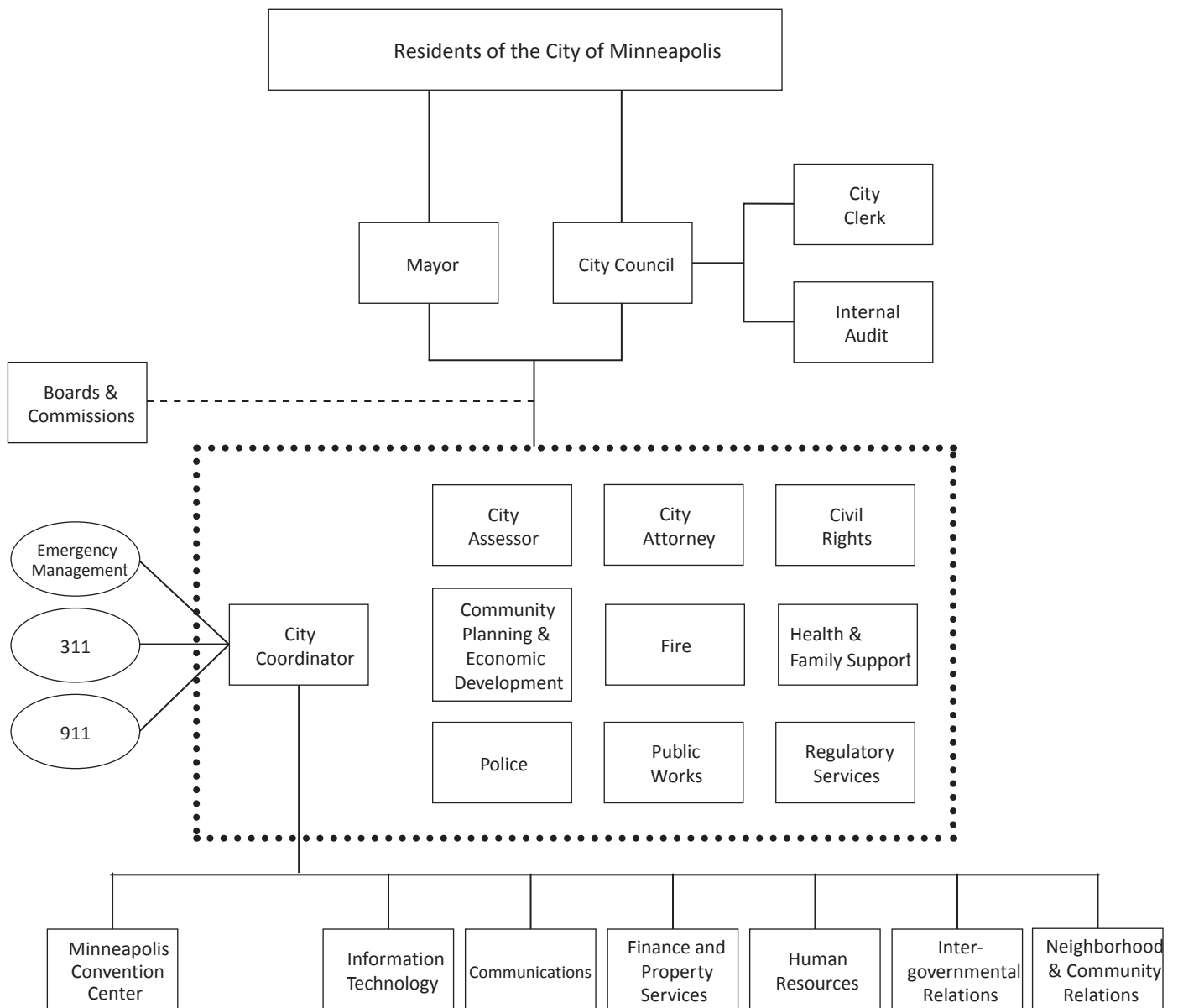
Lori Johnson
Deputy Finance Officer



Mary Dunning
Controller

City of Minneapolis

Organizational Chart



MAYOR AND COUNCIL

CITY OF MINNEAPOLIS, MINNESOTA

2017

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

In 2018, the following changes occurred:

Mayor.....JACOB FREY

Ward 3.....STEVE FLETCHER

Ward 4.....PHILLIPE CUNNINGHAM

Ward 5.....JEREMIAH ELLISON

Ward 8.....Vice-President.....ANDREA JENKINS

Ward 4.....President.....LISA BENDER

Ward 11.....JEREMY SCHROEDER



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, 2016

Christopher P. Morill

Executive Director/CEO



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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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

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

INDEPENDENT AUDITOR'S REPORT

The Honorable Jacob Frey, Mayor,
and Members of 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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Meet Minneapolis, which is a discrete component unit and 1.2 percent, 0.5 percent, and 7.4 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 component unit, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Meet Minneapolis were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, based on our audit and the 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, 2017, 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 2017 the City adopted specific accounting guidance under the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, as it relates to the calculation of the City's proportionate share of its net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense, 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 Supplemental 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 supplemental 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 supplemental 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 July 9, 2018, 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 solely 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 effectiveness of the City of Minneapolis' or the Municipal Building Commission component unit's 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. The reports do not include Meet Minneapolis, which was 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

July 9, 2018



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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, 2017. 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 2017, the City implemented specific guidance from Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Reporting for Pensions – an amendment of GASB Statement No. 27*, related to the calculation of the City's proportionate share of net pension liability. The City's statutorily required contributions to pensions include both payroll related amounts and additional, fixed amounts. The fixed contributions have either known or expected end dates, and as a result, the total obligation related to them can be calculated. Rather than taking a proportionate share of the net pension liability of each pension plan as calculated by the City's total contributions during a single year, the City followed GASB guidance to calculate a liability based on our projected long-term contribution effort. This lowered the City's beginning net pension liability, requiring a restatement of our beginning net position to adjust for the newly calculated balances. Following this methodology as encouraged by GASB provides a better representation of the City's pension obligations.
- At the close of the 2017 fiscal year, assets plus deferred outflows exceeded liabilities plus deferred inflows by \$2,083,583 (net position). Of this amount, \$2,066,953 is the City's net investment in capital assets and \$291,049 is restricted for specific purposes (restricted net position) leaving a deficit of \$(274,419) 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 long-term, actuarially determined liabilities associated with pensions which 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 \$231,308 in 2017. Governmental activities increased the City's net position by \$176,100 and business-type activities increased the net position by \$55,208.
- As of December 31, 2017, total fund balance in the General Fund was \$117,098, of which \$105,835 was unassigned.
- The City's total long-term bond and note liability decreased by \$3,952 from the prior year. Total bonds and notes issued in 2017 was \$191,638. Total debt retirement was \$195,590. Major new debt issuances included notes of \$1,995 for parking facility improvements, \$5,960 for sanitary sewer projects, and \$11,320 for water projects. In 2017, \$56,010 of the debt issuances were refunding previously issued debt.

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 supplemental 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 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 Generally Accepted Accounting Principles (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), and Meet Minneapolis.

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 Supplemental Information section of this report beginning on page 115.

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 45-102 of this report.

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

The required supplemental information can be found on pages 103-111 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 supplemental information beginning on page 115.

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GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position—The following table presents the primary government’s net position as of December 31, 2017 with a comparison to 2016.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 906,290	\$ 858,327	\$ 259,677	\$ 273,491	\$ 1,165,967	\$ 1,131,818
Capital assets	1,493,112	1,333,254	1,078,109	1,018,328	2,571,221	2,351,582
Total assets	\$ 2,399,402	\$ 2,191,581	\$ 1,337,786	\$ 1,291,819	\$ 3,737,188	\$ 3,483,400
Deferred outflows of resources	\$ 332,891	\$ 963,145	\$ 13,491	\$ 67,928	\$ 346,382	\$ 1,031,073
Current and other liabilities	\$ 221,292	\$ 224,521	\$ 54,950	\$ 50,135	\$ 276,242	\$ 274,656
Long-term liabilities	1,059,964	1,829,112	319,196	377,040	1,379,160	2,206,152
Total liabilities	\$ 1,281,256	\$ 2,053,633	\$ 374,146	\$ 427,175	\$ 1,655,402	\$ 2,480,808
Deferred inflows of resources	\$ 336,677	\$ 166,039	\$ 7,908	\$ 16,217	\$ 344,585	\$ 182,256
Net position						
Net investment in capital assets	\$ 1,190,812	\$ 1,057,445	\$ 876,141	\$ 800,274	\$ 2,066,953	\$ 1,857,719
Restricted net position	254,967	215,143	36,082	35,336	291,049	250,479
Unrestricted net position	(331,419)	(337,534)	57,000	80,745	(274,419)	(256,789)
Total net position	\$ 1,114,360	\$ 935,054	\$ 969,223	\$ 916,355	\$ 2,083,583	\$ 1,851,409
Restatement (see Note 1Q)		3,206		(2,340)		866
Total net position, as restated		\$ 938,260		\$ 914,015		\$ 1,852,275

The largest portion of the City’s net position reflects its \$2,066,953 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 \$209,234 increase in this portion of the City’s net position. The City uses these capital assets to provide services to citizens. As a result, these assets are not available for future spending. Although the City’s investments in capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net position increased \$40,570 to \$291,049 in 2017 largely due to the \$41,109 increase in properties held for resale restrictions. 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).

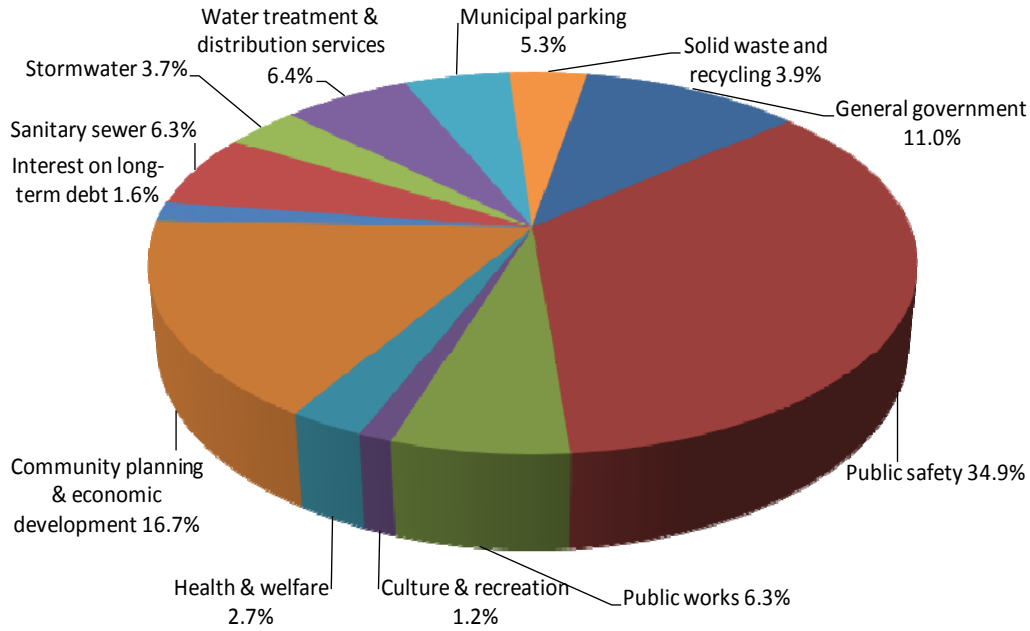
The remaining deficit of \$(274,419) represents the unrestricted portion of the City’s net position. This is a decrease of \$17,630 from the 2016 unrestricted net position. The decrease is due to increases in other net position categories. Net investment in capital assets increased \$209,234. Restrictions for other purposes increased \$40,570. Both of these increases result in a lower unrestricted net position.

Statement of Activities—The following table presents the changes in net position for governmental and business-type activities. The governmental activities net position increased by \$176,100 while the business-type activities net position increased by \$55,208.

	Statement of Activities For the Years Ended December 31, 2017, and 2016					
	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Revenues						
Program revenues:						
Charges for services	\$ 152,312	\$ 140,041	\$ 301,332	\$ 286,610	\$ 453,644	\$ 426,651
Operating grants and contributions	137,377	132,535	6,988	5,089	144,365	137,624
Capital grants and contributions	11,356	14,255	-	-	11,356	14,255
General revenues:						
General property tax and fiscal disparities	278,088	247,708	-	-	278,088	247,708
Property tax increment	55,666	49,616	-	-	55,666	49,616
Franchise taxes	32,143	29,515	-	-	32,143	29,515
Local taxes	83,266	80,851	-	-	83,266	80,851
Other taxes	267	212	-	-	267	212
Local government aid - unrestricted	68,543	68,391	-	-	68,543	68,391
Grants and contributions not restricted to programs	1,879	3,371	16	-	1,895	3,371
Unrestricted interest and investment earnings	6,651	7,754	364	205	7,015	7,959
Other	2,003	181	20	910	2,023	1,091
Gain on sale of capital assets	291	526	20,660	1,856	20,951	2,382
Total revenues	<u>829,842</u>	<u>774,956</u>	<u>329,380</u>	<u>294,670</u>	<u>1,159,222</u>	<u>1,069,626</u>
Expenses						
General government	102,171	128,137	-	-	102,171	128,137
Public safety	323,498	390,053	-	-	323,498	390,053
Public works	58,174	106,705	-	-	58,174	106,705
Culture and recreation	11,252	7,544	-	-	11,252	7,544
Health and welfare	25,483	25,494	-	-	25,483	25,494
Community planning and economic development	149,145	181,537	5,921	6,330	155,066	187,867
Interest on long-term debt	15,121	13,611	-	-	15,121	13,611
Sanitary sewer	-	-	58,250	54,030	58,250	54,030
Stormwater	-	-	34,518	36,009	34,518	36,009
Water treatment and distribution services	-	-	59,536	67,826	59,536	67,826
Municipal parking	-	-	48,758	50,020	48,758	50,020
Solid waste and recycling	-	-	36,087	33,312	36,087	33,312
Total expenses	<u>684,844</u>	<u>853,081</u>	<u>243,070</u>	<u>247,527</u>	<u>927,914</u>	<u>1,100,608</u>
Excess (deficiency) before transfers	144,998	(78,125)	86,310	47,143	231,308	(30,982)
Transfers	31,102	22,753	(31,102)	(22,753)	-	-
Change in net position	176,100	(55,372)	55,208	24,390	231,308	(30,982)
Net position - Beginning (2017 Restated)	938,260	990,426	914,015	891,965	1,852,275	1,882,391
Net position - Ending	<u>\$1,114,360</u>	<u>\$ 935,054</u>	<u>\$ 969,223</u>	<u>\$ 916,355</u>	<u>\$2,083,583</u>	<u>\$1,851,409</u>

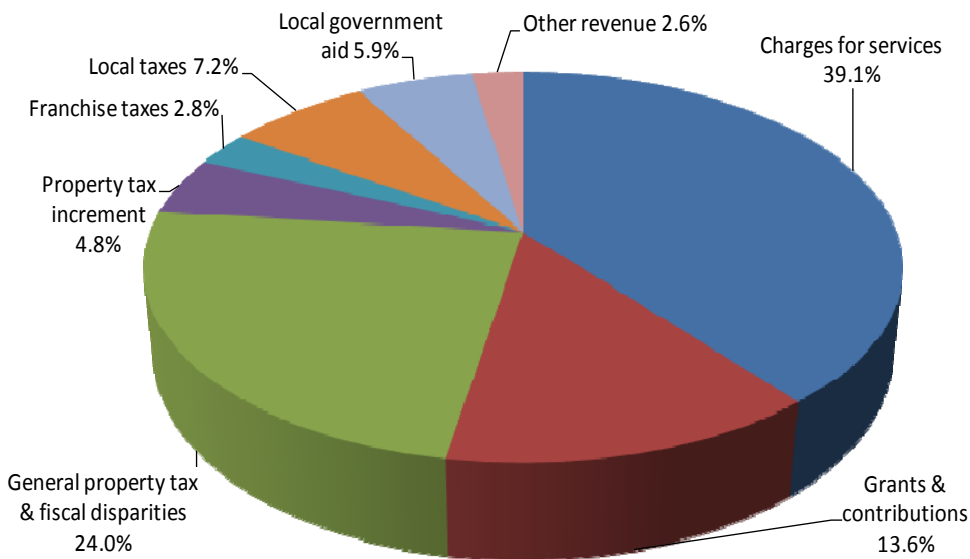
Governmental Activities—Governmental activities increased the City's net position by \$176,100 compared to a decrease of \$55,372 in 2016. Total governmental revenue increased by 7.1% from 2016 to 2017 while total expenses decreased by 19.7% over that same period. The decrease in expenses is attributable mainly to the decrease in pension expense related to the decreased net pension liability. Pension expense booked to the governmental activities as a result of pension activity decreased by \$138,852 between 2016 and 2017. A significant expense in the statement of activities, compared to fund statements, is depreciation. Current year depreciation for governmental activities was \$59,209.

Government-wide Expenses



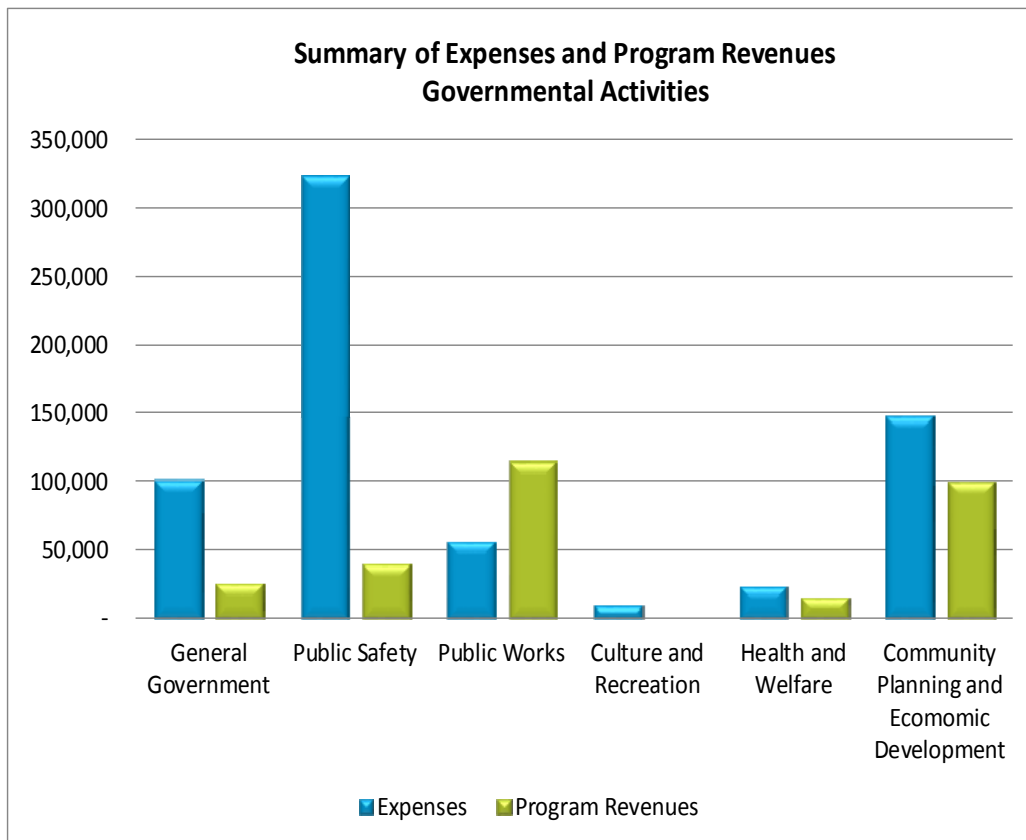
Program revenue increased primarily due to an increase in charges for services. This increase is generally due to the increased licensing, permitting and related activities the City continues to experience as the high rate of development and growth continued in 2017. Additionally, general revenues cover any net expense after program specific revenues are applied. The property tax levy increased as budgeted and several other categories of revenue such as franchise fees and local taxes saw a slight increase over 2016.

Government-wide Revenues



**Summary of expenses and program revenues - Governmental Activities
For the Year ended December 31, 2017**

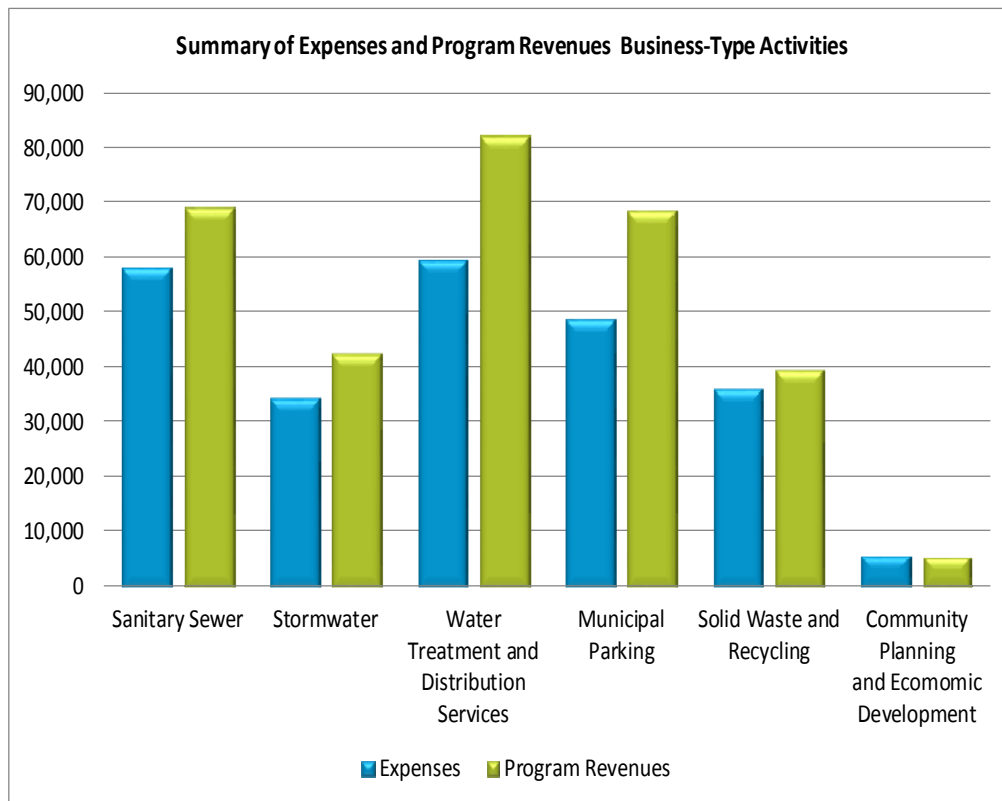
Functions/Programs	Expenses	Program Revenues	Net (Expense) Revenue by Program
General government	\$ 102,171	\$ 27,628	\$ (74,543)
Public safety	323,498	40,899	(282,599)
Public works	58,174	115,871	57,697
Culture and recreation	11,252	-	(11,252)
Health and welfare	25,483	16,371	(9,112)
Community planning and economic development	149,145	100,276	(48,869)
Interest on long-term debt	15,121	-	(15,121)
	<u>\$ 684,844</u>	<u>\$ 301,045</u>	<u>\$ (383,799)</u>
General revenues and transfers supporting governmental activities			<u>559,899</u>
Change in net position			176,100
Net position - January 1, 2017, restated (see Note 1Q)			938,260
Net position - December 31, 2017			<u>\$ 1,114,360</u>



Business-Type Activities—Business-type activities increased the City’s net position by \$55,208 compared with an increase of \$24,390 in 2016.

**Summary of expenses and program revenues - Business-Type Activities
For the Year ended December 31, 2017**

Functions/Programs	Expenses	Program Revenues	Net (Expense) Revenue by Program
Sanitary sewer	\$ 58,250	\$ 69,210	\$ 10,960
Stormwater	34,518	42,778	8,260
Water treatment and distribution services	59,536	82,263	22,727
Municipal parking	48,758	68,472	19,714
Solid waste and recycling	36,087	39,862	3,775
Community planning and economic development	5,921	5,735	(186)
	<u>\$ 243,070</u>	<u>\$ 308,320</u>	<u>\$ 65,250</u>
General revenues and transfers supporting business-type activities			<u>(10,042)</u>
Change in net position			55,208
Net position - January 1, 2017, restated (see Note 1Q)			<u>914,015</u>
Net position - December 31, 2017			<u>\$ 969,223</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 2017, four governmental funds, including the General Fund, are presented as major funds. These funds include the Community Planning and Economic Development Special Revenue Fund, the Permanent Improvement Capital Project Fund, and the Special Assessment Debt Service Fund. At December 31, 2017, the City's governmental funds reported a combined ending fund balance of \$516,697, an increase of \$36,138 compared with the prior year. Approximately 20.1% of this total amount, or \$103,796, 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 (\$1,263) for land development, advances to other funds, prepaid items, and properties held for resale; restricted (\$254,967) for debt service, community planning and economic development, capital improvements, grants, and law enforcement legal requirements; and assigned (\$156,671) 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:

Revenues by Source Governmental Funds					
Revenues by Source	2017		2016		Increase/ (Decrease)
	Amount	Percent of Total	Amount	Percent of Total	Amount
Taxes	\$ 428,271	50.57 %	\$ 408,195	50.55 %	\$ 20,076
Licenses and permits	46,398	5.48	48,267	5.98	(1,869)
Intergovernmental revenues	183,797	21.70	181,477	22.48	2,320
Charges for services and sales	110,799	13.08	90,626	11.22	20,173
Fines and forfeits	7,783	0.92	6,705	0.83	1,078
Special assessments	29,516	3.49	28,220	3.49	1,296
Investment earnings	6,679	0.79	7,916	0.98	(1,237)
Miscellaneous revenue	33,609	3.97	36,054	4.47	(2,445)
Total revenues	<u>\$ 846,852</u>	<u>100.00 %</u>	<u>\$ 807,460</u>	<u>100.00 %</u>	<u>\$ 39,392</u>

**Expenditures by Function
Governmental Funds**

Expenditures by Function	2017		2016		Increase/ (Decrease)
	Amount	Percent of Total	Amount	Percent of Total	Amount
Current:					
General government	\$100,772	10.08 %	\$106,212	11.92 %	\$ (5,440)
Public safety	284,155	28.42	269,020	30.18	15,135
Public works	59,804	5.98	56,978	6.40	2,826
Culture and recreation	780	0.08	1,560	0.18	(780)
Health and welfare	23,797	2.38	21,705	2.44	2,092
Community planning and economic development	155,783	15.58	174,858	19.63	(19,075)
Capital outlay	193,489	19.35	151,681	17.02	41,808
Intergovernmental:					
General government	968	0.10	616	0.07	352
Public safety	111	0.01	154	0.02	(43)
Culture and recreation	10,472	1.05	5,984	0.67	4,488
Debt service:					
Principal retirement	154,711	15.47	84,027	9.43	70,684
Interest and fiscal charges	15,104	1.50	13,711	1.54	1,393
Bond issuance costs	-	-	4	-	(4)
Payments to refunded bond escrow agents	-	-	4,440	0.50	(4,440)
Total expenditures	\$999,946	100.00 %	\$890,950	100.00 %	\$ 108,996

General Fund—The General Fund is the general operating fund of the City. As of December 31, 2017, unassigned fund balance in the General Fund was \$105,835, nonspendable fund balance was \$1,263, and assigned fund balance is \$10,000. Total fund balance increased by \$9,601 during 2017.

The following table provides changes in revenues by source from 2016 to 2017.

Revenues by Source	2017		2016		Increase/ (Decrease)
	Amount	Percent of Total	Amount	Percent of Total	Amount
Taxes	\$ 295,004	58.29 %	\$ 274,925	57.66 %	\$ 20,079
Licenses and permits	45,091	8.91	47,030	9.87	(1,939)
Intergovernmental revenues	85,131	16.82	85,212	17.88	(81)
Charges for services and sales	51,007	10.08	48,813	10.24	2,194
Fines and forfeits	7,556	1.49	6,313	1.32	1,243
Special assessments	3,152	0.62	3,450	0.72	(298)
Investment earnings	3,186	0.63	3,460	0.73	(274)
Miscellaneous revenues	3,493	0.69	3,473	0.73	20
Total revenues	\$ 493,620	97.53	\$ 472,676	99.15	\$ 20,944
Transfers in	12,499	2.47	4,029	0.85	8,470
Total revenues and other financing sources	\$ 506,119	100.00 %	\$ 476,705	100.00 %	\$ 29,414

In 2017, General Fund revenues and transfers increased by about 6.2% from the previous year. Some highlights include:

- Tax collections were higher in 2017 than 2016. Overall tax collections increased 7.3% or \$20,079 over 2016 amounts. Taxes include both property taxes and local sales, lodging and entertainment taxes. The general fund property tax levy increased \$16,406 from 2016 to 2017. In addition to the increased property taxes, local taxes increased \$2,816 over the 2016 collections.
- Charges for services increased \$2,194 as a result of a continued elevation of construction and related activity in the City.
- Other revenues were similar to 2016 levels. License and permit revenue decreased by \$1,939 from 2016 to 2017, however it was still \$2,156 over budget. In 2017, the city had its sixth consecutive year exceeding \$1.0 billion dollars in construction projects. Permits were issued for \$1.5 billion in projects in 2017 as compared to \$1.8 billion in 2016.

The following table provides the changes in expenditures by function from 2016 to 2017:

Expenditures by Function	General Fund Expenditures by Function				Increase/ (Decrease) Amount
	2017		2016		
	Amount	Percent of Total	Amount	Percent of Total	
Current:					
General government	\$ 73,765	14.86 %	\$ 73,353	15.43 %	\$ 412
Public safety	258,885	52.14	245,143	51.59	13,742
Public works	59,550	11.99	56,911	11.98	2,639
Culture and recreation	780	0.16	1,560	0.32	(780)
Health and welfare	10,426	2.10	9,062	1.91	1,364
Community planning and economic development	33,724	6.79	33,008	6.95	716
Total expenditures	437,130	88.04	419,037	88.18	18,093
Transfers out	59,388	11.96	56,162	11.82	3,226
Total expenditures and other financing uses	<u>\$ 496,518</u>	<u>100.00 %</u>	<u>\$ 475,199</u>	<u>100.00 %</u>	<u>\$ 21,319</u>

Overall, general fund expenditures and transfers out increased by 4.5% from the previous year, although appropriations were underspent by approximately \$18,632.

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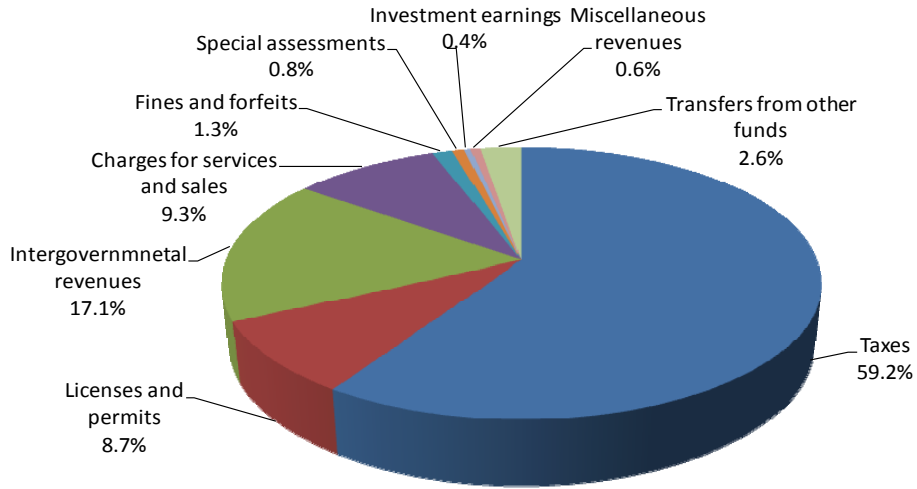
General Fund Budgetary Highlights—The final budget for the City’s General Fund represents the original budget plus any previously appropriated funds set aside for the purpose of honoring legally incurred obligations (prior year encumbrances and commitments), and any additional supplemental appropriations that may occur during the fiscal year. In 2017, the following were significant budget actions:

- The original General Fund appropriation for fiscal year 2017 was \$497,775, which included projected transfers out of \$59,387. The final appropriation was \$515,150 including transfers of \$69,388. General revenues and other resources were originally estimated at \$492,242, which included projected transfers in of \$12,470. The final revenue estimate was \$492,314 including transfers of \$12,499.
- Significant budgetary variances between the final amended budget and the actual results include:
 - 1) The Police Department finished the year \$5,235 over budget due to higher than expected personnel costs coupled with special event expenses related to the X Games and preparation for the 2018 Super Bowl.
 - 2) The Fire Department finished the year \$1,080 over budget related to vehicle costs and personnel expense related to injured firefighters’ insurance costs.
 - 3) The Clerk – Elections Department finished the year \$754 over budget due to the City-wide elections for Council and Mayor which had high voter turnout requiring additional resources.
 - 4) Overall, Public Works finished the year \$195 over budget due to a busy summer construction season and ongoing preparations for the 2018 Super Bowl.
 - 5) The City Coordinator and several smaller departments underspent their budgets for a variety of factors. Personnel vacancies, delayed spending on projects and initiatives, and other cost saving measures helped these departments meet the budgeted appropriation levels.
 - 6) A \$10,000 transfer to the capital project fund will be delayed until State funding for the project is secured.
 - 7) Community Planning and Economic Development (CPED) has a number projects that are expected to require ongoing funding resulting in current year budget savings.
 - 8) Contingency funding of \$4,000 and the underspending identified above offset the overspending, resulting in an overall underspending in the General Fund of \$18,632.

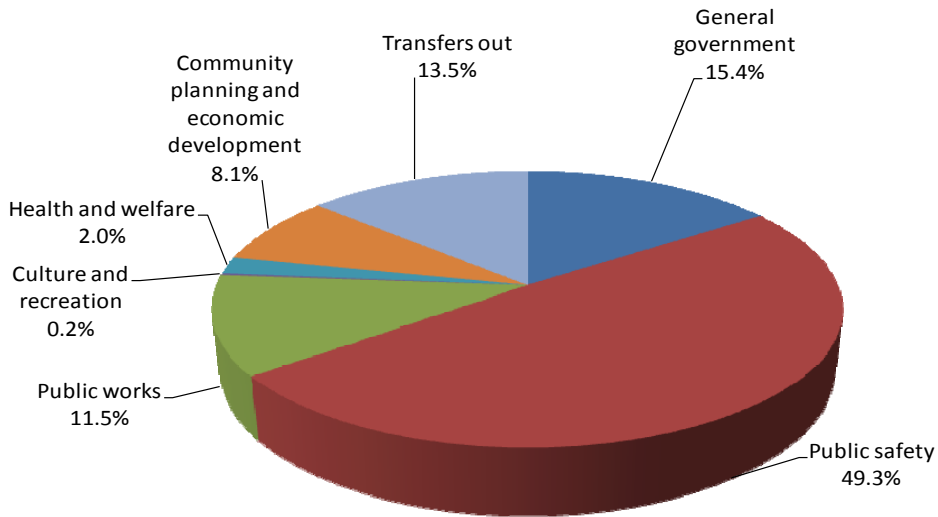
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Current fiscal year revenue and expenditure budgets for the General Fund by major category or function are as follows:

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 2017 were \$61,295, a less than 1% increase from the prior year. A majority, approximately 86%, of the fund’s revenue was derived from property tax increment, and 8% 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 2017 were \$27,647. 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 declined in 2017 due to certain projects in the prior year that did not recur.

The fund’s transfers to other funds of \$22,523 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 \$6,488 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 \$215,158. This included \$177,455 restricted for specific programs by State law; and the remaining \$37,703 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 four sources: bonds that are sold by the City for capital projects; the State of Minnesota; Federal and local 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 buildings and to fund other capital projects. During 2017, \$193,489 of capital outlay occurred which is an increase of 28% from \$151,681 in 2016.

The key assets constructed with these funds include:

- Bridges - \$10,229
- Streets - \$62,247
- Traffic Signals and Street Lighting - \$23,249
- Bike Trails - \$1,782
- Property Service - \$6,465
- Target Center Renovation - \$80,477

The fund balance increased from \$10,223 in 2016 to \$38,003 in 2017. The increase was due to escalation of State Grants, City and other funding proceeds. Additionally, revenues for the fund were higher from \$75,162 in 2016 to \$101,151 in 2017 due to increase from State, City and local sources. Two of the larger components of revenue funding were a State DEED Grant for the Nicollet Mall renovation and payments from Timberwolves and AEG for the Target Center renovation.

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 2017 the City had \$54,485 of debt outstanding for special assessment improvements. During 2017, the City received debt related assessment collections and interest earnings of \$14,267 and paid total principal of \$14,811, net of \$16,095 of refunding bonds issued on special assessment bonds and notes.

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).

The enterprise funds had a positive net position of \$986,196 at December 31, 2017, an increase of \$54,918 over the restated 2016 balance.

The following table summarizes the cash balances, total assets, deferred outflows of resources, total liabilities, deferred inflows of resources, operating income (loss), changes in net position, restatement, and net positions for each of the enterprise funds, for 2016 to 2017:

Enterprise Funds Key Balance Sheet Account Balances and Operating Activities December 31, 2017, and 2016								
	Sanitary Sewer	Stormwater	Water Treatment and Distribution Services	Municipal Parking	Solid Waste and Recycling	Community Planning and Economic Development	Total	
							2017	2016
Cash	\$ 17,761	\$ 27,087	\$ 40,663	\$ 26,540	\$ 24,523	\$ 1,453	\$ 138,027	\$ 140,143
Assets	158,676	347,767	382,556	314,269	43,028	108,463	1,354,759	1,309,082
Deferred outflows of resources	1,578	2,535	5,017	1,202	3,159	-	13,491	67,928
Liabilities	38,125	15,592	132,373	101,181	18,677	68,198	374,146	427,175
Deferred inflows of resources	925	1,486	2,941	705	1,851	-	7,908	16,217
Operating income (loss)	3,243	7,130	18,692	16,580	(1,174)	3,889	48,360	33,695
Change in net position	2,415	6,656	19,217	25,516	945	169	54,918	24,730
Restatement	-	-	-	-	-	-	-	(2,340)
Net position	121,204	333,224	252,259	213,585	25,659	40,265	986,196	\$ 931,278

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, 2017 was \$121,204 compared to \$118,789 for the 2016 restatement for an increase of \$2,415.

The operating revenues of \$68,509 for 2017 compared to \$66,903 for 2016 reflects an increase of \$1,606. The sanitary utility sales and service revenues account for \$1,136 of the increase due to increase in rates. These

increases were further inflated by \$480 in Sewer Availability Charge (SAC) revenues. Increase in SAC revenues is off-set by equivalent increase in SAC expenses.

The operating expense totaled \$65,266 compared to \$63,452 for 2016 resulting in an increase of \$1,814. The increase in operating expenses reflects an increase in contractual and professional services by \$2,053 due to work on sewer cleaning, rehab work, and SAC payments. Finally, Met Council increased rates for MCES by 4% resulting in an increased expense of \$1,421. 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.

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, 2017 was \$333,224 which was an increase of \$6,656 from the restated beginning balance of \$326,568.

The 2017 operating revenues of \$41,648 compared to \$38,306 for 2016 reflected an increase of \$3,342. The increase in revenue is due to an increase in rates, and 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.

The operating expenses total \$34,518 compared to \$35,971 reported for 2016. This was a decrease of \$1,453. The decrease overall reflects an increased effort being focused on Capital projects in the year. The increase in capital was offset by additional expense spent in the Street Cleaning department of \$927.

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 Airports Commission.

Net position increased by \$19,217 for the year, resulting in a net position at December 31, 2017 of \$252,259. This planned increase allowed for net increases to long-term assets in the amount of \$23,047 for improvements to the City's water distribution system and the Fridley Filter Plant rehabilitation and other water treatment infrastructure improvements.

Operating revenue increased by \$2,391, when compared to 2016, due in large part to increased water sales. Operating expenses decreased by \$4,631, when compared to 2016. This decrease was in large part due to a decrease from 2016 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, 2017 was \$213,585 which is an increase of \$25,516 from the restated beginning balance.

There are four 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. In December 2017 the Government Center Ramp was exchanged for the Downtown Parking Ramp which was a gain of \$20,557 in the net position.

Solid Waste and Recycling Fund—The Solid Waste and Recycling Fund accounts for the City's solid waste and recycling collection and disposal, and a solid waste transfer station that serves over 107,000 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 program.

Net position as of December 31, 2017 totaled \$25,659, an increase of \$945 compared to the restated beginning balance of \$24,714. Operating revenues totaled \$38,338, an increase of \$1,103 over 2016. This increase can be attributed to a rate increase of \$0.57 per dwelling unit in utility billing, resulting in increased revenue from sales.

Operating expenses decreased to \$39,512 compared to \$40,974 for 2016. This decrease of \$1,462 is due in part to a decrease in salaries and fringes due to an increase in personnel turnover and the related periods of vacancy in the positions related to this.

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 \$169 during the year. The increase resulted primarily from interest revenue earned on various reserve investments within the fund. 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.

The following table provides a summary of cash balances, total assets, deferred outflows of resources, total liabilities, deferred inflows of resources, operating income (loss), changes in net position, restatement, and the net position for each of the internal service funds:

Internal Service Funds
Key Balance Sheet Account Balances and Operating Activities
December 31, 2017, and 2016

	Engineering Materials and Testing	Intergovern- mental Services	Property Services	Equipment Services	Public Works Stores	Self- Insurance	Total	
							2017	2016
Cash	\$ 1,527	\$ 23,572	\$ 8,098	\$ 30,350	\$ 1,988	\$ 90,007	\$ 155,542	\$ 149,161
Assets	1,715	66,847	38,543	95,433	7,032	91,297	300,867	296,695
Deferred outflows of resources	293	3,209	1,513	1,948	322	2,065	9,350	46,331
Liabilities	1,728	21,787	9,989	21,682	2,053	67,121	124,360	148,878
Deferred inflows of resources	172	1,881	888	1,141	189	1,211	5,482	11,113
Operating income (loss)	(322)	(9,699)	(400)	5,653	615	745	(3,408)	(3,234)
Change in net position	(321)	(11,324)	(951)	8,048	785	3,312	(451)	6,984
Restatement	-	-	-	-	-	-	-	(2,209)
Net position	\$ 108	\$ 46,388	\$ 29,179	\$ 74,558	\$ 5,112	\$ 25,030	\$ 180,375	\$ 180,826

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.

At year-end 2017, the net position is \$108 representing a decrease of \$321 from the 2017 restated beginning net position of \$429. The decrease in net position is primarily to the planned decrease in rates charged for laboratory services and to the overhead rates applied to asphalt and concrete sales. The fund maintains a positive cash balance at \$1,527 at year-end 2017 which is a decrease of \$18 from the 2016 ending balance of \$1,545.

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.

The fund’s 2017 ending net position is \$46,388, representing a decrease of \$11,324 from the restated year-end 2016 net position of \$57,712. The cash balance at year-end 2017 is \$23,572, representing a decrease of \$7,296 from the 2016 year-end cash balance of \$30,868. The decrease to net position in 2017 is partly due to the transfer out of \$3,000 to the Capital Improvements Fund for street infrastructure and the neighborhood funding plan. The decrease is also partly due to a \$3,731 decrease in long-term assets due to depreciation of capital assets.

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.

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 related to City buildings recorded in this fund. This generally results in an operating loss each year and a decrease to net position. The fund experienced a decrease of \$951 to net position resulting in an ending balance of \$29,179 compared to the 2017 restated beginning net position of \$30,130. 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 2017, the remaining debt obligation is \$853. The cash balance decreased from \$8,604 at year-end 2016 to \$8,098 at year-end 2017.

Equipment Services Fund—The Equipment Services Fund manages the acquisition, maintenance and disposal of 1,700 units of equipment, primarily the City's fleet of vehicles. The fund also provides technicians to maintain the equipment. 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.

At year-end 2017, the fund reported an increase to net position of \$8,048, increasing the net position from a 2017 restated beginning balance of \$66,510 to an ending balance of \$74,558. The 2017 ending cash balance is \$30,350, an increase of \$3,437 from the ending balance of \$26,913 in 2016. 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 2017, the fund reported an increase to net position of \$785, increasing the net position from a 2017 restated beginning balance of \$4,327 to an ending balance of \$5,112. The fund's ending cash balance is \$1,988 for 2017, an increase of \$770 from the ending 2016 cash balance of \$1,218. The increase in cash balance is primarily the result of increased overhead charges to inventory from the Central Stores and Traffic Stores.

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 charges 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 2017 was \$25,030, an increase of \$3,312 from the 2017 restated beginning net position of \$21,718. The cash balance increased by \$9,994 from \$80,013 in 2016 to \$90,007 at year-end 2017. As noted above, an actuary study determines the expected payouts for claims in this fund and the current year revenue is charged based on this information. In any given year, payouts may be more or less than actuarially determined, resulting in an increase or decrease in cash and net position.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets—As of December 31, 2017 the City’s investment in capital assets for its governmental and business-type activities was \$2,571,221 (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 an 12.0% increase in governmental activities and a 5.9% increase in business-type activities.

The following table summarizes capital assets for governmental and business-type activities for 2017 and 2016:

Capital Assets (Net of depreciation)

	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Land and easements	\$ 110,788	\$ 110,788	\$ 132,162	\$ 130,879	\$ 242,950	\$ 241,667
Construction in progress	389,702	333,988	99,808	85,960	489,510	419,948
Infrastructure	519,406	420,819	-	-	519,406	420,819
Buildings and structures	372,410	364,185	304,128	300,160	676,538	664,345
Public improvements	18,337	19,531	510,607	468,838	528,944	488,369
Machinery and equipment	51,691	50,842	31,147	32,235	82,838	83,077
Computer equipment	3,281	4,436	243	237	3,524	4,673
Software	27,497	28,665	14	19	27,511	28,684
Total	<u>\$ 1,493,112</u>	<u>\$ 1,333,254</u>	<u>\$ 1,078,109</u>	<u>\$ 1,018,328</u>	<u>\$ 2,571,221</u>	<u>\$ 2,351,582</u>

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

- Major renovation projects continue at the Convention Center including new lighting controls, and various interior improvements.
- The Target Center renovation project budgeted for \$150,000 is nearing completion as of December 31, 2017.
- The Nicollet Mall renovation project is included in construction in progress at year end, totaling over \$45,322.
- Several large infrastructure projects were put into service in 2017 including a major paving project on Penn Avenue, and the Van White Bridge.

Additional information on the City’s capital assets can be found in Note 4 on pages 71-73 of this report.

Long-term debt—As of December 31, 2017, the City had total long-term bonds and notes outstanding of \$752,230 compared to \$756,182 in the prior year. Of this amount, \$474,920 is related to governmental activities and \$277,310 is related to business-type activities. The City had \$82,250 or approximately 10.9% of the long-term debt in variable rate mode at year-end. Long-term notes of \$147,240 are included in the above total, of which \$40,255 is for governmental activities and \$106,985 is for business-type activities.

The following table shows various classifications of the City's long-term debt at December 31, 2017 and the amount of principal due in 2018.

<u>Summary of Outstanding Bonds and Notes</u>	<u>Balance 1/1/2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/2017</u>	<u>Due in 2018</u>
General Obligation (GO) Bonds and Notes:					
Property Tax Supported GO Bonds	\$ 114,615	\$ 49,715	\$ (53,410)	\$ 110,920	\$ 49,090
Property Tax Supported GO Notes	700	-	(700)	-	-
Self-Supporting GO Bonds	168,855	39,915	(22,590)	186,180	24,975
Self-Supporting GO Notes	27,982	41,018	(40,000)	29,000	2,000
GO Improvement Bonds	35,176	25,215	(10,706)	49,685	10,575
GO Improvement Notes	8,500	16,500	(20,200)	4,800	300
Tax Increment GO Bonds	62,680	-	(4,915)	57,765	5,385
Tax Increment GO Notes	3,210	-	(460)	2,750	490
Internal Service Fund Related GO Bonds	12,970	-	(3,160)	9,810	9,810
Enterprise Fund Related GO Bonds	104,449	19,275	(17,699)	106,025	14,535
Enterprise Fund Related GO Notes	114,990	-	(8,005)	106,985	11,050
Total General Obligation Bonds and Notes	<u>654,127</u>	<u>191,638</u>	<u>(181,845)</u>	<u>663,920</u>	<u>128,210</u>
Revenue Bonds and Notes:					
Economic Development Revenue Bonds	21,625	-	(1,320)	20,305	1,365
Other Community Development Related Bonds	76,315	-	(12,015)	64,300	2,735
Revenue Notes	4,115	-	(410)	3,705	435
Total Revenue Bonds and Notes	<u>102,055</u>	<u>-</u>	<u>(13,745)</u>	<u>88,310</u>	<u>4,535</u>
Total Outstanding Bonds and Notes	<u>\$ 756,182</u>	<u>\$ 191,638</u>	<u>\$ (195,590)</u>	<u>\$ 752,230</u>	<u>\$ 132,745</u>

The City maintained an "AAA" rating from Standard & Poor's but was downgraded one rating level to "AA+" from Fitch Ratings for its general obligation debt in 2017. Additional information on the City's Long-term debt can be found in Note 5 starting on page 74 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 impacts:

- 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. By 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 62.0% 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). 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 \$78.0 million in 2017. 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. For 2017, the City marked its sixth consecutive year in which 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 2017 budget does not project any growth in the cost of closed pension obligations from the prior year. For 2017, the City will levy \$5.0 million less for pension obligations than 2016. This is related to an increase in the long-term funding plan for the streets and parks program. Funding for pensions is expected to grow back to the 2016 amounts over the next five years.
- 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 fifth year of this program, approximately \$22.3 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, \$6.6 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.

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 2018, 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 \$1.54 billion which represents a \$86.3 million or 5.9% increase from the 2017 Council Adopted Budget of \$1.45 billion.
- At the same time, the Council adopted a 2018 property tax levy of \$331.2 million, which results in a 5.5%, or \$17.3 million increase, from the 2017 adopted property tax levy. As part of this budget, funds that have accumulated in the various City funds due to a growing economy and fiscal restraint in prior years allows for utilization of fund balances, operating capital items and other one-time items.

- In 2018, budgeted City positions grew by 83.55 FTEs and budgeted salaries and wages increased by \$27.5 million. Health and dental insurance expenditures are budgeted to increase from \$70.9 million in 2017 to \$75.3 million in 2018. This increase is reflective of a move towards self-insurance, and the need to build up a reserve from which to pay claims as they accrue.
- The 2018 budget bolsters public safety by raising the authorized number of sworn police officers from 877 to 888, providing funding for four new civilian Community Safety Liaisons within the Police department. Funding is also included for three additional firefighters bringing the total sworn firefighters up to 414.
- The City's levies for its closed pension funds that merged into the Minnesota State Public Employees' Retirement Association (PERA) remain constant from 2017 to 2018 at \$22.3 million.
- For 2018 – 2022, the five year capital program totals \$909.6 million including all funding sources. The 2017 portion of the five-year capital program is \$201.5 million which funds accelerated improvements to the City's infrastructure by continuing support for the expanded net debt bond program put in place in 2012.

In the 2018 budget, approximately \$22.3 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

Minneapolis has the highest concentration of commercial office buildings in the State of Minnesota and therefore is the largest contributor of revenue to the state general tax on a per city basis. Minneapolis' commercial/industrial tax base is \$10.9 billion dollars, of which \$7 billion resides in the Minneapolis Central Business District (CBD).

From 2017 to 2018, the City-wide commercial tax base saw an increase in value of 5.9%. CBD values grew by 5.8% in the same period.

A significant amount of this growth is attributable to a number of high-profile office and hotel developments. The area surrounding US Bank stadium in the East Downtown neighborhood, in particular, has been an epicenter of new construction. Recently completed projects in this area include a new corporate headquarters for Kraus-Anderson Construction and a destination attraction from local brewer Finnegan's are both nearing completion as well. Projects currently under construction include an apartment building at 205 Park Avenue, an apartment and hotel redevelopment with a Trader Joe's grocery at 405 Chicago Avenue, and a boutique hotel at 247 Chicago Avenue.

In addition to these and a variety of other projects planned or underway across the City, a few large redevelopment areas in the planning stage will present major new commercial development opportunities on the near horizon. Planning continues for the Upper Harbor Terminal port facility in North Minneapolis, which will be redeveloped to low-intensity commercial and industrial uses, with a large entertainment venue also included in current plans. The City continues to pursue acquisition and redevelopment of the large K-mart site at Lake Street and Nicollet Avenue in South Minneapolis. Development intensity is also strong throughout the North Loop and Near Northeast districts abutting the CBD.

Downtown Office Space—Vacancy Rate:

Because of the importance of real estate taxes as a source of local government revenue, real estate statistics are an important economic gauge for municipalities. Several commercial real estate companies compile and report real estate statistics. JLL reports on local real estate conditions quarterly. JLL's statistics indicate an increase in vacancy rates in the Minneapolis CBD. Vacancy held stable in Q4 2017, at 17.6%. Despite relatively high vacancy,

industry experts are optimistic, with several large suburban employers purportedly ready to occupy larger blocks of space as more favorable configurations become available.

Employment:

The unemployment rate for the City of Minneapolis as of March 2018 is 2.9% according to the Minnesota Department of Employment and Economic Development. This economic indicator compares favorably to the State of Minnesota (3.1%) and the national unemployment rate (3.7%).

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, 2017

CITY OF MINNEAPOLIS, MINNESOTA
(In Thousands)

	Primary Government			Discrete Component Units	Total
	Governmental Activities	Business-type Activities	Total		
<u>ASSETS</u>					
Cash and pooled investments	\$ 654,007	\$ 138,027	\$ 792,034	\$ 41,313	\$ 833,347
Investments with trustees	2,822	38,121	40,943	-	40,943
Receivables - net	126,646	26,906	153,552	25,677	179,229
Loans receivable from component unit	510	-	510	-	510
Due from other governmental agencies	45,945	1,677	47,622	1,061	48,683
Capital leases	-	2,735	2,735	-	2,735
Prepays and other assets	2,193	3,620	5,813	321	6,134
Inventories	6,299	3,766	10,065	46	10,111
Internal balances	16,973	(16,973)	-	-	-
Long-term portion of loans and notes receivable	-	233	233	-	233
Long-term portion of loans due from component unit	500	-	500	-	500
Long-term portion of capital lease receivable	-	61,565	61,565	-	61,565
Properties held for resale	50,395	-	50,395	-	50,395
Capital assets:					
Nondepreciable	500,490	231,970	732,460	183,607	916,067
Depreciable, net	992,622	846,139	1,838,761	211,312	2,050,073
Total assets	<u>\$ 2,399,402</u>	<u>\$ 1,337,786</u>	<u>\$ 3,737,188</u>	<u>\$ 463,337</u>	<u>\$ 4,200,525</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>					
Deferred outflows - pensions	\$ 332,891	\$ 13,491	\$ 346,382	\$ 22,114	\$ 368,496
<u>LIABILITIES</u>					
Accrued salaries and benefits	\$ 10,765	\$ 1,372	\$ 12,137	\$ 2,323	\$ 14,460
Accounts payable	50,634	15,928	66,562	20,764	87,326
Interest payable	2,848	1,229	4,077	7	4,084
Unpaid claims payable	-	-	-	4,141	4,141
Loans payable to primary government	-	-	-	510	510
Due to other governmental agencies	-	280	280	-	280
Unearned revenue	10,965	803	11,768	672	12,440
Deposits held for others	9,949	4,631	14,580	-	14,580
Compensated absences:					
Due within one year	20,217	2,387	22,604	1,101	23,705
Due beyond one year	19,259	948	20,207	3,966	24,173
Other postemployment benefits - due beyond one year	36,963	1,470	38,433	4,197	42,630
Net pension liability	579,964	64,342	644,306	69,354	713,660
Long-term portion of loan payable due to primary government	-	-	-	500	500
Long-term liabilities:					
Due within one year	115,914	28,320	144,234	436	144,670
Due beyond one year	423,778	252,436	676,214	4,409	680,623
Total liabilities	<u>\$ 1,281,256</u>	<u>\$ 374,146</u>	<u>\$ 1,655,402</u>	<u>\$ 112,380</u>	<u>\$ 1,767,782</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Deferred inflows - pensions	\$ 336,677	\$ 7,908	\$ 344,585	\$ 15,680	\$ 360,265
<u>NET POSITION</u>					
Net investment in capital assets	\$ 1,190,812	\$ 876,141	\$ 2,066,953	\$ 390,690	\$ 2,457,643
Restricted:					
Debt service	38,114	36,082	74,196	-	74,196
Community & economic development	143,037	-	143,037	-	143,037
Law enforcement	1,887	-	1,887	-	1,887
Grants	2,590	-	2,590	-	2,590
Properties held for resale	49,962	-	49,962	-	49,962
Capital improvements	19,377	-	19,377	116	19,493
Project and grant programs	-	-	-	8,556	8,556
Special trust	-	-	-	144	144
Special reserves	-	-	-	6,702	6,702
Unrestricted	(331,419)	57,000	(274,419)	(48,817)	(323,236)
Total net position	<u>\$ 1,114,360</u>	<u>\$ 969,223</u>	<u>\$ 2,083,583</u>	<u>\$ 357,391</u>	<u>\$ 2,440,974</u>

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

STATEMENT OF ACTIVITIES
For the Fiscal Year Ended December 31, 2017

CITY OF MINNEAPOLIS, MINNESOTA
(In Thousands)

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expenses) Revenues and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Discrete Component Units	Total
					Governmental Activities	Business-type Activities	Total		
Primary government									
Governmental Activities:									
General government	\$ 102,171	\$ 1,215	\$ 15,057	\$ 11,356	\$ (74,543)	\$ -	\$ (74,543)	\$ -	\$ (74,543)
Public safety	323,498	17,681	23,218	-	(282,599)	-	(282,599)	-	(282,599)
Public works	58,174	60,640	55,231	-	57,697	-	57,697	-	57,697
Culture and recreation	11,252	-	-	-	(11,252)	-	(11,252)	-	(11,252)
Health and welfare	25,483	2,830	13,541	-	(9,112)	-	(9,112)	-	(9,112)
Community planning & economic development	149,145	69,946	30,330	-	(48,869)	-	(48,869)	-	(48,869)
Interest on long-term debt	15,121	-	-	-	(15,121)	-	(15,121)	-	(15,121)
Total governmental activities	684,844	152,312	137,377	11,356	(383,799)	-	(383,799)	-	(383,799)
Business-type Activities:									
Sanitary sewer	58,250	67,978	1,232	-	-	10,960	10,960	-	10,960
Stormwater	34,518	39,974	2,804	-	-	8,260	8,260	-	8,260
Water treatment and distribution services	59,536	81,070	1,193	-	-	22,727	22,727	-	22,727
Municipal parking	48,758	68,472	-	-	-	19,714	19,714	-	19,714
Solid waste and recycling	36,087	38,103	1,759	-	-	3,775	3,775	-	3,775
Community planning & economic development	5,921	5,735	-	-	-	(186)	(186)	-	(186)
Total business-type activities	243,070	301,332	6,988	-	-	65,250	65,250	-	65,250
Total primary government	\$ 927,914	\$ 453,644	\$ 144,365	\$ 11,356	(383,799)	65,250	(318,549)	-	(318,549)
Component units:									
Discrete component units	\$ 148,157	\$ 46,289	\$ 3,903	\$ 49,041				(48,924)	(48,924)
General Revenues:									
Taxes:									
General property tax and fiscal disparities					278,088	-	278,088	71,419	349,507
Property tax increment					55,666	-	55,666	-	55,666
Franchise taxes					32,143	-	32,143	-	32,143
Local taxes					83,266	-	83,266	-	83,266
Other taxes					267	-	267	-	267
Local government aid - unrestricted					68,543	-	68,543	314	68,857
Grants and contributions not restricted to programs					1,879	16	1,895	9,255	11,150
Unrestricted interest and investment earnings					6,651	364	7,015	72	7,087
Other					2,003	20	2,023	73	2,096
Gain on sale of capital assets					291	20,660	20,951	62	21,013
Transfers					31,102	(31,102)	-	-	-
Total general revenues and transfers					559,899	(10,042)	549,857	81,195	631,052
Change in net position					176,100	55,208	231,308	32,271	263,579
Net position - January 1, restated (see Note 1Q)					938,260	914,015	1,852,275	325,120	2,177,395
Net position - December 31	\$ 1,114,360	\$ 969,223	\$ 2,083,583	\$ 357,391	\$ 2,440,974				

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

**GOVERNMENTAL FUNDS
BALANCE SHEET
December 31, 2017**

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	\$ 131,776	\$ 177,824	\$ 43,881	\$ 9,611	\$ 135,373	\$ 498,465
Investments with trustees	-	-	-	-	2,822	2,822
Receivables:						
Accounts - net	5,974	70	3,076	15	2,356	11,491
Taxes	2,341	222	12	-	1,302	3,877
Special assessments	435	1,397	2,492	55,034	849	60,207
Intergovernmental	9,481	396	28,990	-	7,078	45,945
Loans - net	-	24,160	-	-	24,413	48,573
Loans due from component unit	-	-	-	-	1,010	1,010
Accrued interest	1,239	534	158	24	322	2,277
Due from other funds	-	-	-	-	2,832	2,832
Advances to other funds	1,250	2,750	-	-	-	4,000
Prepaid items	13	-	-	-	-	13
Properties held for resale	-	34,418	7,200	-	8,344	49,962
Total assets	<u>\$ 152,509</u>	<u>\$ 241,771</u>	<u>\$ 85,809</u>	<u>\$ 64,684</u>	<u>\$ 186,701</u>	<u>\$ 731,474</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u>						
Liabilities:						
Salaries payable	\$ 8,634	\$ 42	\$ 234	\$ -	\$ 920	\$ 9,830
Accounts payable	17,698	180	13,922	13	10,307	42,120
Due to other funds	-	-	-	-	2,832	2,832
Deposits held for others	5,348	509	1,813	-	2,277	9,947
Advances from other funds	-	-	4,000	-	849	4,849
Unearned revenue	1,850	-	1,271	-	5,505	8,626
Total liabilities	<u>33,530</u>	<u>731</u>	<u>21,240</u>	<u>13</u>	<u>22,690</u>	<u>78,204</u>
Deferred Inflows of Resources:						
Unavailable revenue	<u>1,881</u>	<u>25,882</u>	<u>26,566</u>	<u>55,418</u>	<u>26,826</u>	<u>136,573</u>
Fund balances:						
Nonspendable	1,263	-	-	-	-	1,263
Restricted	-	177,455	26,577	9,253	41,682	254,967
Assigned	10,000	37,703	11,426	-	97,542	156,671
Unassigned	105,835	-	-	-	(2,039)	103,796
Total fund balances	<u>117,098</u>	<u>215,158</u>	<u>38,003</u>	<u>9,253</u>	<u>137,185</u>	<u>516,697</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 152,509</u>	<u>\$ 241,771</u>	<u>\$ 85,809</u>	<u>\$ 64,684</u>	<u>\$ 186,701</u>	<u>\$ 731,474</u>

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, 2017**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

Fund balances - total governmental funds \$ 516,697

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	463,405	
Depreciable	1,661,610	
Accumulated depreciation	(767,246)	<u>1,357,769</u>

Deferred inflows are not available to pay for current-period expenditures and, therefore, in the governmental funds, are unavailable revenue. 136,573

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. 180,375

Receivable from business-type funds for internal service fund activity. 16,973

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	(474,192)	
Other postemployment benefits payable	(36,189)	
Operating and capital leases payable	(474)	
Bond interest payable	(2,824)	
Compensated absences	(37,321)	<u>(551,000)</u>

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	323,541	
Net pension liability	(535,373)	
Deferred inflows - pensions	(331,195)	<u>(543,027)</u>

Net position of governmental activities \$ 1,114,360

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, 2017**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	General	Community Planning and Economic Development	Permanent Improvement	Special Assessment	Non-Major Governmental	Total
REVENUES:						
Taxes	\$ 295,004	\$ 52,974	\$ 7,319	\$ -	\$ 72,974	\$ 428,271
Licenses and permits	45,091	-	337	-	970	46,398
Intergovernmental revenues	85,131	1	43,058	-	55,607	183,797
Charges for services and sales	51,007	1,507	46,652	-	11,633	110,799
Fines and forfeits	7,556	-	-	-	227	7,783
Special assessments	3,152	204	2,424	14,164	9,572	29,516
Investment earnings	3,186	1,517	359	103	1,514	6,679
Miscellaneous revenues	3,493	5,092	1,002	-	24,022	33,609
Total revenues	<u>493,620</u>	<u>61,295</u>	<u>101,151</u>	<u>14,267</u>	<u>176,519</u>	<u>846,852</u>
EXPENDITURES:						
Current:						
General government	73,765	-	-	-	27,007	100,772
Public safety	258,885	-	-	-	25,270	284,155
Public works	59,550	-	-	-	254	59,804
Culture and recreation	780	-	-	-	-	780
Health and welfare	10,426	-	-	-	13,371	23,797
Community planning & economic development	33,724	27,647	-	-	94,412	155,783
Capital outlay	-	-	193,489	-	-	193,489
Intergovernmental:						
General government	-	-	968	-	-	968
Public safety	-	-	-	-	111	111
Culture and recreation	-	-	10,472	-	-	10,472
Debt Service:						
Principal retirement	-	-	-	30,906	123,805	154,711
Interest and fiscal charges	-	-	-	1,539	13,565	15,104
Total expenditures	<u>437,130</u>	<u>27,647</u>	<u>204,929</u>	<u>32,445</u>	<u>297,795</u>	<u>999,946</u>
Excess (deficiency) of revenues over (under) expenditures	<u>56,490</u>	<u>33,648</u>	<u>(103,778)</u>	<u>(18,178)</u>	<u>(121,276)</u>	<u>(153,094)</u>
OTHER FINANCING SOURCES (USES):						
Transfers from other funds	12,499	1,904	16,078	201	100,707	131,389
Transfers to other funds	(59,388)	(22,523)	(1,788)	(29)	(36,572)	(120,300)
Premium (discount)	-	-	3,364	989	1,427	5,780
Bonds issued	-	-	58,835	-	-	58,835
Refunding bonds issued	-	-	-	16,095	39,915	56,010
Refunding notes issued	-	-	-	2,449	-	2,449
Loans and notes issued	-	-	55,069	-	-	55,069
Total other financing sources (uses)	<u>(46,889)</u>	<u>(20,619)</u>	<u>131,558</u>	<u>19,705</u>	<u>105,477</u>	<u>189,232</u>
Net change in fund balances	9,601	13,029	27,780	1,527	(15,799)	36,138
Fund balances - January 1	<u>107,497</u>	<u>202,129</u>	<u>10,223</u>	<u>7,726</u>	<u>152,984</u>	<u>480,559</u>
Fund balances - December 31	<u>\$ 117,098</u>	<u>\$ 215,158</u>	<u>\$ 38,003</u>	<u>\$ 9,253</u>	<u>\$ 137,185</u>	<u>\$ 516,697</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, 2017**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

Net increase (decrease) in fund balances - total governmental funds \$ 36,138

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. (451)

Transfers from business-type funds for internal service fund activity. (290)

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:	242,964	
Less loss on retirement of capital assets	(439)	
Less current year depreciation	<u>(41,126)</u>	<u>201,399</u>

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	136,573	
Deferred inflows of resources - January 1	<u>(116,292)</u>	<u>20,281</u>

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	154,711	
Bond proceeds	(114,845)	
Loans and notes proceeds	(57,518)	
Premium/discount	<u>(5,780)</u>	<u>(23,432)</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 accrued interest payable	(17)	
Change in other postemployment benefits payable	(643)	
Change in compensated absences	(2,738)	
Change in net pension liability	(55,737)	
Change in other long-term liabilities	<u>1,590</u>	<u>(57,545)</u>

Increase (decrease) in net position of governmental activities \$ 176,100

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

PROPRIETARY FUNDS
STATEMENT OF NET POSITION
December 31, 2017

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Business-type Activities - Enterprise Funds							Governmental
	Sanitary Sewer	Stormwater	Water Treatment and Distribution Services	Municipal Parking	Solid Waste and Recycling	Community Planning and Economic Development	Total	Internal Service Funds
ASSETS								
Current assets:								
Cash and cash equivalents	\$ 17,761	\$ 27,087	\$ 40,663	\$ 26,540	\$ 24,523	\$ 1,453	\$ 138,027	\$ 155,542
Investments with trustees	-	-	-	-	-	38,121	38,121	-
Receivables:								
Accounts - net	4,025	4,654	5,018	1,728	3,538	-	18,963	221
Special assessments:								
Current	63	63	1,065	-	103	-	1,294	-
Delinquent	20	21	94	-	29	-	164	-
Deferred	-	-	1,289	4,891	-	-	6,180	-
Intergovernmental	-	473	-	1,202	2	-	1,677	-
Loans - net	-	-	-	-	-	50	50	-
Accrued interest	-	-	-	-	-	255	255	-
Capital leases	-	-	-	-	-	2,735	2,735	-
Inventories	-	-	2,499	-	1,267	-	3,766	6,299
Properties held for resale	-	-	-	-	-	-	-	433
Prepaid items	3,439	181	-	-	-	-	3,620	2,180
Total current assets	<u>25,308</u>	<u>32,479</u>	<u>50,628</u>	<u>34,361</u>	<u>29,462</u>	<u>42,614</u>	<u>214,852</u>	<u>164,675</u>
Long-term assets:								
Receivables:								
Loans	-	-	-	-	-	233	233	-
Capital leases	-	-	-	-	-	61,565	61,565	-
Advances to other funds	-	-	-	-	-	-	-	849
Capital assets:								
Nondepreciable:								
Land and easements	1	7,211	5,347	113,735	2,020	3,848	132,162	23,007
Construction in progress	17,086	21,990	50,363	5,832	4,537	-	99,808	14,078
Depreciable:								
Buildings and structures	-	-	239,328	288,307	2,047	12,743	542,425	55,649
Less accumulated depreciation	-	-	(89,872)	(133,841)	(2,044)	(12,540)	(238,297)	(32,856)
Public improvements	180,768	408,374	186,257	7,963	-	-	783,362	9,641
Less accumulated depreciation	(64,663)	(122,458)	(83,327)	(2,307)	-	-	(272,755)	(4,597)
Machinery and equipment	1,551	1,743	41,802	5,003	17,409	347	67,855	108,509
Less accumulated depreciation	(1,375)	(1,576)	(18,223)	(4,784)	(10,403)	(347)	(36,708)	(68,797)
Computer equipment	10	193	446	1,041	178	-	1,868	47,338
Less accumulated depreciation	(10)	(193)	(203)	(1,041)	(178)	-	(1,625)	(44,126)
Software	-	1,494	285	130	955	-	2,864	58,206
Less accumulated depreciation	-	(1,490)	(275)	(130)	(955)	-	(2,850)	(30,709)
Other capital outlay	-	-	19	15	-	-	34	36
Less accumulated depreciation	-	-	(19)	(15)	-	-	(34)	(36)
Total long - term assets	<u>133,368</u>	<u>315,288</u>	<u>331,928</u>	<u>279,908</u>	<u>13,566</u>	<u>65,849</u>	<u>1,139,907</u>	<u>136,192</u>
Total assets	<u>\$ 158,676</u>	<u>\$ 347,767</u>	<u>\$ 382,556</u>	<u>\$ 314,269</u>	<u>\$ 43,028</u>	<u>\$ 108,463</u>	<u>\$ 1,354,759</u>	<u>\$ 300,867</u>
DEFERRED OUTFLOWS OF RESOURCES								
Deferred outflows - pensions	\$ 1,578	\$ 2,535	\$ 5,017	\$ 1,202	\$ 3,159	\$ -	\$ 13,491	\$ 9,350

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

PROPRIETARY FUNDS
STATEMENT OF NET POSITION
December 31, 2017

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

	Business-type Activities - Enterprise Funds							Governmental
	Water						Total	Internal Service Funds
	Sanitary Sewer	Stormwater	Treatment and Distribution Services	Municipal Parking	Solid Waste and Recycling	Community Planning and Economic Development		
LIABILITIES								
Current liabilities:								
Salaries payable	\$ 140	\$ 257	\$ 551	\$ 128	\$ 291	\$ 5	\$ 1,372	\$ 935
Accounts payable	962	2,421	5,853	4,575	1,979	138	15,928	8,514
Intergovernmental payable	-	-	-	14	266	-	280	-
Deposits held for others	-	-	114	1,881	-	2,636	4,631	2
Interest payable	66	-	713	141	-	309	1,229	24
Unearned revenue	-	-	-	-	-	803	803	2,339
Bonds payable - current portion	4,480	-	6,815	3,240	-	2,735	17,270	9,934
Notes payable - current portion	-	-	7,875	3,175	-	-	11,050	-
Compensated absences payable - current portion	275	448	950	194	515	5	2,387	1,543
Unpaid claims payable - current portion	-	-	-	-	-	-	-	11,365
Total current liabilities	5,923	3,126	22,871	13,348	3,051	6,631	54,950	34,656
Long-term liabilities:								
Bonds payable	24,424	-	27,464	43,048	-	61,565	156,501	-
Notes payable	-	-	57,115	38,820	-	-	95,935	-
Compensated absences payable	109	178	377	77	205	2	948	612
Other postemployment benefits	141	197	619	152	361	-	1,470	774
Net pension liability	7,528	12,091	23,927	5,736	15,060	-	64,342	44,591
Unpaid claims payable	-	-	-	-	-	-	-	43,727
Total long-term liabilities	32,202	12,466	109,502	87,833	15,626	61,567	319,196	89,704
Total liabilities	\$ 38,125	\$ 15,592	\$ 132,373	\$ 101,181	\$ 18,677	\$ 68,198	\$ 374,146	\$ 124,360
DEFERRED INFLOWS OF RESOURCES								
Deferred inflows - pensions	\$ 925	\$ 1,486	\$ 2,941	\$ 705	\$ 1,851	\$ -	\$ 7,908	\$ 5,482
NET POSITION								
Net investment in capital assets	\$ 106,058	\$ 315,288	\$ 243,453	\$ 193,725	\$ 13,566	\$ 4,051	\$ 876,141	\$ 125,408
Restricted - debt service	-	-	-	-	-	36,082	36,082	-
Unrestricted	15,146	17,936	8,806	19,860	12,093	132	73,973	54,967
Total net position	\$ 121,204	\$ 333,224	\$ 252,259	\$ 213,585	\$ 25,659	\$ 40,265	\$ 986,196	\$ 180,375
Net position - total enterprise funds							\$ 986,196	
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.							(16,973)	
Net position of business-type activities							\$ 969,223	

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, 2017

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	\$ 24	\$ -	\$ 54	\$ 487	\$ -	\$ -	\$ 565	\$ -
Intergovernmental revenues	311	1,598	-	-	-	-	1,909	-
Charges for services and sales	68,098	39,974	81,959	67,273	38,116	1,338	296,758	99,573
Fines and forfeits	-	-	-	-	-	-	-	10
Special assessments	76	76	218	-	222	-	592	-
Investment earnings	-	-	-	-	-	4,397	4,397	-
Rents and commissions	-	-	-	717	-	-	717	38,575
Total operating revenues	68,509	41,648	82,231	68,477	38,338	5,735	304,938	138,158
Operating expenses:								
Personnel costs	6,341	10,490	21,657	5,232	14,332	117	58,169	48,002
Contractual services	17,851	15,649	19,441	35,517	21,492	1,382	111,332	52,832
Materials, supplies, services and other	39,482	3,796	11,488	4,636	2,507	-	61,909	22,649
Depreciation	1,592	4,583	10,953	6,512	1,181	347	25,168	18,083
Total operating expenses	65,266	34,518	63,539	51,897	39,512	1,846	256,578	141,566
Operating income (loss)	3,243	7,130	18,692	16,580	(1,174)	3,889	48,360	(3,408)
Nonoperating revenues (expenses):								
Intergovernmental	845	1,130	-	-	1,538	-	3,513	-
Investment earnings	-	-	-	-	-	355	355	31
Interest expense	(451)	-	(1,686)	(1,357)	-	(4,075)	(7,569)	(231)
Gain (loss) on disposal of capital assets	-	-	-	20,557	103	-	20,660	277
Special assessments	-	-	975	-	-	-	975	-
Other revenues	3	6	16	12	7	-	44	2,549
Total nonoperating revenues (expenses)	397	1,136	(695)	19,212	1,648	(3,720)	17,978	2,626
Income (loss) before transfers	3,640	8,266	17,997	35,792	474	169	66,338	(782)
Transfers in (out):								
Transfers from other funds	-	-	1,238	814	471	-	2,523	5,284
Transfers to other funds	(1,225)	(1,610)	(18)	(11,090)	-	-	(13,943)	(4,953)
Total transfers	(1,225)	(1,610)	1,220	(10,276)	471	-	(11,420)	331
Change in net position	2,415	6,656	19,217	25,516	945	169	54,918	(451)
Net position - January 1, restated (see Note 1Q)	118,789	326,568	233,042	188,069	24,714	40,096	931,278	180,826
Net position - December 31	\$ 121,204	\$ 333,224	\$ 252,259	\$ 213,585	\$ 25,659	\$ 40,265	\$ 986,196	\$ 180,375

Change in net position - total enterprise funds \$ 54,918

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 \$ 55,208

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, 2017

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	\$ 69,465	\$ 38,627	\$ 80,636	\$ 67,653	\$ 37,980	\$ 17,236	\$ 311,597	\$ 833
Intergovernmental receipts	-	1,490	-	-	-	-	1,490	-
Cash received from interfund activities	184	185	912	1,072	273	-	2,626	142,594
Developer construction funds used	-	-	-	-	-	(5)	(5)	-
Payments to suppliers	(50,039)	(5,190)	(16,237)	(32,788)	(18,354)	(1,262)	(123,870)	(65,913)
Payments to employees	(5,551)	(9,205)	(19,133)	(4,637)	(12,703)	(117)	(51,346)	(43,268)
Payments for interfund activities	(7,322)	(14,170)	(13,525)	(5,746)	(5,655)	-	(46,418)	(12,421)
Other nonoperating revenues	3	6	16	12	7	-	44	2,549
Net cash provided (used) by operating activities	6,740	11,743	32,669	25,566	1,548	15,852	94,118	24,374
Cash flows from non-capital financing activities:								
Transfers from other funds	-	-	1,238	814	471	-	2,523	5,284
Repayment of advance from other funds	-	-	-	-	-	-	-	2,646
Interest paid on advance from other funds	-	-	-	-	-	-	-	31
Principal paid on bonds and notes	-	-	-	-	-	(12,015)	(12,015)	-
Interest paid on bonds and notes	-	-	-	-	-	(4,125)	(4,125)	-
Transfers to other funds	(1,225)	(1,610)	(18)	(11,090)	-	-	(13,943)	(4,953)
Intergovernmental	845	1,130	-	-	1,538	-	3,513	-
Net cash provided (used) by non-capital financing activities	(380)	(480)	1,220	(10,276)	2,009	(16,140)	(24,047)	3,008
Cash Flows from capital and related financing activities:								
Bonds issued	6,596	-	12,346	1,995	-	-	20,937	-
Principal paid on bonds	(2,700)	-	(6,235)	(8,654)	-	-	(17,589)	(3,160)
Interest paid on bonds	(662)	-	(629)	(1,277)	-	-	(2,568)	(386)
Principal paid on notes	-	-	(6,530)	(1,475)	-	-	(8,005)	-
Interest paid on notes	-	-	(1,883)	(494)	-	-	(2,377)	-
Special assessments	-	-	975	723	-	-	1,698	-
Acquisition and construction of capital assets	(10,139)	(20,039)	(33,356)	(3,174)	(4,495)	-	(71,203)	(17,789)
Bond issuance costs	(4)	-	-	-	-	-	(4)	-
Proceeds from sale of capital assets	-	-	-	6,405	137	-	6,542	334
Net cash provided (used) by capital and related financing activities	(6,909)	(20,039)	(35,312)	(5,951)	(4,358)	-	(72,569)	(21,001)
Cash flows from investing activities:								
Purchase of investments	-	-	-	-	-	(24,953)	(24,953)	-
Sale of investments	-	-	-	-	-	24,839	24,839	-
Interest	-	-	-	-	-	496	496	-
Net cash provided (used) by investing activities	-	-	-	-	-	382	382	-
Net increase (decrease) in cash and cash equivalents	(549)	(8,776)	(1,423)	9,339	(801)	94	(2,116)	6,381
Cash and cash equivalents, beginning of year	18,310	35,863	42,086	17,201	25,324	1,359	140,143	149,161
Cash and cash equivalents, end of year	\$ 17,761	\$ 27,087	\$ 40,663	\$ 26,540	\$ 24,523	\$ 1,453	\$ 138,027	\$ 155,542
Reconciliation of operating income to net cash provided (used) by operating activities								
Operating income (loss)	\$ 3,243	\$ 7,130	\$ 18,692	\$ 16,580	\$ (1,174)	\$ 3,889	\$ 48,360	\$ (3,408)
Adjustment to reconcile change in net position to net cash provided (used) by operating activities:								
Depreciation	1,592	4,583	10,953	6,512	1,181	347	25,168	18,083
Accounts receivable	1,093	(1,358)	(673)	(1,384)	(156)	67	(2,411)	42
Intergovernmental receivable	-	(107)	-	1,644	25	-	1,562	41
Loans receivable	-	-	-	-	-	32	32	-
Special assessments receivable	46	120	(39)	-	47	-	174	-
Capital leases receivable	-	-	-	-	-	12,010	12,010	-
Inventories	-	-	(10)	-	76	-	66	(300)
Prepaid items	(218)	(11)	-	-	-	-	(229)	(570)
Deferred outflows - pensions	1,885	3,028	5,992	1,436	3,771	-	16,112	11,167
Salaries payable	(11)	28	(21)	(13)	17	1	1	(11)
Accounts payable	190	97	1,177	1,645	(37)	119	3,191	165
Intergovernmental payable	-	-	-	(25)	(50)	-	(75)	-
Deposits held for others	-	-	27	(13)	-	(341)	(327)	-
Unearned revenue	-	-	-	-	-	(271)	(271)	(185)
Compensated absences payable	29	16	89	19	67	(1)	219	169
Other postemployment benefits	3	4	11	3	6	-	27	13
Net pension liability	(1,244)	(1,998)	(3,953)	(948)	(2,488)	-	(10,631)	(7,366)
Unpaid claims payable	-	-	-	-	-	-	-	3,224
Deferred inflows - pensions	129	205	408	98	256	-	1,096	761
Other nonoperating revenues	3	6	16	12	7	-	44	2,549
Net cash provided (used) by operating activities	\$ 6,740	\$ 11,743	\$ 32,669	\$ 25,566	\$ 1,548	\$ 15,852	\$ 94,118	\$ 24,374
Non-cash investing, capital and financing activities:								
Capitalization of interest on construction in progress	\$ 123	\$ -	\$ 646	\$ 82	\$ -	\$ -	\$ 851	\$ -
Increase (decrease) in the value of investments reported at fair value	-	-	-	-	-	88	88	-
Loss on disposal of capital assets	-	-	-	(4,217)	-	-	(4,217)	(86)
Capital assets purchased on account	-	1,035	-	-	-	-	1,035	-
Sale of capital assets on account	-	-	-	-	103	-	103	116
Net value of capital asset trade-in	-	-	-	14,153	-	-	14,153	-

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

**STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 December 31, 2017**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 1,200
Receivables:	
Accounts	120
	<hr/>
Total assets	\$ 1,320
	<hr/> <hr/>
<u>LIABILITIES</u>	
Accounts payable	\$ 1,093
Intergovernmental payable	227
	<hr/>
Total liabilities	\$ 1,320
	<hr/> <hr/>

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

**COMBINING STATEMENT OF NET POSITION
DISCRETE COMPONENT UNITS
December 31, 2017**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Minneapolis Park and Recreation Board	Municipal Building Commission	Meet Minneapolis	Total Discrete Component Units
<u>ASSETS</u>				
Cash and cash equivalents	\$ 35,154	\$ 3,564	\$ 2,595	\$ 41,313
Receivables	24,287	-	1,390	25,677
Due from other governmental agencies	-	1,061	-	1,061
Prepays and other assets	97	-	224	321
Inventories	46	-	-	46
Capital assets:				
Nondepreciable	167,636	15,971	-	183,607
Depreciable, net	202,856	7,190	1,266	211,312
Total assets	<u>\$ 430,076</u>	<u>\$ 27,786</u>	<u>\$ 5,475</u>	<u>\$ 463,337</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred outflows - pensions	<u>\$ 20,799</u>	<u>\$ 1,315</u>	<u>\$ -</u>	<u>\$ 22,114</u>
<u>LIABILITIES</u>				
Accrued salaries and benefits	\$ 1,414	\$ 255	\$ 654	\$ 2,323
Accounts payable	18,137	1,885	742	20,764
Interest payable	7	-	-	7
Unpaid claims payable	4,141	-	-	4,141
Loans payable to primary government	-	-	510	510
Unearned revenue	150	-	522	672
Compensated absences:				
Due within one year	951	150	-	1,101
Due beyond one year	3,952	14	-	3,966
Other postemployment benefits - due beyond one year	3,913	284	-	4,197
Net pension liability	63,885	5,469	-	69,354
Long-term portion of loan payable due to primary government	-	-	500	500
Long-term liabilities:				
Due within one year	233	-	203	436
Due beyond one year	3,799	-	610	4,409
Total liabilities	<u>\$ 100,582</u>	<u>\$ 8,057</u>	<u>\$ 3,741</u>	<u>\$ 112,380</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred inflows - pensions	<u>\$ 15,085</u>	<u>\$ 595</u>	<u>\$ -</u>	<u>\$ 15,680</u>
<u>NET POSITION</u>				
Net investment in capital assets	\$ 366,460	\$ 23,161	\$ 1,069	\$ 390,690
Restricted				
Capital improvements	116	-	-	116
Project and grant programs	8,556	-	-	8,556
Special trust	144	-	-	144
Special reserves	6,702	-	-	6,702
Unrestricted	(46,770)	(2,712)	665	(48,817)
Total net position	<u>\$ 335,208</u>	<u>\$ 20,449</u>	<u>\$ 1,734</u>	<u>\$ 357,391</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, 2017**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Program Revenues				Net (Expenses) Revenues and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Minneapolis Park and Recreation Board	Municipal Building Commission	Meet Minneapolis	Total Discrete Component Units
FUNCTIONS/PROGRAMS								
Minneapolis Park and Recreation Board	\$ 125,521	\$ 24,277	\$ 3,903	\$ 46,922	\$ (50,419)	\$ -	\$ -	\$ (50,419)
Municipal Building Commission	10,543	8,613	-	2,119	-	189	-	189
Meet Minneapolis	12,093	13,399	-	-	-	-	1,306	1,306
Total discrete component unit activities	<u>\$ 148,157</u>	<u>\$ 46,289</u>	<u>\$ 3,903</u>	<u>\$ 49,041</u>	<u>(50,419)</u>	<u>189</u>	<u>1,306</u>	<u>(48,924)</u>
General Revenues:								
Taxes:								
General property tax and fiscal disparities					71,419	-	-	71,419
Local government aid - unrestricted					-	314	-	314
Grants and contributions not restricted to specific programs					9,253	2	-	9,255
Unrestricted interest and investment earnings					72	-	-	72
Other					-	73	-	73
Gain on sale of capital assets					62	-	-	62
Total general revenues					<u>80,806</u>	<u>389</u>	<u>-</u>	<u>81,195</u>
Change in net position					30,387	578	1,306	32,271
Net position - January 1, restated (see Note 1Q)					<u>304,821</u>	<u>19,871</u>	<u>428</u>	<u>325,120</u>
Net position - December 31					<u>\$ 335,208</u>	<u>\$ 20,449</u>	<u>\$ 1,734</u>	<u>\$ 357,391</u>

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



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For the fiscal year ended December 31, 2017

(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.

For the fiscal year ended December 31, 2017

(Dollar Amounts Expressed in Thousands)

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

The Minneapolis Park and Recreation Board (Park Board) was established according to Chapter 16 of the City Charter. The nine-member board is elected by the voters of the City and is responsible for developing and maintaining parkland and parkways as well as planting and maintaining the City's boulevard trees. Also, the City has no operational responsibility over the Park Board. It is these criterions that results in the Park Board being reported as a discrete component unit. The Mayor recommends the tax levies and budget for the Park Board, and the City Council and Mayor approve the allocation of the state's local government aid for Park Board operations. All Park Board actions are submitted to the Mayor and a mayoral veto may be overridden by a vote of two thirds of the members of the Park Board. The Board of Estimate and Taxation approves the maximum property tax levy for the 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.

For the fiscal year ended December 31, 2017

(Dollar Amounts Expressed in Thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**A – Reporting Entity (continued)****Related Organizations**

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

▪ Minnesota Sports Facilities Authority

On May 14, 2012 Governor Mark Dayton signed into law a stadium bill which provided for construction and operation of a new National Football League stadium 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 was obligated to provide funding to build and maintain the new stadium. The MSFA was 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.

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 (also known as the “Northern Lights Express”) 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 City of Superior, Wisconsin joined the Alliance in 2016. The 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

For the fiscal year ended December 31, 2017

(Dollar Amounts Expressed in Thousands)

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

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.

▪ 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 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.

For the fiscal year ended December 31, 2017

(Dollar Amounts Expressed in Thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**A – Reporting Entity****Joint Ventures (continued)****▪ 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 ten 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 original 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, Champlin, 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.

▪ 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 its website at www.bassettcreekwmo.org

For the fiscal year ended December 31, 2017

(Dollar Amounts Expressed in Thousands)

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

The *statement of net 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 full 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. Generally, interfund activity has been eliminated from the government wide financial statements to minimize the double counting of internal activities, except in those instances where the elimination of activities would distort the direct costs and program revenues reported for the various functions concerned. These statements distinguish between *governmental* and *business-type activities* of the City and between the City and its discretely presented component units. *Governmental* activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type* activities, which rely, to a significant extent, on fees charged to external parties.

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

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

Fund Financial Statements

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

The fund financial statements provide information about the City's funds. 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 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.

For the fiscal year ended December 31, 2017

(Dollar Amounts Expressed in Thousands)

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

For the fiscal year ended December 31, 2017

(Dollar Amounts Expressed in Thousands)

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

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 general government administration, public safety, public works, health and welfare, and community planning and economic development.

▪ 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, 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 full accrual basis of accounting. Revenues are recognized when they are earned. Unbilled utility service receivables are recorded at year-end. Expenses are recognized when they are incurred. Compensated absences are considered expenses when they are incurred.

All proprietary funds are accounted for on an economic resources 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.

For the fiscal year ended December 31, 2017

(Dollar Amounts Expressed in Thousands)

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

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.
- **Solid Waste and Recycling Fund**
This fund is used to account for the revenues and expenses for solid waste collection, disposal and recycling activities.
- **Community Planning and Economic Development Fund**
This fund is used to account for the enterprise fund activities of the Department of Community Planning and Economic Development.

For the fiscal year ended December 31, 2017

(Dollar Amounts Expressed in Thousands)

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

The City reports the following non-major governmental funds:

Special Revenue Funds:

Arena Reserve
 Board of Estimate and Taxation
 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

- **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
- Minneapolis Youth Coordinating Board Agency
- Joint Board Agency

For the fiscal year ended December 31, 2017

(Dollar Amounts Expressed in Thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**C – Budgets**

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

The 2016 process for the 2017 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.

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.

For the fiscal year ended December 31, 2017

(Dollar Amounts Expressed in Thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**C – Budgets (continued)****June – August***Mayor's Recommended Budget*

The 2017 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.

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

For the fiscal year ended December 31, 2017

(Dollar Amounts Expressed in Thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C – Budgets (continued)

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:

	Expenditure Budget at Beginning of Year	Changes During Year	Expenditure Budget at End of Year
General	\$ 438,388	\$ 7,374	\$ 445,762
CPED Special Revenue	35,887	32,733	68,620
Arena Reserve Special Revenue	6,894	5,304	12,198
Convention Center Special Revenue	57,392	2,480	59,872
HUD Consolidated Plan Special Revenue	15,680	2,174	17,854
Self-Managed Special Service Districts Special Revenue	6,470	425	6,895
Grants – Federal Special Revenue	11,636	9,574	21,210
Grants – Other Special Revenue	9,423	20,427	29,850
Police Special Revenue	3,024	115	3,139
Neighborhood and Community Relations Special Revenue	6,488	410	6,898
Total	<u>\$ 591,282</u>	<u>\$ 81,016</u>	<u>\$ 672,298</u>

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.

For the fiscal year ended December 31, 2017

(Dollar Amounts Expressed in Thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**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. Prepaid expenditures of governmental funds are reported using the consumption method and recorded as expenditures/expenses at the time of consumption.

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.

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, Community Planning and Economic Development Special Revenue Fund, Permanent Improvement Capital Projects Fund, Special Assessment Debt Service Fund, Non-Major Governmental Funds, and Enterprise Funds (except for the Community Planning and Economic Development Enterprise Fund). 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 and donated capital assets are recorded at acquisition value. 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 no longer uses salvage values, and depreciates 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, including land, 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.

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 and proprietary fund financial statements and represent a reconciling item between the governmental funds and government-wide presentation. The City typically liquidates the liability for compensated absences to the fund where employees’ salaries were originally charged. In governmental funds, a liability is reported only if they have matured (as a result of employee resignations and retirements). 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 a basis different than reported by PERA and TRA. The City has reported its long-term projected contribution effort to the pension plan rather than the allocated amounts based on current year contributions of all contributing members. 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. The City typically liquidates the net pension liability to the fund where employees’ salaries were originally charged.

For the fiscal year ended December 31, 2017

(Dollar Amounts Expressed in Thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**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 and in nonspendable fund balance in the General Fund 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, the Permanent Improvement Capital Projects Fund, 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. The proceeds of any sales related to properties held for resale in the Community Planning and Economic Development, HUD Consolidated Plan, Grants – Federal, and Grants – Other Special Revenue funds, the Permanent Improvement Capital Projects Fund, and the Self-Insurance Internal Service fund are classified as restricted. As a result, fund balance related to properties held for resale is classified as restricted in those funds.

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.

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. The differences between reacquisition prices and the net carrying amounts of current or advance refunding resulting in the defeasance of debt has been considered immaterial and has not been reported as either a deferred inflow of resources or a deferred outflow of resources on the statement of net position.

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.

For the fiscal year ended December 31, 2017

(Dollar Amounts Expressed in Thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**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 primarily six sources: taxes, special assessments, intergovernmental, long-term loan receivables, interest, and other. 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, 2017, the City adopted accounting guidance by implementing specific provisions of Governmental Accounting Standards Board (GASB) Statement No. 68 as it relates to the calculation of the City's proportionate share of net pension liability and related deferred outflows/inflows of resources, and pension expense. Specifically, the City implemented guidance from paragraph 48(a) of GASB Statement No. 68. In that paragraph, GASB encourages the use of the employer's projected long-term contribution effort to the pension plan as compared to the total projected long-term contribution effort of all employers and nonemployer contributing entities to determine the employer's proportionate share.

The City contributes to the Public Employees Retirement Association (PERA) and the Teachers Retirement Association (TRA) pension plans. In practice, both of these plans consider only current year contributions from each employer or nonemployer contributing entity when allocating the proportionate share of the plan's net pension liability and related deferrals. The City contributes additional amounts above the required payroll-related contributions to PERA, as required by Minnesota State Statute. This results in a higher proportion allocated to the City as compared to contributing entities that contribute only the payroll-related required contribution. The City's statutorily required additional contributions have fixed end dates, and as such, the net present value of those additional contributions can be calculated. For TRA, the City is a non-employer contributing entity and contributes a fixed amount each year as required under Minnesota State Statute. These statutorily required contributions also have an expected end date, allowing for the calculation of the City's full obligation to TRA over the life of those contributions.

For the fiscal year ended December 31, 2017

(Dollar Amounts Expressed in Thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

P – Change in Accounting Principle (continued)

The resulting recalculation of the City’s proportionate share altered the beginning balance of net pension liability, deferred outflows, and deferred inflows/inflows of resources. This resulted in the restatement of the City’s January 1, 2017 net position as noted in Section Q of Note 1.

Q – Restatement of Net Position

Due to the change in accounting principle for the implementation of an alternate proportionate share calculation of GASB Statement No. 68 net pension liability and related deferrals, 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, 2017, the City’s relationship with Minneapolis Telecommunications Network (MTN) changed. The City no longer appoints MTN’s board. As a result of this change, MTN no longer meets the criteria for presentation as a discretely presented component unit. Finally, there was a prior period adjustment required for governmental activities related to capital assets. It was determined that several assets were accounted for in both the governmental and business-type activities of the City, when they should have been only in the business-type activities. The effects of these changes are illustrated in the table below.

	Primary Government		Discrete Component Units
	Governmental Activities	Business-Type Activities	
Net Position January 1, 2017	\$ 935,054	\$ 916,355	\$ 320,655
GASB Statement No. 68	\$ 44,328	\$ (2,340)	\$ 3,240
Change in reporting entity	-	-	1,225
Prior period adjustment	(41,122)	-	-
Balance January 1, 2017, restated	\$ 938,260	\$ 914,015	\$ 325,120

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For the fiscal year ended December 31, 2017

(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	\$ 13,471
Investments	861,999
Imprest cash held by City	<u>20</u>
Total	<u>\$ 875,490</u>
Primary Government:	
Cash and cash equivalents	\$ 792,034
Cash and cash equivalents in Agency Funds	1,200
Investments with trustees	<u>40,943</u>
Total primary government	<u>\$ 834,177</u>
Discretely Presented Component Units:	
Park and Recreation Board:	
Cash and cash equivalents	<u>35,154</u>
Municipal Building Commission:	
Cash and cash equivalents	<u>3,564</u>
Meet Minneapolis:	
Cash and cash equivalents	<u>2,595</u>
Total discretely presented component units	<u>\$ 41,313</u>
Total reporting entity	<u>\$ 875,490</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. The bank balances at the City’s designated depository as of December 31, 2017, totaled \$17,716.

Reconciliation of bank cash balances to book cash balance:	
Bank balance, per December 31, 2017 bank statement	\$ 17,716
Reconciling items and outstanding checks	<u>(4,245)</u>
Deposits, per book	<u>\$ 13,471</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, 2017, the City was not exposed to custodial credit risk since all deposits are either FDIC insured (where applicable) or are collateralized through securities pledged to the City of Minneapolis by the financial institution and held in safekeeping at the Federal Reserve Bank at 110% of deposit value.

For the fiscal year ended December 31, 2017

(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, 2017, 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, 2017, and information relating to interest rate risks:

Investment Type	Weighted Average Maturity (Years)	Carrying (Fair) Value
U.S. Treasury obligations	1.7	\$ 241,441
U.S. Federal agency obligations	1.6	180,630
U.S. Mortgage obligations	2.6	160,085
Municipal bonds	1.4	88,602
Commercial paper	0.2	10,241
Money market mutual funds	0.1	179,751
Negotiable certificates of deposit	0.1	1,249
Portfolio weighted average maturity	1.5	
Total investments		\$ 861,999
Deposits per book		13,471
Imprest cash		20
Total cash and investments		\$ 875,490

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, 2017

(Dollar Amounts Expressed in Thousands)

NOTE 2 – DEPOSITS AND INVESTMENTS

B – Investments (continued)

At December 31, 2017, 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+	\$ 241,441	Aaa	\$ 241,441
U.S. Federal agency obligations	AAA	\$ -	Aaa	\$ 180,630
	AA+	180,630	Aa1	-
Total federal agency obligations		\$ 180,630		\$ 180,630
U.S. Mortgage obligations	AA+	\$ 160,085	Aaa	\$ 160,085
Municipal bonds				
	AAA	\$ 31,547	Aaa	\$ 28,361
	AA+	21,827	Aa1	22,530
	AA	12,859	Aa2	8,900
	AA-	3,826	Aa3	6,197
	A+	7,524	A1	7,649
	Not Available	5,173	Not Available	9,258
	Not rated	5,846	Not rated	5,707
Total municipal bonds		\$ 88,602		\$ 88,602
Commercial paper	A-1+	\$ 2,492	P-1	\$ 10,241
	A-1	7,749	P-1	-
Total commercial paper		\$ 10,241		\$ 10,241
Mutual funds	AAAmG	\$ 179,751	Aaa-mf	\$ 179,751
Negotiable certificates of deposit	FDIC Insured	\$ 1,249	FDIC Insured	\$ 1,249
Total		\$ 861,999		\$ 861,999

For the fiscal year ended December 31, 2017

(Dollar Amounts Expressed in Thousands)

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, 2017.

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.

Fair Value Measurement

The City categorizes its fair value measurements in accordance with guidelines established by generally accepted accounting principles. These guidelines establish a hierarchy of inputs to valuation techniques used to measure fair value. That hierarchy has three levels. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Finally, Level 3 inputs are unobservable inputs, such as management’s assumption of the default rate among underlying mortgages of a mortgage-backed security.

At December 31, 2017, the City had the following recurring fair value measurements:

	December 31, 2017	Fair Value Measurements Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Debt securities				
U.S. Treasury securities	\$ 241,441	\$ -	\$ 241,441	\$ -
U.S. Federal agency obligations	180,630	16,356	164,274	-
U.S. Mortgage obligations	160,085	153	159,932	-
Municipal bonds	88,602	-	88,602	-
Commercial paper	10,241	-	10,241	-
Total investments by fair value level	\$ 680,999	\$ 16,509	\$ 664,490	\$ -
Investments measured at net asset value (NAV)				
Government money market mutual funds	\$ 179,751			
Negotiable certificates of deposit	1,249			
Total investments measured at the NAV	\$ 181,000			
Total investments measured at fair value and NAV	\$ 861,999			

For the fiscal year ended December 31, 2017

(Dollar Amounts Expressed in Thousands)

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

Debt securities classified in Level 1 are valued using a market approach quoted in active markets for those securities and consist of Federal discount notes. Debt securities classified in Level 2 are valued using the following approaches:

- U.S. Treasury obligations and U.S. Federal agency obligations are valued using a market approach by utilizing quoted prices for identical securities in markets that are not active;
- U.S. Mortgage obligations and Commercial paper are valued using matrix pricing based on the securities relationship to benchmark quoted prices; and
- Municipal bonds are valued using a market approach using quoted prices for similar securities in active markets.

The City also holds \$179,751 in Government money market mutual funds. The fair value of the investment is the fair value per share of the underlying portfolio. The City may redeem these funds at any time and for any use the City has designated. The City invests in these funds in order to have a rate of return on cash that is currently “in between” investments. The City also holds \$1,249 in negotiable certificates of deposit, which will mature and be redeemed in less than one year from issuance. The fair value is measured based on current market conditions. The City invests in these certificates of deposit in order to diversify the portfolio.

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For the fiscal year ended December 31, 2017

(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:

Governmental Activities	Community Planning and Economic Development				Non-Major Governmental Funds	Internal Service Funds	Total Governmental
	General Fund	Development	Permanent Improvement	Special Assessment			
Accounts	\$ 6,027	\$ 70	\$ 3,076	\$ 15	\$ 2,400	\$ 221	\$ 11,809
Taxes	2,341	222	12	-	1,302	-	3,877
Special assessments	435	1,397	2,492	55,034	849	-	60,207
Intergovernmental	9,481	396	28,990	-	7,078	-	45,945
Loans	-	171,451	-	-	119,253	-	290,704
Loans due from component unit	-	-	-	-	510	-	510
Accrued interest	1,239	534	158	24	322	-	2,277
Gross receivables	19,523	174,070	34,728	55,073	131,714	221	415,329
Less: Allowance for uncollectibles	(53)	(147,291)	-	-	(94,884)	-	(242,228)
Total receivables (due within one year)	\$ 19,470	\$ 26,779	\$ 34,728	\$ 55,073	\$ 36,830	\$ 221	\$ 173,101

Long-term portion of loans due from component units	\$ -	\$ -	\$ -	\$ -	\$ 500	\$ -	\$ 500
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Business-type Activities	Water Treatment and Distribution			Municipal Parking	Solid Waste and Recycling	Community Planning and Economic Development	Total Business-type
	Sanitary Sewer	Stormwater	Distribution Services				
Accounts	\$ 4,025	\$ 4,654	\$ 5,020	\$ 1,728	\$ 3,538	\$ -	\$ 18,965
Special assessments	83	84	2,448	4,891	132	-	7,638
Intergovernmental	-	473	-	1,202	2	-	1,677
Loans	-	-	-	-	-	1,036	1,036
Accrued interest	-	-	-	-	-	255	255
Gross receivables	4,108	5,211	7,468	7,821	3,672	1,291	29,571
Less: Allowance for uncollectibles	-	-	(2)	-	-	(986)	(988)
Total receivables (due within one year)	\$ 4,108	\$ 5,211	\$ 7,466	\$ 7,821	\$ 3,672	\$ 305	\$ 28,583

Long-term portion of loans and notes receivable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 233	\$ 233
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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, 2017

(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>
2018	\$ 6,439
2019	6,304
2020	6,117
2021	5,256
2022	5,265
2023-2027	25,583
2028-2032	25,382
2033-2037	22,209
2038-2040	<u>9,626</u>
Subtotal	112,181
Less: Interest over lease term	<u>(47,881)</u>
Total Principal	64,300
Less: Current Portion	<u>(2,735)</u>
Noncurrent Portion	<u>\$ 61,565</u>

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For the fiscal year ended December 31, 2017

(Dollar Amounts Expressed in Thousands)

NOTE 4 – CAPITAL ASSETS**A – Current Year Activity**

Capital asset activity for the year ended December 31, 2017 was as follows:

	Balance January 1, 2017 <u>Restated</u>	<u>Additions</u>	<u>Retirements</u>	Balance December 31, 2017
Governmental Activities				
<i>Capital assets, not being depreciated</i>				
Land and easements	\$ 110,788	\$ -	\$ -	\$ 110,788
Construction in progress	333,988	209,123	(153,409)	389,702
Total capital assets, not being depreciated	<u>444,776</u>	<u>209,123</u>	<u>(153,409)</u>	<u>500,490</u>
<i>Capital assets, being depreciated</i>				
Infrastructure	865,434	165,797	-	1,031,231
Buildings and structures	599,875	21,270	-	621,145
Public improvements	30,202	157	(297)	30,062
Machinery and equipment	144,317	10,542	(3,985)	150,874
Computer equipment	48,761	137	(7)	48,891
Software	52,332	7,136	(718)	58,750
Other capital outlay	51	-	(15)	36
Total capital assets, being depreciated	<u>1,740,972</u>	<u>205,039</u>	<u>(5,022)</u>	<u>1,940,989</u>
Less accumulated depreciation for:				
Infrastructure	(485,739)	(26,086)	-	(511,825)
Buildings and structures	(235,690)	(13,045)	-	(248,735)
Public improvements	(10,671)	(1,149)	95	(11,725)
Machinery and equipment	(93,475)	(9,333)	3,625	(99,183)
Computer equipment	(44,325)	(1,292)	7	(45,610)
Software	(23,667)	(8,304)	718	(31,253)
Other capital outlay	(51)	-	15	(36)
Total accumulated depreciation	<u>(893,618)</u>	<u>(59,209)</u>	<u>4,460</u>	<u>(948,367)</u>
Total capital assets, being depreciated, net	<u>847,354</u>	<u>145,830</u>	<u>(562)</u>	<u>992,622</u>
Governmental activities capital assets, net	<u>\$ 1,292,130</u>	<u>\$ 354,953</u>	<u>\$ (153,971)</u>	<u>\$ 1,493,112</u>

The beginning balance of governmental activities was restated to correct infrastructure cost and accumulated depreciation reported in a prior period. This correction was related to assets also capitalized in the business-type activities, resulting in an overstatement of capitalized costs in the governmental activities of \$51,452 and related accumulated depreciation of \$10,330.

For the fiscal year ended December 31, 2017

(Dollar Amounts Expressed in Thousands)

NOTE 4 – CAPITAL ASSETS

A – Current Year Activity (continued)

Depreciation expense was charged to governmental functions as follows:

General government	\$ 286
Public safety	1,596
Public works	26,598
Health and welfare	1
Community planning and economic development	12,645
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>18,083</u>
Total depreciation expense - governmental functions	<u>\$ 59,209</u>

	<u>Balance January 1, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance December 31, 2017</u>
Business-type activities				
<i>Capital assets, not being depreciated</i>				
Land and easements	\$ 130,879	\$ 4,000	\$ (2,717)	\$ 132,162
Construction in progress	<u>85,960</u>	<u>70,242</u>	<u>(56,394)</u>	<u>99,808</u>
Total capital assets, not being depreciated	<u>216,839</u>	<u>74,242</u>	<u>(59,111)</u>	<u>231,970</u>
<i>Capital assets, being depreciated</i>				
Buildings and structures	535,523	17,273	(10,371)	542,425
Public improvements	732,313	51,049	-	783,362
Machinery and equipment	65,275	2,932	(352)	67,855
Computer equipment	1,804	64	-	1,868
Software	2,864	-	-	2,864
Other capital outlay	<u>34</u>	<u>-</u>	<u>-</u>	<u>34</u>
Total capital assets, being depreciated	<u>1,337,813</u>	<u>71,318</u>	<u>(10,723)</u>	<u>1,398,408</u>
Less accumulated depreciation for:				
Buildings and structures	(235,363)	(11,804)	8,870	(238,297)
Public improvements	(263,475)	(9,280)	-	(272,755)
Machinery and equipment	(33,040)	(4,021)	353	(36,708)
Computer equipment	(1,567)	(58)	-	(1,625)
Software	(2,845)	(5)	-	(2,850)
Other capital outlay	<u>(34)</u>	<u>-</u>	<u>-</u>	<u>(34)</u>
Total accumulated depreciation	<u>(536,324)</u>	<u>(25,168)</u>	<u>9,223</u>	<u>(552,269)</u>
Total capital assets, being depreciated, net	<u>801,489</u>	<u>46,150</u>	<u>(1,500)</u>	<u>846,139</u>
Business-type activities capital assets, net	<u>\$ 1,018,328</u>	<u>\$ 120,392</u>	<u>\$ (60,611)</u>	<u>\$ 1,078,109</u>

For the fiscal year ended December 31, 2017

(Dollar Amounts Expressed in Thousands)

NOTE 4 – CAPITAL ASSETS

A – Current Year Activity (continued)

Interest incurred during the construction phase of capital assets is capitalized. Total interest incurred for business-type activities during 2017 was \$4,436. Of this amount, \$942 was capitalized.

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

Sanitary sewer	\$ 1,592
Stormwater	4,583
Water treatment and distribution services	10,953
Municipal parking	6,512
Solid waste and recycling	1,181
Economic development	347
Total depreciation expense - business-type functions	<u>\$ 25,168</u>

B – Capital Project Commitments

For the year 2017, the City of Minneapolis made capital project commitments for the following:

Property services	\$ 25,410
Sewer construction	26,538
Street construction	80,888
Bridge construction	400
Sidewalk construction	4,190
Street lighting	2,086
Traffic signals	7,090
Bicycle trails	2,000
Non-departmental	716
Water	34,235
Total capital project commitments	<u>\$ 183,553</u>

C – Discretely Presented Component Units

Activity for the discretely presented component units for the year ended December 31, 2017, was as follows:

	Restated Balance			Balance
Minneapolis Park and Recreation Board	January 1, 2017 *	Additions	Retirements	December 31, 2017
Capital assets, not being depreciated	\$ 132,115	\$ 56,180	\$ (20,659)	\$ 167,636
Capital assets, being depreciated, net	198,169	4,784	(97)	202,856
	<u>\$ 330,284</u>	<u>\$ 60,964</u>	<u>\$ (20,756)</u>	<u>\$ 370,492</u>
Depreciation expense charged	\$ 14,654			
	Balance			Balance
Municipal Building Commission	January 1, 2017	Additions	Retirements	December 31, 2017
Capital assets, not being depreciated	\$ 13,729	\$ 2,242	\$ -	\$ 15,971
Capital assets, being depreciated, net	8,320	(1,130)	-	7,190
	<u>\$ 22,049</u>	<u>\$ 1,112</u>	<u>\$ -</u>	<u>\$ 23,161</u>
Depreciation expense charged	\$ 1,130			

* Asset beginning balances were restated to reclassify a portion of land to buildings and structures for \$442 and to include a new discrete component unit of the Minneapolis and Recreation Board of \$49.

For the fiscal year ended December 31, 2017

(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 and Notes

Self-supporting bonds and notes issued by the City are recorded in the Enterprise Funds, Internal Service Funds or Governmental Funds. While these bonds and notes 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.

2017 Bond and Note Sales

In 2017, the City of Minneapolis issued bonds and notes totaling \$191,638. Of this amount, \$56,010 of bonds were issued to refund existing debt and \$135,628 of general obligation bonds and notes were issued to finance new capital improvements. Below are details of the 2017 debt issuances.

For the fiscal year ended December 31, 2017

(Dollar Amounts Expressed in Thousands)

NOTE 5 – LONG-TERM DEBT (continued)

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 to provide up to 24 months of drawdown flexibility to reimburse expenses during construction. The note was issued in variable rate mode and accrued interest based on the weekly SIFMA index plus a bank spread. During 2015 and 2016, the City completed draws totaling \$8,500 and during 2017 the City completed additional draws totaling \$16,500. In May 2017, the City issued \$37,875 of General Obligation Improvement and Various Purpose Bonds, Series 2017 and \$17,000 of proceeds from this series was used to refund and convert a like amount of the 2015A note to fixed rate bonds. The fixed rate bonds and remaining variable rate note are paid for with special assessments levied on benefitting property owners starting in 2017. In September 2017, the City utilized special assessment prepayments to reduce the outstanding note from \$8,000 to \$4,800 and in December 2017, the City extended the note arrangement to a new mandatory prepayment date of June 17, 2021. The extended note remains tax-exempt in variable rate mode priced at 70 percent of the one-week London Interbank Offered Rate (LIBOR) plus a bank spread. The refunding series is described in more detail below.

In May 2017, the City issued \$37,875 of General Obligation Improvement and Various Purpose Bonds, Series 2017 to fund a variety of capital projects and to refund \$17,000 of the Tax-Exempt General Obligation Note, Series 2015A with US Bank. The City received bond proceeds of \$40,071 including an original issue premium of \$2,324 offset by a \$128 underwriter's discount. The proceeds were used to reimburse construction costs of \$9,355 for special assessment projects related to street reconstruction and resurfacing, \$13,645 for a variety of other capital infrastructure improvements and \$17,000 for refunding a portion of the Series 2015A note. With the net premium received, the par amount of bonds required for the purposes described above was reduced to \$8,820, \$12,960 and \$16,095 respectively and the balance was used for cost of issuance expenses. The bonds were dated May 17, 2017 and were issued with fixed interest rates ranging from 3.00% to 4.00% and a final maturity date of December 1, 2027. The refunding portion of this bond sale was performed to minimize the risk of rising variable rates and to establish a permanent debt structure for a portion of the special assessment debt related to the Nicollet Mall reconstruction project. Aggregate change in debt service and net present value calculations were not able to be calculated since future variable rate information is not available.

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. Other funding partners include an estimated \$57,110 from the Minnesota Timberwolves Basketball Limited Partnership and \$5,900 from AEG Management, the manager of the facility. The note was issued on March 23, 2016 and provided an initial 364 days of drawdown flexibility to reimburse expenses during construction. In December 2016, the City and the bank agreed to extend the mandatory prepayment date of the drawdown facility from March 21, 2017 to March 21, 2018. During 2016, the City completed draws totaling \$27,982 and during 2017 completed additional note draws of \$41,018. The taxable note is in variable rate mode and accrues interest based on the weekly LIBOR index rate plus a bank spread.

In May 2017, the City issued \$39,915 of Taxable General Obligation Sales Tax Refunding Bonds (Target Center Project), Series 2017 to refund a portion of the Taxable General Obligation Sales Tax Note (Target Center Project), Series 2016 to fixed rate bonds. The City received bond proceeds of \$41,146 including an original issue premium of \$1,427 offset by a \$196 underwriter's discount. On May 17, 2017, the City used \$40,000 of the proceeds to prepay a portion of the Series 2016 note and the balance to pay cost of issuance expenses and capitalized interest during the construction period. The refunding bonds were dated May 17, 2017 and were issued with fixed interest rates ranging from 3.25% to 4.25% and a final maturity date of December 1, 2035. Aggregate change in debt service and net present value calculations are not able to be calculated since future variable rate information is not available. This refunding was performed to minimize the risk of rising variable rates and to establish a permanent debt structure for a portion of the Target Center project.

For the fiscal year ended December 31, 2017

(Dollar Amounts Expressed in Thousands)

NOTE 5 – LONG-TERM DEBT (continued)

In December 2017, the City issued \$56,330 of General Obligation Various Purpose Bonds, Series 2017 to fund a variety of capital projects. The City received total proceeds of \$60,093 including an original issue premium of \$3,800 offset by a \$37 underwriter's discount. The proceeds were used to reimburse construction costs of \$2,100 for a parking project, \$6,580 for sanitary sewer projects, \$12,320 for water projects and \$39,000 for a variety of other capital infrastructure improvements. The net premium allowed the City to reduce the par amount of bonds required for the business purposes described above to \$1,995, \$5,960, \$11,320 and \$37,055 respectively. The balance of the proceeds not required for project expenses were used to pay cost of issuance expenses. The bonds were dated December 5, 2017 and were issued with a fixed interest rate of 5.00% and a final maturity date of December 1, 2022.

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% - 2.82% 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, 2017, the outstanding debt balance of the six general obligation notes in this program is \$64,990.

Discrete Component Unit Debt

Due to current debt issuance policies, the City issues debt on behalf of the Minneapolis Park & Recreation Board and the Municipal Building Commission and previously issued debt for the Minneapolis Library Board. The Minneapolis Public Library System was merged into the Hennepin County Library System on January 1, 2008. As of December 31, 2017, \$86,060 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, \$54,425 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.

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For the fiscal year ended December 31, 2017

(Dollar Amounts Expressed in Thousands)

NOTE 5 - LONG-TERM DEBT (continued)

Long-term liabilities at December 31, 2017 (in thousands) are detailed below.

	<u>Balance</u> <u>1/1/2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/2017</u>	<u>Due Within</u> <u>One Year</u>
Governmental activities:					
<u>Bonds and Notes</u>					
Property Tax Supported GO Bonds	\$ 114,615	\$ 49,715	\$ (53,410)	\$ 110,920	\$ 49,090
Property Tax Supported GO Notes	700	-	(700)	-	-
Self-Supporting GO Bonds	168,855	39,915	(22,590)	186,180	24,975
Self-Supporting GO Notes	27,982	41,018	(40,000)	29,000	2,000
GO Improvement Bonds	35,176	25,215	(10,706)	49,685	10,575
GO Improvement Notes	8,500	16,500	(20,200)	4,800	300
Tax Increment GO Bonds	62,680	-	(4,915)	57,765	5,385
Tax Increment GO Notes	3,210	-	(460)	2,750	490
Tax Increment Revenue Bonds	21,625	-	(1,320)	20,305	1,365
Tax Increment Revenue Notes	4,115	-	(410)	3,705	435
Internal Service Fund Related GO Bonds	<u>12,970</u>	<u>-</u>	<u>(3,160)</u>	<u>9,810</u>	<u>9,810</u>
Total Governmental Bonds and Notes	<u>460,428</u>	<u>172,363</u>	<u>(157,871)</u>	<u>474,920</u>	<u>104,425</u>
<u>Other Long-term Liabilities</u>					
Unamortized Premium (Discount)	<u>5,220</u>	<u>5,780</u>	<u>(1,794)</u>	<u>9,206</u>	<u>124</u>
Total Long-term Liabilities Governmental	<u>465,648</u>	<u>178,143</u>	<u>(159,665)</u>	<u>484,126</u>	<u>104,549</u>
Business-type activities:					
<u>Bonds and Notes</u>					
Sanitary Sewer Fund GO Bonds	24,550	5,960	(2,700)	27,810	4,480
Water Fund Treatment and Distribution Services GO Bonds	27,690	11,320	(6,235)	32,775	6,815
Water Fund Treatment and Distribution Services GO Notes	71,520	-	(6,530)	64,990	7,875
Municipal Parking Fund GO Bonds	52,209	1,995	(8,764)	45,440	3,240
Municipal Parking Fund GO Notes	43,470	-	(1,475)	41,995	3,175
CPED Fund Non-GO Bonds					
General Agency Reserve Fund System	<u>76,315</u>	<u>-</u>	<u>(12,015)</u>	<u>64,300</u>	<u>2,735</u>
Total Business-type Bonds and Notes	<u>295,754</u>	<u>19,275</u>	<u>(37,719)</u>	<u>277,310</u>	<u>28,320</u>
<u>Other Long-term Liabilities</u>					
Unamortized Premium (Discount)	<u>2,198</u>	<u>1,772</u>	<u>(524)</u>	<u>3,446</u>	<u>-</u>
Total Long-term Liabilities Business-type	<u>297,952</u>	<u>21,047</u>	<u>(38,243)</u>	<u>280,756</u>	<u>28,320</u>
Total Long-term Liabilities	<u>\$ 763,600</u>	<u>\$ 199,190</u>	<u>\$ (197,908)</u>	<u>\$ 764,882</u>	<u>\$ 132,869</u>

For the fiscal year ended December 31, 2017

(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, 2017, 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
2018	\$ 91,390	\$ 15,113	\$ 3,225	\$ 1,218
2019	81,265	12,007	985	1,174
2020	51,185	9,341	1,045	1,134
2021	18,200	7,472	32,605	1,092
2022	18,080	6,827	1,170	102
2023 - 2027	84,280	24,427	1,225	79
2028 - 2032	29,020	14,266	-	-
2033 - 2037	22,360	9,006	-	-
2038 - 2042	19,350	4,612	-	-
2043 - 2044	9,725	457	-	-
	<u>\$ 424,855</u>	<u>\$ 103,528</u>	<u>\$ 40,255</u>	<u>\$ 4,799</u>

Year Ending December 31:	Internal Service Fund Bonds		Total Governmental Activity Bonds & Notes	
	Principal	Interest	Principal	Interest
	2018	\$ 9,810	\$ 294	\$ 104,425
2019	-	-	82,250	13,181
2020	-	-	52,230	10,475
2021	-	-	50,805	8,564
2022	-	-	19,250	6,929
2023 - 2027	-	-	85,505	24,506
2028 - 2032	-	-	29,020	14,266
2033 - 2037	-	-	22,360	9,006
2038 - 2042	-	-	19,350	4,612
2043 - 2044	-	-	9,725	457
	<u>\$ 9,810</u>	<u>\$ 294</u>	<u>\$ 474,920</u>	<u>\$ 108,621</u>

For the fiscal year ended December 31, 2017

(Dollar Amounts Expressed in Thousands)

NOTE 5 – LONG-TERM DEBT (continued)

Amortization of Outstanding Business-type Activities City Debt

As of December 31, 2017, 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
2018	\$ 17,270	\$ 6,514	\$ 11,050	\$ 2,975	\$ 28,320	\$ 9,489
2019	18,815	5,944	11,300	2,684	30,115	8,628
2020	16,090	5,323	11,840	2,382	27,930	7,705
2021	15,965	4,826	10,500	2,061	26,465	6,887
2022	18,005	4,337	7,150	1,779	25,155	6,116
2023 - 2027	43,505	15,679	36,900	6,125	80,405	21,804
2028 - 2032	15,055	10,327	15,245	1,778	30,300	12,105
2033 - 2037	16,900	5,309	3,000	90	19,900	5,399
2038 - 2040	8,720	906	-	-	8,720	906
	<u>\$ 170,325</u>	<u>\$ 59,165</u>	<u>\$ 106,985</u>	<u>\$ 19,874</u>	<u>\$ 277,310</u>	<u>\$ 79,039</u>

Discretely Presented Component

Activity for the Minneapolis Park and Recreation Board for the year ended December 31, 2017, was as follows:

	Balance	Additions	Retirements	Balance	Amounts due
	January 1, 2017			December 31, 2017	Within one year
Notes payable	\$ 4,253	\$ -	\$ (221)	\$ 4,032	\$ 233
Contracts payable	106	-	(106)	-	-
Total	<u>\$ 4,359</u>	<u>\$ -</u>	<u>\$ (327)</u>	<u>\$ 4,032</u>	<u>\$ 233</u>

Year Ending December 31:	Principal	Interest
2018	\$ 1,875	\$ 117
2019	60	87
2020	2,064	18
2021	33	-
Total	<u>\$ 4,032</u>	<u>\$ 222</u>

For the fiscal year ended December 31, 2017

(Dollar Amounts Expressed in Thousands)

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

As of December 31, 2017, outstanding industrial, commercial, and housing revenue bonds and notes approximated \$2,041 million. The bonds are payable solely from revenues of the respective enterprises and do not constitute an indebtedness of the City. They are not a charge against the City’s general credit or taxing power.

NOTE 7 – 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:

	General Fund	Community Planning and Economic Development	Permanent Improvement	Special Assessment	Non-Major Governmental Funds	Total Governmental
Deferred Inflows of Resources						
Property taxes	\$ 1,231	\$ -	\$ 10	\$ -	\$ 861	\$ 2,102
Special assessments	363	1,375	2,451	55,412	741	60,342
Intergovernmental	-	-	24,068	-	-	24,068
Loans receivable	-	24,160	-	-	24,413	48,573
Interest	287	124	37	6	74	528
Other unavailable revenue	-	223	-	-	737	960
Total Deferred inflows of resources	<u>\$ 1,881</u>	<u>\$ 25,882</u>	<u>\$ 26,566</u>	<u>\$ 55,418</u>	<u>\$ 26,826</u>	<u>\$ 136,573</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:

<u>Year Ending December 31</u>	<u>Governmental Activities Amount</u>
2018	\$ 4,075
2019	2,978
2020	2,284
2021	2,133
2022	1,912
2023-2027	8,957
2028-2032	8,444
2033-2037	1,109
Total	<u>\$ 31,892</u>

For the fiscal year ended December 31, 2017

(Dollar Amounts Expressed in Thousands)

NOTE 8 – LEASES (continued)

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*. During 2017, the lease expense on these leases totaled \$444. Application of the straight-line basis to the future minimum lease expenditures of \$1,513 over the lease terms results in a total annual lease amount of \$474.

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

Year Ending December 31	Governmental Activities Amount
2018	\$ 458
2019	337
2020	133
2021	138
2022	143
2023-2026	304
Total	<u>\$ 1,513</u>

NOTE 9 – INTERFUND TRANSACTIONS

Interfund Receivables/Payables

The composition of interfund balances as of December 31, 2017 are as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
Non-major Governmental Funds	Non-major Governmental Funds	\$ 2,832

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:

Receivable Fund	Payable Fund	Amount
General Fund	Permanent Improvement Fund	\$ 1,250
CPED Special Revenue Fund	Permanent Improvement Fund	2,750
Internal Service Funds	Non-major Governmental Funds	849
	Total	<u>\$ 4,849</u>

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

For the fiscal year ended December 31, 2017

(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	\$ 7,000
	Stormwater Fund	110
	Internal Service Funds	1,529
	Non-major Governmental Funds	<u>3,860</u>
		<u>12,499</u>
CPED Special Revenue Fund	Non-major Governmental Funds	<u>1,904</u>
Permanent Improvement Fund	General Fund	5,500
	Internal Service Funds	3,078
	Non-major Governmental Funds	6,000
	Stormwater Fund	<u>1,500</u>
		<u>16,078</u>
Non-Major Governmental Funds	General Fund	49,791
	Non-major Governmental Funds	24,808
	CPED Special Revenue Fund	21,709
	Permanent Improvement Fund	396
	Special Assessment Debt Service Fund	29
	Sanitary Sewer Fund	12
	Water Treatment and Distribution Services Fund	18
	Municipal Parking Fund	<u>3,944</u>
		<u>100,707</u>
Special Assessment Debt Service Fund	Permanent Improvement Fund	<u>201</u>
		<u>201</u>
	Total Governmental Funds	<u>\$ 131,389</u>
Proprietary Funds:		
Business-type Activities		
Water Treatment and Distribution Services Fund	General Fund	\$ 25
	Sanitary Sewer Fund	<u>1,213</u>
		<u>1,238</u>
Municipal Parking Fund	CPED Special Revenue Fund	<u>814</u>
		<u>814</u>
Solid Waste & Recycling Fund	General Fund	325
	Municipal Parking Fund	<u>146</u>
		<u>471</u>
	Total Business-type Activities	<u>\$ 2,523</u>
Governmental Activities		
Internal Service Funds	General Fund	\$ 3,747
	Permanent Improvement Fund	1,191
	Internal Service Funds	<u>346</u>
		<u>5,284</u>
	Total Governmental Activities	<u>\$ 5,284</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, 2017

(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, 2017

(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>						
Advances to other funds	\$ 1,250	\$ -	\$ -	\$ -	\$ -	\$ 1,250
Prepaid items	13	-	-	-	-	13
Total nonspendable	1,263	-	-	-	-	1,263
<u>Restricted for</u>						
Debt service:						
Community development	-	-	-	-	3,044	3,044
General debt service	-	-	-	-	25,817	25,817
Special assessment	-	-	-	9,253	-	9,253
Community and economic development	-	143,037	-	-	-	143,037
Law enforcement:						
Gambling compliance	-	-	-	-	224	224
Forfeitures	-	-	-	-	1,663	1,663
Grants	-	-	-	-	2,590	2,590
Properties held for resale	-	34,418	7,200	-	8,344	49,962
Capital improvements	-	-	19,377	-	-	19,377
Total restricted	-	177,455	26,577	9,253	41,682	254,967
<u>Assigned to</u>						
General government	-	-	-	-	531	531
Grants	-	-	-	-	225	225
Public safety:						
Police	-	-	-	-	699	699
Compliance and regulation	-	-	-	-	3,535	3,535
Community & economic development	-	37,703	-	-	60,069	97,772
Neighborhood & community relations	-	-	-	-	3,306	3,306
Pension obligations	-	-	-	-	29,177	29,177
Capital improvements	10,000	-	11,426	-	-	21,426
Total assigned	10,000	37,703	11,426	-	97,542	156,671
<u>Unassigned</u>	105,835	-	-	-	(2,039)	103,796
Total fund balances	\$ 117,098	\$ 215,158	\$ 38,003	\$ 9,253	\$ 137,185	\$ 516,697

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For the fiscal year ended December 31, 2017

(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, 2017, the Governmental Activities restricted net position is as follows:

<u>Purpose</u>	<u>Amount</u>
Debt service:	
Community development	\$ 3,044
General debt service	25,817
Special assessment	9,253
Community and economic development	143,037
Law enforcement:	
Gambling compliance	224
Forfeitures	1,663
Grants	2,590
Properties held for resale	49,962
Capital improvements	19,377
Total restricted net position	<u>\$ 254,967</u>

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, 2017, the Business-type component of restricted net position is as follows:

<u>Purpose</u>	<u>Amount</u>
Debt service	<u>\$ 36,082</u>

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For the fiscal year ended December 31, 2017

(Dollar Amounts Expressed in Thousands)

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 the Coordinated Plan, the Basic Plan, or the Minneapolis Employees Retirement Fund. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. The Minneapolis Employees Retirement Fund was closed to new members during 1978 and merged into the General Employees Retirement Plan in 2015. All new members must participate in the Coordinated Plan and benefits vest after five years of service.

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. PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefit provisions are established by state statute and can be modified only by the state legislature. Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Benefit recipients receive a future annual 1.0 percent postretirement benefit increase. If the funding ratio reaches 90 percent for two consecutive years, the benefit increase will revert to 2.5 percent. If, after reverting to a 2.5 percent benefit increase, the funding ratio declines to less than 80 percent for one year or less than 85 percent for two consecutive years, the benefit increase will decrease to 1.0 percent

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.

For the fiscal year ended December 31, 2017

(Dollar Amounts Expressed in Thousands)

NOTE 13 – DEFINED BENEFIT PENSION PLANS**B – Benefits Provided (continued)**

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. PERA 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 General Employees Retirement Plan Coordinated and Basic Plan members. Members hired prior to July 1, 1989, receive 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 of service 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. Only Method 2 is used for members hired after June 30, 1989. Minneapolis Employees Retirement Fund members have an annuity accrual rate of 2.0 percent of average salary for each of the first ten years of service and 2.5 percent for each remaining year. For Public Employees Police and Fire Plan members, the annuity accrual rate is 3.0 percent of average salary for each year of service.

For General Employees Retirement Plan members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90, and normal retirement age is 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 Public Employees Police and Fire Plan members, normal retirement age is 55, and for members who were hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90. Disability benefits are available for vested members and are based on years of service and average high five salary.

2. 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.

For the fiscal year ended December 31, 2017

(Dollar Amounts Expressed in Thousands)

NOTE 13 – DEFINED BENEFIT PENSION PLANS (continued)**C – Contributions**

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature. The employee and employer contribution rates did not change from the previous year.

1. GERF Contributions

Basic Plan members, Coordinated Plan members, and Minneapolis Employee Retirement Fund members, were required to contribute 9.10 percent, 6.50 percent, and 9.75 percent respectively, of their annual covered salary in calendar year 2017. Participating employers are required to contribute 11.78 percent of pay for Basic Plan members, 7.50 percent for Coordinated Plan members, and 9.75 percent for Minneapolis Employee Retirement Fund members in calendar year 2017. The City, Park Board, and MBC contributions related to payroll to the GERF for the year ended December 31, 2017, were \$14,108, \$2,510, and \$203, respectively. The City, Park Board, and MBC fixed contributions to the GERF for the year ended December 31, 2017, were \$11,869, \$2,169, and \$335 respectively. Total contributions were equal to the required contractual 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 2017. Employers were required to contribute 16.20 percent of pay for PEPFF members in calendar year 2017. Contributions to the PEPFF related to payroll for the year ended December 31, 2017, were \$20,004 for the City and \$561 for the Park Board. The City also made fixed contributions to PEPFF, non-payroll related, of \$13,648 for the year ended December 31, 2017. Total contributions were equal to the required contractual contributions as set by state statute.

3. TRA Contributions

The City's non-employer contributions to the TRA for the year ended December 31, 2017, were \$2,250. The City's contributions were equal to the required contractual contributions as set by state statute.

D – Pension Costs**1. GERF Pension Costs**

At December 31, 2017, the City, Park Board, and MBC reported a liability of \$182,469, \$32,237 and \$2,579 respectively for the proportionate share of the GERF's net pension liability related to payroll contributions. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City, Park Board, and MBC proportion of the net pension liability was based on each entity's contributions received by PERA during the measurement period for employer payroll paid from July 1, 2016, through June 30, 2017, relative to the total employer payroll related contributions received from all of PERA's participating employers. At June 30, 2017, the City's proportionate share related to payroll contributions was 3.0146 percent, which was a decrease of 0.0274 percent from its proportion measured as of June 30, 2016. At June 30, 2017, the Park Board's proportionate share related to payroll contributions was 0.5326 percent, which was a decrease of 0.0295 percent from its proportion measured as of June 30, 2016. At June 30, 2017, MBC's proportionate share related to payroll contributions was 0.0426 percent, which was a decrease of 0.0006 percent from its proportion measured as of June 30, 2016. In addition to the payroll contributions, the City, Park Board, and MBC contribute statutorily fixed amounts related to closed pension plans now merged into PERA. The City, Park Board, and MBC will continue to make these

For the fiscal year ended December 31, 2017

(Dollar Amounts Expressed in Thousands)

NOTE 13 – DEFINED BENEFIT PENSION PLANS

D – Pension Costs

1. GERF Pension Costs (continued)

contributions through 2031, and the net present values of these fixed contributions are \$151,252, \$27,644, and \$2,890 respectively as of the June 30, 2017 measurement date. The resulting combined net pension liability reported by the City, Park Board, and MBC as of December 31, 2017 is \$333,721, \$59,881, and \$5,469, respectively. The combined liability represents a proportionate share of the Plan’s net pension liability equal to 5.2275 percent for the City, 0.9380 percent for Park Board, and 0.0857 percent for MBC.

For the year ended December 31, 2017, the City, Park Board, and MBC recognized pension expense of \$34,240, \$7,948, and \$706, respectively for the proportionate share of the GERF’s pension expense.

In addition, the City, Park Board, and MBC also recognized \$123, \$22, and \$2, respectively as pension expense (and grant revenue) for its proportionate share of the State of Minnesota’s contribution of \$6 million to the General Employees Fund.

	<u>City Governmental Activities</u>	<u>City Business-type Activities</u>	<u>City Total</u>	<u>Park Board</u>	<u>MBC</u>
Payroll related proportionate share of the net pension liability	\$ 147,289	\$ 35,180	\$ 182,469	\$ 32,237	\$ 2,579
Net present value of fixed pension contributions	122,090	29,162	151,252	27,644	2,890
State of Minnesota's proportionate share of the net pension liability associated with the entity	<u>3,434</u>	<u>820</u>	<u>4,254</u>	<u>764</u>	<u>70</u>
Total	<u>\$ 272,812</u>	<u>\$ 65,163</u>	<u>\$ 337,975</u>	<u>\$ 60,645</u>	<u>\$ 5,539</u>

At December 31, 2017, 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	\$ 6,343	\$ 1,121	\$ 90	\$12,469	\$ 2,252	\$ 169
Changes in actuarial assumptions	54,274	9,984	879	19,293	3,409	273
Difference between projected and actual investment earnings	1,483	392	-	-	-	-
Changes in proportion	672	1,577	239	9,253	1,720	153
Contributions paid to PERA subsequent to the measurement date	<u>7,208</u>	<u>1,301</u>	<u>107</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 69,980</u>	<u>\$ 14,375</u>	<u>\$ 1,315</u>	<u>\$ 41,015</u>	<u>\$ 7,381</u>	<u>\$ 595</u>

For the fiscal year ended December 31, 2017

(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, 2017. These contributions total \$7,208 for the City, \$1,301 for the Park Board, and \$107 for MBC. 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	MBC
2018	\$ 11,871	\$ 3,918	\$ 321
2019	22,152	4,349	469
2020	(4,097)	(1,131)	(61)
2021	(8,169)	(1,443)	(116)

2. PEPFF Pension Costs

At December 31, 2017, the City reported a liability of \$157,119 for the proportionate share of the PEPFF’s net pension liability related to payroll contributions. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City’s proportion of the net pension liability was based on the City’s contributions received by PERA during the measurement period for employer payroll paid from July 1, 2016, through June 30, 2017, relative to the total employer payroll related contributions received from all of PERA’s participating employers. At June 30, 2017, the City’s proportionate share related to payroll contributions was 12.8170 percent, which was an increase of 0.6389 percent from its proportion measured as of June 30, 2016. In addition to the payroll contributions the City contributes statutorily fixed amounts related to closed pension plans now merged into PERA. The City will continue to make these contributions through 2031, and the net present value of these fixed contributions is \$124,172 as of the June 30, 2017 measurement date. The resulting combined net pension liability reported by the City as of December 31, 2017 is \$281,291. The combined liability represents a proportionate share of the Plan’s net pension liability equal to 20.8345 percent for the City.

At December 31, 2017, the Park Board reported a liability of \$4,004 for the proportionate share of the PEPFF’s net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA’s participating employers. At June 30, 2017, the Park Board’s proportion share was 0.3266 percent, which was a decrease of 0.0072 percent from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the City and Park Board recognized pension expense of \$34,132 and \$262 respectively for the proportionate share of the PEPFF’s pension expense.

The City and Park Board also recognized \$1,796 and \$27 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

For the fiscal year ended December 31, 2017

(Dollar Amounts Expressed in Thousands)

NOTE 13 – DEFINED BENEFIT PENSION PLANS

D – Pension Costs

2. PEPFF Pension Costs (continued)

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.

At December 31, 2017, 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	\$ 3,983	\$ 101	\$ 44,248	\$ 1,206
Changes in actuarial assumptions	235,230	5,860	256,282	6,259
Difference between projected and actual investment earnings	-	94	218	-
Changes in proportion	21,711	44	1,770	239
Contributions paid to PERA subsequent to the measurement date	9,908	325	-	-
Total	\$ 270,832	\$ 6,424	\$ 302,518	\$ 7,704

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, 2017. These contributions total \$9,908 for the City and \$325 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	Pension Expense Amount	
	City	Park Board
December 31:		
2018	\$ 7,419	\$ 66
2019	7,419	66
2020	1,260	(99)
2021	(11,605)	(367)
2022	(46,087)	(1,271)

For the fiscal year ended December 31, 2017

(Dollar Amounts Expressed in Thousands)

NOTE 13 – DEFINED BENEFIT PENSION PLANS

D – Pension Costs (continued)

3. TRA Pension Costs

At December 31, 2017, the City reported a liability of \$29,294 for its share of the TRA’s net pension liability. The net pension liability for TRA is equivalent to the net present value of the City’s statutorily required contributions for the life of the obligation. The City is statutorily obligated to contribute \$2,250 each year to TRA until the plan is fully funded as determined by the plan’s actuary. It is currently expected that the plan will be fully funded, ending the City’s obligation, in the year 2039. The net present value of the City’s obligation was determined using the expected remaining years of contributions, discounted at the plan’s discount rate of 5.12 percent.

For the year ended December 31, 2017, the City recognized pension expense of \$819 for its share of the TRA’s pension expense.

At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to TRA’s pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in actuarial assumptions	\$ 5,570	\$ 1,052

As mentioned above, 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 that would be recognized as a reduction to net pension liability for the year ended December 31, 2017. 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>
2018	\$ 1,210
2019	1,210
2020	1,188
2021	1,123
2022	(213)

E – Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the individual entry age normal actuarial cost method and the following additional actuarial assumptions:

<u>Assumption</u>	<u>GERF/PEPFF</u>	<u>TRA</u>
Inflation	2.50% per year	2.50%
Active Member Payroll Growth	3.25% per year	3.00% based on years of service
Investment Rate of Return	7.50%	5.12%

NOTE 13 – DEFINED BENEFIT PENSION PLANS

E – Actuarial Assumptions (continued)

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants for all plans were based on RP-2014 tables for males or females, as appropriate, with slight adjustments to fit PERA’s experience. Cost of living benefit increases for retirees are assumed to be one percent per year for the General Employees Plan through 2044 and Police and Fire Plan through 2064 and then 2.5 percent thereafter for both plans. Cost of living increases for TRA are 2.0 percent.

Actuarial assumptions used in the June 30, 2017, valuation were based on the results of actuarial experience studies. The experience study in the GERP was completed in 2015. The most recent five-year experience study for PEPFF was completed in 2016. The experience study for TRA was for the period of July 1, 2008, to June 30, 2014.

The long-term expected rate of return on pension plan investments is 7.5 percent for PERA and 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	39%	5.10%
International Stocks	19%	5.30%
Bonds	20%	0.75%
Alternative Assets	20%	5.90%
Cash	2%	0.00%

F – Discount Rate

The discount rate used to measure the total pension liability for PERA in 2017 was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the General Employees Plan and the Police and Fire Plan was projected to be available to make all projected future benefit payments of current plan members. 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.

In the TRA Plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through 2053. The long-term expected rate of return was applied to periods before 2053 and the Municipal Bond Index Rate of 3.56 percent was applied to period on and after 2053, resulting in a Single Equivalent Interest Rate of 5.12%.

For the fiscal year ended December 31, 2017

(Dollar Amounts Expressed in Thousands)

NOTE 13 – DEFINED BENEFIT PENSION PLANS (continued)**G – Changes in Actuarial Assumptions**

The following changes in actuarial assumptions occurred in 2017:

General Employees Retirement Plan

- The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members (30 percent for deferred Minneapolis Employees Retirement Fund members). The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.
- Minneapolis Employees Retirement Fund plan provisions changed the employer supplemental contribution to \$21,000 in calendar years 2017 and 2018 and returns to \$31,000 through calendar year 2031. The State's required contribution is \$16,000 in PERA's fiscal years 2018 and 2019 and returns to \$6,000 annually through calendar year 2031.

Public Employees Police and Fire Plan

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The Combined Service Annuity (CSA) load was 30 percent for vested and non-vested deferred members. The CSA has been changed to 33 percent for vested members and 2 percent for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.0 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65 percent to 60 percent.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing Joint and Survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter.
- The single discount rate was changed from 5.60 per annum to 7.50 percent per annum.

Teachers Retirement Association

- The investment return assumption was changed from 8.00 percent to 7.50 percent.
- The cost of living adjustment (COLA) was not assumed to increase to 2.50 percent, but remain at 2.0 percent for all future years.
- The price inflation was lowered from 2.75 percent to 2.50 percent.
- The general wage growth assumption was lowered from 3.50 percent to 2.85 percent for 10 years followed by 3.25 percent, thereafter.
- The payroll growth assumption was lowered from 3.50 percent to 3.00 percent.

For the fiscal year ended December 31, 2017

(Dollar Amounts Expressed in Thousands)

NOTE 13 – DEFINED BENEFIT PENSION PLANS

G – Changes in Actuarial Assumptions

Teachers Retirement Association (continued)

- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.
- The Combined Service Annuity (CSA) loads were reduced from 1.40 percent to 0.00 percent for active load, the vested inactive load increase from 4.00 percent to 7.00 percent and the non-vested inactive load increased from 4.00 percent to 9.00 percent.

H – 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	6.5%	7.5%	8.5%
City	442,820	333,721	243,567
Park Board	79,208	59,881	43,906
MBC	7,053	5,469	4,156
PEPFF Discount Rate	6.5%	7.5%	8.5%
City	426,573	281,291	160,756
Park Board	7,540	4,004	1,084
TRA Discount Rate	4.12%	5.12%	6.12%
City	32,145	29,294	26,813

I – Pension Plan Fiduciary Net Position

Detailed information about each pension plan’s fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org.

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.

For the fiscal year ended December 31, 2017

(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, 2017, was \$2,017 and the CPED's total payroll was \$19,885.

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 \$112 and \$103 respectively to the plan during the year, which amounts represented 5.53 percent and 5.10 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 2017, the City contributed \$1,871 to the plan. As of January 1, 2017, the most recent actuarial valuation date, there were approximately 279 retirees receiving health benefits from the City's health plan.

For the fiscal year ended December 31, 2017

(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	\$ 2,625
Interest on net OPEB obligation	1,321
Adjustment to annual required contribution	<u>(1,390)</u>
Annual OPEB cost (expense)	2,556
Contributions made	<u>1,871</u>
Increase in net OPEB obligation	685
Net OPEB obligation – beginning of year	<u>37,748</u>
Net OPEB obligation – end of year	<u>\$ 38,433</u>

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017, 2016, and 2015 was as follows:

<u>Fiscal</u> <u>Year</u> <u>Ended</u>	<u>Annual</u> <u>OPEB</u> <u>Cost</u>	<u>Percentage</u> <u>Of Annual</u> <u>OPEB Cost</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
12/31/2017	\$ 2,556	73.20%	\$38,433
12/31/2016	\$ 3,046	69.44%	\$37,748
12/31/2015	\$ 2,962	73.19%	\$36,817

For the fiscal year ended December 31, 2017

(Dollar Amounts Expressed in Thousands)

NOTE 15 – POSTEMPLOYMENT BENEFITS PLAN (continued)

D – Funded Status and Funding Progress

As of January 1, 2017, the most recent actuarial valuation date, the City had no assets deposited to fund the plan. The actuarial accrued liability for benefits was \$34,807 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$34,807. The covered payroll (annual payroll of active employees covered by the plan) was \$312,773, and the ratio of the UAAL to the covered payroll was 11.1 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.

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, 2017, actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 3.5 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 trend rate was calculated at 6.5 percent initially, reduced incrementally to an ultimate rate of 5.0 percent after 6 years. Both rates included a 2.5 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, 2017, 30 years remain.

F – Summary of Liabilities

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

Primary Government

	<u>Balance 1/1/2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/2017</u>
Other postemployment benefits payable:				
Governmental activities	\$ 36,306	\$ 2,528	\$ (1,871)	\$ 36,963
Business-type activities	1,442	28	-	1,470
Total	<u>\$ 37,748</u>	<u>\$ 2,556</u>	<u>\$ (1,871)</u>	<u>\$ 38,433</u>

For the fiscal year ended December 31, 2017

(Dollar Amounts Expressed in Thousands)

NOTE 15 – POSTEMPLOYMENT BENEFITS PLAN

F – Summary of Liabilities (continued)

Discretely Presented Component Units

Activity for the discretely presented component units for the year ended December 31, 2017, was as follows:

	<u>Balance 1/1/2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/2017</u>
Other postemployment benefits payable:				
Minneapolis Park and Recreation Board	\$ 3,901	\$ 116	\$ (104)	\$ 3,913
Municipal Building Commission	319	73	(108)	284
Total	<u>\$ 4,220</u>	<u>\$ 189</u>	<u>\$ (212)</u>	<u>\$ 4,197</u>

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

Activity for the primary government for the year ended December 31, 2017, was as follows:

	<u>Balance 1/1/2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/2017</u>	<u>Amounts Due Within One Year</u>
Compensated absences payable:					
Governmental activities	\$ 36,566	\$ 24,131	\$ (21,221)	\$ 39,476	\$ 20,217
Business-type activities	3,118	2,982	(2,765)	3,335	2,387
Total	<u>\$ 39,684</u>	<u>\$ 27,113</u>	<u>\$ (23,986)</u>	<u>\$ 42,811</u>	<u>\$ 22,604</u>

For the fiscal year ended December 31, 2017

(Dollar Amounts Expressed in Thousands)

NOTE 16 – VACATION, SEVERANCE, SICK AND COMPENSATORY TIME PAY (continued)

Discretely Presented Component Units

Activity for the discretely presented component units for the year ended December 31, 2017, was as follows:

	<u>Balance 1/1/2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/2017</u>	<u>Amounts Due Within One Year</u>
Compensated absences payable:					
Minneapolis Park and Recreation Board	\$ 4,742	\$ 3,037	\$ (2,876)	\$ 4,903	\$ 951
Municipal Building Commission	214	123	(173)	164	150
Total	<u>\$ 4,956</u>	<u>\$ 3,160</u>	<u>\$ (3,049)</u>	<u>\$ 5,067</u>	<u>\$ 1,101</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 \$55,092 reported in the Self-Insurance Internal Service Fund at December 31, 2017, 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 2017 for claim exposure and settlements payments, calculated that the claims liability at December 31, 2017 is \$55,092, an increase of \$3,224 from the liability amount of \$51,868 at December 31, 2016.

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 2016 and 2017 are:

	<u>2016</u>	<u>2017</u>
Liability balance – January 1	\$ 51,973	\$ 51,868
Current year claims and changes in estimates	11,543	11,365
Claim payments	<u>(11,648)</u>	<u>(8,141)</u>
Liability balance – December 31	<u>\$ 51,868</u>	<u>\$ 55,092</u>

For the fiscal year ended December 31, 2017

(Dollar Amounts Expressed in Thousands)

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 – TAX ABATEMENTS

Tax Increment Financing Notes

The City is a party to tax abatements created by tax increment finance (TIF) agreements for development within City. TIF authorities are defined in Minn. Stat. § 469.174 and can include cities, housing redevelopment authorities, economic development authorities and port authorities. TIF captures the increased property taxes (increment) that a new real estate development generates to pay qualifying expenses related to the development. In many instances, the developer agrees to provide financing for the qualifying expenses. In exchange, the TIF authority agrees to annually pay a portion of the increment to the developer. These TIF agreements affect the property tax revenues of all governments that levy property tax on the property subject to the TIF agreement.

In the case of the City, TIF agreements with various developers have effectively reduced the property tax revenues for the year ended December 31, 2017 as shown below:

<u>Tax Abatement Program</u>	<u>Taxes Abated</u>
Tax Increment Financing	\$ 8,872

NOTE 20 – OTHER COMMITMENTS AND CONTINGENCIES

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

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

- The City is a defendant in four cases that allege injury or wrongful death, as a result of police misconduct.

NOTE 21 – SUBSEQUENT EVENTS

The City issued the following bonds since December 31, 2017.

In May 2018, the City issued \$32,770 of Taxable General Obligation Bonds, Series 2018. Of this amount, \$31,560 was used to refund the remaining portion of the General Obligation Sales Tax Note (Target Center Project), Series 2016 with Wells Fargo Bank, National Association and \$1,210 was used to finance improvements to the Wellington Condominium Housing Improvement Area (HIA). Details regarding the two purposes are further described below.

For the fiscal year ended December 31, 2017

(Dollar Amounts Expressed in Thousands)

NOTE 21 – SUBSEQUENT EVENTS (continued)

The refunding portion of \$31,560 along with a net bond premium and funds on hand was used to pay off the remaining 2017 outstanding balance and additional 2018 draws totaling \$34,000 of the General Obligation Sales Tax Note (Target Center Project), Series 2016 with Wells Fargo Bank, National Association. This note was originally a \$74,000 taxable variable rate draw facility used as short-term financing for renovation of the Target Center Arena in downtown Minneapolis where the Minnesota Timberwolves and Minnesota Lynx play basketball. The City refunded \$40,000 of this note in May of 2017 as further described in the Long-Term Debt Note. As part of the above series, the City received net proceeds of \$32,202 including an \$898 bond premium offset by a \$256 underwriter discount. On June 1, 2018, the City used the net proceeds and cash on hand to redeem the remaining \$34,000 of the variable rate taxable note with Wells Fargo Bank. Proceeds of \$72 were also used to pay a portion of the costs of issuing the bonds. The refunding bonds were issued in fixed rate mode and had interest rates ranging from 3.40% to 5.00% and a final maturity date of December 1, 2030. The change in aggregate debt service and net present value savings are not able to be calculated since the note being refunded was in variable rate mode and had a significantly shorter duration due to the temporary nature of the financing.

The remaining \$1,210 of this taxable series was used to finance improvements and fund a debt service reserve fund for the Wellington Condominium project. This project included exterior improvements to the stairs, porches, masonry façade and electrical upgrades and qualified for a Housing Improvement Area pursuant to Minnesota Statutes, Section 428A.16 and Chapter 475. Special assessment fees from condominium owners will be used to pay debt service on the bonds. For this portion of the bond series, the City received net proceeds of \$1,227 including a \$27 bond premium offset by a \$10 underwriter discount. On June 1, 2018, the City used \$1,131 of the net proceeds to reimburse itself for a short-term construction loan payoff to a bank and to establish an \$80 debt service reserve fund for the project. The remaining proceeds were used for costs of issuing the bonds and for City processing fees. The bonds were issued in fixed rate mode and had interest rates ranging from 3.40% to 5.00% and a final maturity date of December 1, 2030.

In May 2018, the City also issued \$37,825 of General Obligation Improvement and Various Purpose Bonds, Series 2018 to fund a variety of special assessment improvement projects and other general infrastructure projects. The City received bond proceeds of \$40,339 including an original issue premium of \$2,614 offset by a \$100 underwriter's discount. The proceeds were used to reimburse construction costs of \$8,970 for special assessment projects related to street reconstruction and resurfacing and \$31,030 for a variety of other capital infrastructure improvements. With the net premium received, the par amount of bonds required for the purposes described above was reduced to \$8,545 and \$29,280 respectively. Of the remaining proceeds, \$65 was used for cost of issuance expenses and the balance will be used for debt service on the bonds. The bonds were dated May 31, 2018 and were issued with fixed interest rates ranging from 3.00% to 5.00% and a final maturity date of December 1, 2027.

In May 2018, the City also issued a \$28,900 General Obligation Water Revenue Note of 2018A, to the Minnesota Public Facilities Authority as part of a federally-sponsored below market financing program related to the Safe Drinking Water Act. The note is being used to finance a portion of construction improvements for the Fridley Filter Plant Rehabilitation and the Recarbonation System Replacement projects. The subsidized interest rate is 1.01% with a final maturity date of August 20, 2032. The City received note proceeds of \$19,739 to reimburse project expenses as of June 25, 2018.

The City prepaid the following variable rate bank notes since December 31, 2017.

In April 2018, the City prepaid \$14,205 of the 2017 outstanding obligation on its general obligation variable rate notes using cash on hand in the Municipal Parking Enterprise Fund. Of this amount, \$7,905 paid down the General Obligation Term Loan Note, Series 2011A held by US Bank National Association, leaving a balance of \$2,750 on the Block E Tax Increment project. The City also used these funds to pay off the remaining balance of \$6,300 on its General Obligation Note, Series 2015C which was also held by US Bank National Association. The 2015C note was associated with several City parking ramps and lots.

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended December 31, 2017**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES:				
Taxes	\$ 291,370	\$ 291,370	\$ 295,004	\$ 3,634
Licenses and permits	42,935	42,935	45,091	2,156
Intergovernmental revenues	83,959	83,959	85,131	1,172
Charges for services and sales	45,613	45,656	51,007	5,351
Fines and forfeits	6,545	6,545	7,556	1,011
Special assessments	4,070	4,070	3,152	(918)
Investment earnings	2,200	2,200	3,186	986
Miscellaneous revenues	3,080	3,080	3,493	413
Total revenues	<u>479,772</u>	<u>479,815</u>	<u>493,620</u>	<u>13,805</u>
CURRENT EXPENDITURES:				
Current:				
General government:				
Mayor	2,072	2,072	2,001	71
Council & Clerk	8,361	8,539	8,142	397
Assessor	5,242	5,242	5,189	53
Attorney	10,188	10,188	9,676	512
Civil rights	3,861	4,033	3,728	305
Clerk - Elections	1,421	1,635	2,389	(754)
Coordinator	4,817	4,833	4,740	93
Coordinator - 311	4,101	4,184	4,113	71
Coordinator - Communications	2,254	2,254	2,236	18
Coordinator - Finance	22,464	22,464	22,126	338
Coordinator - Human resources	7,539	7,676	7,293	383
Coordinator - Intergovernmental relations	1,611	1,611	1,537	74
Internal audit	721	750	595	155
Contingency	4,000	4,000	-	4,000
Total general government	<u>78,652</u>	<u>79,481</u>	<u>73,765</u>	<u>5,716</u>
Public safety:				
Regulatory services	19,067	20,376	19,399	977
Coordinator - 911	9,878	9,951	9,714	237
Coordinator - Emergency management	1,205	1,205	1,170	35
Fire	65,086	65,086	66,166	(1,080)
Police	157,120	157,201	162,436	(5,235)
Total public safety	<u>252,356</u>	<u>253,819</u>	<u>258,885</u>	<u>(5,066)</u>
Public works:				
Administration	3,918	3,918	3,850	68
Engineering design	1,911	2,006	1,820	186
Field services	34,135	34,135	34,295	(160)
Transportation and special projects	19,115	19,296	19,585	(289)
Total public works	<u>59,079</u>	<u>59,355</u>	<u>59,550</u>	<u>(195)</u>
Culture and recreation - Library	<u>780</u>	<u>780</u>	<u>780</u>	<u>-</u>
Health and welfare - Health and family support	<u>10,409</u>	<u>10,476</u>	<u>10,426</u>	<u>50</u>
Community planning & economic development:				
Community planning & economic development	36,848	41,587	33,460	8,127
Coordinator - Neighborhood & community relations	264	264	264	-
Total community planning & economic development	<u>37,112</u>	<u>41,851</u>	<u>33,724</u>	<u>8,127</u>
Total expenditures	<u>438,388</u>	<u>445,762</u>	<u>437,130</u>	<u>8,632</u>
Excess (deficiency) of revenues over (under) expenditures	<u>41,384</u>	<u>34,053</u>	<u>56,490</u>	<u>22,437</u>
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	12,470	12,499	12,499	-
Transfers to other funds	(59,387)	(69,388)	(59,388)	10,000
Total other financing sources (uses)	<u>(46,917)</u>	<u>(56,889)</u>	<u>(46,889)</u>	<u>10,000</u>
Net change in fund balance	(5,533)	(22,836)	9,601	32,437
Fund balance - January 1	<u>107,497</u>	<u>107,497</u>	<u>107,497</u>	<u>-</u>
Fund balance - December 31	<u>\$ 101,964</u>	<u>\$ 84,661</u>	<u>\$ 117,098</u>	<u>\$ 32,437</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, 2017**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES:				
Taxes	\$ 48,185	\$ 48,185	\$ 52,974	\$ 4,789
Intergovernmental revenues	-	-	1	1
Charges for services and sales	-	-	1,507	1,507
Special assessments	-	-	204	204
Investment earnings	539	539	1,517	978
Miscellaneous revenues	5,963	5,963	5,092	(871)
Total revenues	<u>54,687</u>	<u>54,687</u>	<u>61,295</u>	<u>6,608</u>
EXPENDITURES:				
Current:				
Community planning & economic development	<u>35,887</u>	<u>68,620</u>	<u>27,647</u>	<u>40,973</u>
Excess (deficiency) of revenues over (under) expenditures	<u>18,800</u>	<u>(13,933)</u>	<u>33,648</u>	<u>47,581</u>
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	1,591	1,591	1,904	313
Transfers to other funds	<u>(20,669)</u>	<u>(24,183)</u>	<u>(22,523)</u>	<u>1,660</u>
Total other financing sources (uses)	<u>(19,078)</u>	<u>(22,592)</u>	<u>(20,619)</u>	<u>1,973</u>
Net change in fund balance	(278)	(36,525)	13,029	49,554
Fund balance - January 1	<u>202,129</u>	<u>202,129</u>	<u>202,129</u>	-
Fund balance - December 31	<u>\$ 201,851</u>	<u>\$ 165,604</u>	<u>\$ 215,158</u>	<u>\$ 49,554</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, 2017

(Dollar Amounts Expressed In Thousands)

**Schedule of City of Minneapolis' Contributions
PERA General Employees Retirement Plan
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%
December 31, 2016	30,921	30,921	-	178,002	17.4%
December 31, 2017	25,977	25,977	-	187,351	13.9%

**Schedule of Municipal Building Commission's Contributions
PERA General Employees Retirement Plan
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%
December 31, 2016	527	527	-	2,392	22.0%
December 31, 2017	538	538	-	2,706	19.9%

* 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.

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

For the Fiscal Year Ended December 31, 2017

(Dollar Amounts Expressed In Thousands)

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

Measurement Date	Employer's Proportion (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with City of Minneapolis (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a + b)	Employer's Covered Payroll** (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a/c)	Plan Fiduciary Net Position of the Total Pension Liability
June 30, 2015	6.8465%	\$ 354,821	N/A	\$ 354,821	\$ 160,155	221.5%	78.2%
June 30, 2016	6.5619%	532,790	6,959	539,749	172,446	309.0%	68.9%
June 30, 2017	5.2275%	333,721	4,254	337,975	182,342	183.0%	75.9%

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

Measurement Date	Employer's Proportion (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with Municipal Building Commission (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a + b)	Employer's Covered Payroll** (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a/c)	Plan Fiduciary Net Position of the Total Pension Liability
June 30, 2015	0.0870%	\$ 4,509	N/A	\$ 4,509	\$ 2,365	190.7%	78.2%
June 30, 2016	0.1116%	9,061	118	9,179	2,398	377.9%	68.9%
June 30, 2017	0.0857%	5,469	70	5,539	2,499	218.8%	75.9%

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

The measurement date for this schedule is June 30.

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

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

DEFINED BENEFIT PENSION PLANS

CITY OF MINNEAPOLIS, MINNESOTA

For the Fiscal Year Ended December 31, 2017

(Dollar Amounts Expressed In Thousands)

**Schedule of City of Minneapolis' Contributions
PERA Public Employees Police and Fire Plan
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%
December 31, 2016	31,460	31,460	-	109,924	28.6%
December 31, 2017	33,652	33,652	-	123,464	27.3%

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

Measurement Date	Employer's Proportion (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	Employer's Covered Payroll*** (b)	Employer's Proportionate Share 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	19.4220%	\$ 220,680	\$ 101,015	218.5%	86.6%
June 30, 2016	19.8370%	796,093	106,039	750.8%	63.9%
June 30, 2017	20.8345%	281,291	120,133	234.1%	85.4%

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

** This schedule is presented prospectively beginning with the fiscal year ended December 31, 2015.
The measurement date for this schedule is June 30.

*** 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.

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

For the Fiscal Year Ended December 31, 2017

(Dollar Amounts Expressed 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
December 31, 2016	2,250	2,250	-	-	N/A
December 31, 2017	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**)**

Measurement Date	City's Proportion (Percentage) of the Net Pension Liability (Asset)	City's Share (Amount) of the Net Pension Liability (Asset) (a)	Employer's Covered Payroll*** (b)	City's Proportionate Share 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%
June 30, 2016	0.5767%	137,557	-	N/A	44.9%
June 30, 2017	N/A	29,294	-	N/A	51.6%

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

** This schedule is presented prospectively beginning with the fiscal year ended December 31, 2015.
The measurement date for this schedule is June 30.

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

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

For the Fiscal Year Ended December 31, 2017

(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. This means all Public Works departments report as one department, all Coordinator departments report as one department, and the Council and Clerk and Clerk – Elections departments report as one. The following departments in the General Fund had expenditures in excess of appropriation for the fiscal year ending December 31, 2017.

	Final Budgeted			
	Amounts	Actual	Variance	
General Fund:				
Clerk - Elections	\$ 1,635	\$ 2,389	\$ (754)	
Fire	65,086	66,166	(1,080)	
Police	157,201	162,436	(5,235)	
Public Works	59,355	59,550	(195)	

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

NOTE 3 – DEFINED BENEFIT PENSION PLANS

A – Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred:

General Employees Retirement Plan

2017

- The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members (30 percent for deferred Minneapolis Employees Retirement Fund members). The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.
- Minneapolis Employees Retirement Fund plan provisions changed the employer supplemental contribution to \$21,000 in calendar years 2017 and 2018 and returns to \$31,000 through calendar year 2031. The State’s required contribution is \$16,000 in PERA’s fiscal years 2018 and 2019 and returns to \$6,000 annually through calendar year 2031.

2016

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter, to 1.00 percent for all future years.
- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was also changed from 7.90 percent to 7.50 percent.

For the Fiscal Year Ended December 31, 2017

(Dollar Amounts Expressed in Thousands)

NOTE 3 – DEFINED BENEFIT PENSION PLANS**A – Changes in Actuarial Assumptions (continued)**

- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

Public Employees Police and Fire Plan

2017

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The Combined Service Annuity (CSA) load was 30 percent for vested and non-vested deferred members. The CSA has been changed to 33 percent for vested members and 2 percent for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.0 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65 percent to 60 percent.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing Joint and Survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter.
- The single discount rate was changed from 5.60 per annum to 7.50 percent per annum.

2016

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2037 and 2.50 percent per year thereafter, to 1.00 percent for all future years.
- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.60 percent.
- The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

Teachers Retirement Association Fund

2017

- The investment return assumption was changed from 8.00 percent to 7.50 percent.
- The cost of living adjustment (COLA) was not assumed to increase to 2.50 percent, but remain at 2.0 percent for all future years.
- The price inflation was lowered from 2.75 percent to 2.50 percent.

NOTE 3 – DEFINED BENEFIT PENSION PLANS

A – Changes in Actuarial Assumptions

Teachers Retirement Association Fund (continued)

- The general wage growth assumption was lowered from 3.50 percent to 2.85 percent for 10 years followed by 3.25 percent, thereafter.
- The payroll growth assumption was lowered from 3.50 percent to 3.00 percent.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.
- The Combined Service Annuity (CSA) loads were reduced from 1.40 percent to 0.00 percent for active load, the vested inactive load increase from 4.00 percent to 7.00 percent and the non-vested inactive load increased from 4.00 percent to 9.00 percent.

2016

- The single discount rate was changed from 8.00 percent to 4.66 percent.
- Other assumption changed pursuant to the experience study dated June 5, 2015. The assumed wage growth, payroll growth and inflation were decreased by 0.25 percent. The assumed wage growth and payroll growth were reduced from 3.75 percent to 3.50 percent. Inflation was reduced from 3.00 percent to 2.75 percent.

NOTE 4 – 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)
1/1/2013	\$ -	\$ 118,093	\$ 118,093	0.0%	\$ 284,134	41.6%
1/1/2015	-	35,720	35,720	0.0%	329,441	10.8%
1/1/2017	-	34,807	34,807	0.0%	312,773	11.1%

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. Changes since prior valuation are explained below.

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality table was updated from RP 2000 rates to the RP-2014 adjusted to 2006 White Collar Mortality Tables with MP-2016 Generational Improvement Scale (Blue Collar Tables for Police and Fire Personnel).
- The withdrawal and retirement tables for non-police and fire employees were updated.
- The prior actuary assumed 20% of retirees electing medical coverage would also elect spousal coverage.
- This assumption was updated to assume that 85% of males and 65% of females are married and 30% of married retirees elect spousal coverage.
- The salary increase assumption was updated from 2.5% to 2.9%.
- The discount rate was changed from 3.00% to 3.50%.



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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

HUD Consolidated Plan – This fund accounts for federal formula-based grants received from the U.S. Department of Housing and 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

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

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

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 and 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 the 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 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 the 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’

Agency Funds

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

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, 2017

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

<u>ASSETS</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Total Non-Major Governmental</u>
Cash and cash equivalents	\$ 110,869	\$ 24,504	\$ 135,373
Investments with trustees	-	2,822	2,822
Receivables:			
Accounts - net	2,356	-	2,356
Taxes	318	984	1,302
Special assessments	849	-	849
Intergovernmental	7,078	-	7,078
Loans - net	24,413	-	24,413
Loans due from component unit	1,010	-	1,010
Accrued interest	268	54	322
Due from other funds	1,500	1,332	2,832
Properties held for resale	8,344	-	8,344
Total assets	<u>\$ 157,005</u>	<u>\$ 29,696</u>	<u>\$ 186,701</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u>			
Liabilities:			
Salaries payable	\$ 920	\$ -	\$ 920
Accounts payable	10,305	2	10,307
Due to other funds	1,500	1,332	2,832
Deposits held for others	2,277	-	2,277
Advances from other funds	-	849	849
Unearned revenue	5,505	-	5,505
Total liabilities	<u>20,507</u>	<u>2,183</u>	<u>22,690</u>
Deferred inflows of resources:			
Unavailable revenue	26,135	691	26,826
Fund balances:			
Restricted	12,821	28,861	41,682
Assigned	97,542	-	97,542
Unassigned	-	(2,039)	(2,039)
Total fund balances	<u>110,363</u>	<u>26,822</u>	<u>137,185</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 157,005</u>	<u>\$ 29,696</u>	<u>\$ 186,701</u>

**GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NON-MAJOR FUNDS
For the Fiscal Year Ended December 31, 2017**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Total Non-Major Governmental</u>
REVENUES:			
Taxes	\$ 26,196	\$ 46,778	\$ 72,974
Licenses and permits	970	-	970
Intergovernmental revenues	51,433	4,174	55,607
Charges for services and sales	11,633	-	11,633
Fines and forfeits	227	-	227
Special assessments	9,572	-	9,572
Investment earnings	1,080	434	1,514
Miscellaneous revenues	19,873	4,149	24,022
Total revenues	<u>120,984</u>	<u>55,535</u>	<u>176,519</u>
EXPENDITURES:			
Current:			
General government	27,007	-	27,007
Public safety	25,270	-	25,270
Public works	254	-	254
Health and welfare	13,371	-	13,371
Community planning & economic development	94,412	-	94,412
Intergovernmental:			
Public safety	111	-	111
Debt Service:			
Principal retirement	-	123,805	123,805
Interest and fiscal charges	-	13,565	13,565
Total expenditures	<u>160,425</u>	<u>137,370</u>	<u>297,795</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(39,441)</u>	<u>(81,835)</u>	<u>(121,276)</u>
OTHER FINANCING SOURCES (USES):			
Transfers from other funds	60,469	40,238	100,707
Transfers to other funds	(34,598)	(1,974)	(36,572)
Premium (discount)	-	1,427	1,427
Refunding bonds issued	-	39,915	39,915
Total other financing sources (uses)	<u>25,871</u>	<u>79,606</u>	<u>105,477</u>
Net change in fund balances	(13,570)	(2,229)	(15,799)
Fund balances - January 1	<u>123,933</u>	<u>29,051</u>	<u>152,984</u>
Fund balances - December 31	<u>\$ 110,363</u>	<u>\$ 26,822</u>	<u>\$ 137,185</u>



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**SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
NON-MAJOR FUNDS
December 31, 2017**

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>Self-Managed Special Service Districts</u>
<u>ASSETS</u>					
Cash and cash equivalents	\$ 10,121	\$ 224	\$ 56,623	\$ 1,171	\$ 318
Receivables:					
Accounts - net	737	-	725	15	-
Taxes	-	2	-	-	-
Special assessments	-	-	-	-	10
Intergovernmental	-	-	-	-	-
Loans - net	-	-	-	24,413	-
Loans due from component unit	-	-	1,010	-	-
Accrued interest	30	-	166	-	1
Due from other funds	-	-	-	-	-
Properties held for resale	-	-	-	6,192	-
Total assets	<u>\$ 10,888</u>	<u>\$ 226</u>	<u>\$ 58,524</u>	<u>\$ 31,791</u>	<u>\$ 329</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u>					
Liabilities:					
Salaries payable	\$ 6	\$ 8	\$ 390	\$ 98	\$ -
Accounts payable	2,211	4	3,685	1,017	5
Due to other funds	-	-	-	-	-
Deposits held for others	-	-	2,269	-	-
Unearned revenue	-	-	-	71	1
Total liabilities	<u>2,217</u>	<u>12</u>	<u>6,344</u>	<u>1,186</u>	<u>6</u>
Deferred inflows of resources:					
Unavailable revenue	<u>744</u>	<u>1</u>	<u>38</u>	<u>24,413</u>	<u>5</u>
Fund balances:					
Restricted	-	-	-	6,192	-
Assigned	<u>7,927</u>	<u>213</u>	<u>52,142</u>	<u>-</u>	<u>318</u>
Total fund balances	<u>7,927</u>	<u>213</u>	<u>52,142</u>	<u>6,192</u>	<u>318</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 10,888</u>	<u>\$ 226</u>	<u>\$ 58,524</u>	<u>\$ 31,791</u>	<u>\$ 329</u>

**SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
NON-MAJOR FUNDS
December 31, 2017**

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

(In Thousands)

Employee Retirement	Grants-Federal	Grants-Other	Police	Neighborhood & Community Relations	Regulatory Services	Total
\$ 28,995	\$ 85	\$ 4,069	\$ 2,224	\$ 3,507	\$ 3,532	\$ 110,869
-	66	143	621	-	49	2,356
316	-	-	-	-	-	318
-	-	-	-	-	839	849
-	3,584	3,470	-	-	24	7,078
-	-	-	-	-	-	24,413
-	-	-	-	-	-	1,010
61	-	-	-	-	10	268
-	-	1,500	-	-	-	1,500
-	952	1,200	-	-	-	8,344
<u>\$ 29,372</u>	<u>\$ 4,687</u>	<u>\$ 10,382</u>	<u>\$ 2,845</u>	<u>\$ 3,507</u>	<u>\$ 4,454</u>	<u>\$ 157,005</u>
\$ -	\$ 106	\$ 119	\$ 72	\$ 41	\$ 80	\$ 920
-	1,234	1,730	167	160	92	10,305
-	1,500	-	-	-	-	1,500
-	-	-	-	-	8	2,277
-	670	4,743	20	-	-	5,505
-	3,510	6,592	259	201	180	20,507
195	-	-	-	-	739	26,135
-	952	3,790	1,887	-	-	12,821
29,177	225	-	699	3,306	3,535	97,542
29,177	1,177	3,790	2,586	3,306	3,535	110,363
<u>\$ 29,372</u>	<u>\$ 4,687</u>	<u>\$ 10,382</u>	<u>\$ 2,845</u>	<u>\$ 3,507</u>	<u>\$ 4,454</u>	<u>\$ 157,005</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, 2017

(In Thousands)

	Arena Reserve	Board of Estimate and Taxation	Convention Center	HUD Consolidated Plan	Self-Managed Special Service Districts
REVENUES:					
Taxes	\$ 1,293	\$ 177	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Intergovernmental revenues	-	-	-	14,198	-
Charges for services and sales	-	-	6,613	2,289	-
Fines and forfeits	-	-	-	-	-
Special assessments	-	-	-	30	6,693
Investment earnings	48	-	743	87	(8)
Miscellaneous revenues	1,433	-	13,215	613	-
Total revenues	<u>2,774</u>	<u>177</u>	<u>20,571</u>	<u>17,217</u>	<u>6,685</u>
EXPENDITURES:					
Current:					
General government	-	211	-	1,758	6,882
Public safety	-	-	-	768	-
Public works	-	-	-	-	-
Health and welfare	-	-	-	715	-
Community planning & economic development	9,875	-	47,094	14,328	-
Intergovernmental:					
Public safety	-	-	-	-	-
Total expenditures	<u>9,875</u>	<u>211</u>	<u>47,094</u>	<u>17,569</u>	<u>6,882</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(7,101)</u>	<u>(34)</u>	<u>(26,523)</u>	<u>(352)</u>	<u>(197)</u>
OTHER FINANCING SOURCES (USES):					
Transfers from other funds	3,940	4	49,786	-	250
Transfers to other funds	-	-	(34,598)	-	-
Total other financing sources (uses)	<u>3,940</u>	<u>4</u>	<u>15,188</u>	<u>-</u>	<u>250</u>
Net change in fund balances	(3,161)	(30)	(11,335)	(352)	53
Fund balances - January 1	<u>11,088</u>	<u>243</u>	<u>63,477</u>	<u>6,544</u>	<u>265</u>
Fund balances - December 31	<u>\$ 7,927</u>	<u>\$ 213</u>	<u>\$ 52,142</u>	<u>\$ 6,192</u>	<u>\$ 318</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, 2017

(In Thousands)

Employee Retirement	Grants-Federal	Grants-Other	Police	Neighborhood & Community Relations	Regulatory Services	Total
\$ 24,463	\$ -	\$ 39	\$ 224	\$ -	\$ -	\$ 26,196
-	-	-	892	-	78	970
4,761	14,153	17,983	338	-	-	51,433
-	169	1,189	1,334	-	39	11,633
-	-	-	154	-	73	227
-	-	1	-	-	2,848	9,572
170	-	4	3	-	33	1,080
3,303	118	1,191	-	-	-	19,873
<u>32,697</u>	<u>14,440</u>	<u>20,407</u>	<u>2,945</u>	<u>-</u>	<u>3,071</u>	<u>120,984</u>
16,515	547	1,094	-	-	-	27,007
13,648	3,170	982	2,798	-	3,904	25,270
-	230	24	-	-	-	254
-	7,239	5,417	-	-	-	13,371
-	3,300	12,679	-	6,898	238	94,412
-	111	-	-	-	-	111
<u>30,163</u>	<u>14,597</u>	<u>20,196</u>	<u>2,798</u>	<u>6,898</u>	<u>4,142</u>	<u>160,425</u>
<u>2,534</u>	<u>(157)</u>	<u>211</u>	<u>147</u>	<u>(6,898)</u>	<u>(1,071)</u>	<u>(39,441)</u>
-	-	1	-	6,488	-	60,469
-	-	-	-	-	-	(34,598)
-	-	1	-	6,488	-	25,871
2,534	(157)	212	147	(410)	(1,071)	(13,570)
<u>26,643</u>	<u>1,334</u>	<u>3,578</u>	<u>2,439</u>	<u>3,716</u>	<u>4,606</u>	<u>123,933</u>
<u>\$ 29,177</u>	<u>\$ 1,177</u>	<u>\$ 3,790</u>	<u>\$ 2,586</u>	<u>\$ 3,306</u>	<u>\$ 3,535</u>	<u>\$ 110,363</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, 2017**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES:				
Taxes	\$ 1,270	\$ 1,270	\$ 1,293	\$ 23
Investment earnings	156	156	48	(108)
Miscellaneous revenues	1,433	1,433	1,433	-
Total revenues	<u>2,859</u>	<u>2,859</u>	<u>2,774</u>	<u>(85)</u>
EXPENDITURES:				
Current:				
Community planning & economic development	<u>6,894</u>	<u>12,198</u>	<u>9,875</u>	<u>2,323</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,035)</u>	<u>(9,339)</u>	<u>(7,101)</u>	<u>2,238</u>
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	<u>3,940</u>	<u>3,940</u>	<u>3,940</u>	<u>-</u>
Net change in fund balance	(95)	(5,399)	(3,161)	2,238
Fund balance - January 1	<u>11,088</u>	<u>11,088</u>	<u>11,088</u>	<u>-</u>
Fund balance - December 31	<u>\$ 10,993</u>	<u>\$ 5,689</u>	<u>\$ 7,927</u>	<u>\$ 2,238</u>

BOARD OF ESTIMATE AND TAXATION SPECIAL REVENUE FUND CITY OF MINNEAPOLIS, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended December 31, 2017 **(In Thousands)**

	Budgeted Amount		Actual	Variance
	Original	Final		
REVENUES:				
Taxes	\$ 180	\$ 180	\$ 177	\$ (3)
EXPENDITURES:				
Current:				
General government	216	216	211	5
Excess (deficiency) of revenues over (under) expenditures	(36)	(36)	(34)	2
OTHER FINANCING SOURCES (USES):				
Proceeds from bonds				-
Transfers from other funds	4	4	4	-
Net change in fund balance	(32)	(32)	(30)	2
Fund balance - January 1	243	243	243	-
Fund balance - December 31	\$ 211	\$ 211	\$ 213	\$ 2

**CONVENTION CENTER SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended December 31, 2017**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Budgeted Amount		Actual	Variance
	Original	Final		
REVENUES:				
Charges for services and sales	\$ 6,700	\$ 6,700	\$ 6,613	\$ (87)
Investment earnings	671	671	743	72
Miscellaneous revenues	12,058	12,058	13,215	1,157
Total revenues	<u>19,429</u>	<u>19,429</u>	<u>20,571</u>	<u>1,142</u>
EXPENDITURES:				
Current:				
Community planning & economic development	46,892	49,372	47,094	2,278
Capital Outlay				
Community planning & economic development	10,500	10,500	-	10,500
Total Expenditures	<u>57,392</u>	<u>59,872</u>	<u>47,094</u>	<u>12,778</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(37,963)</u>	<u>(40,443)</u>	<u>(26,523)</u>	<u>13,920</u>
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	49,786	49,786	49,786	-
Transfers to other funds	<u>(34,779)</u>	<u>(34,779)</u>	<u>(34,598)</u>	<u>181</u>
Total other financing sources (uses)	<u>15,007</u>	<u>15,007</u>	<u>15,188</u>	<u>181</u>
Net change in fund balance	(22,956)	(25,436)	(11,335)	14,101
Fund balance - January 1	<u>63,477</u>	<u>63,477</u>	<u>63,477</u>	<u>-</u>
Accounting period adjustment				
Fund balance - December 31	<u>\$ 40,521</u>	<u>\$ 38,041</u>	<u>\$ 52,142</u>	<u>\$ 14,101</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, 2017**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES:				
Intergovernmental revenues	\$ 14,463	\$ 15,810	\$ 14,198	\$ (1,612)
Charges for services and sales	-	500	2,289	1,789
Special assessments	-	294	30	(264)
Investment earnings	-	-	87	87
Miscellaneous revenues	1,217	1,217	613	(604)
Total revenues	<u>15,680</u>	<u>17,821</u>	<u>17,217</u>	<u>(604)</u>
EXPENDITURES:				
Current:				
General government	2,017	2,017	1,758	259
Public safety	912	1,018	768	250
Health and welfare	682	715	715	-
Community planning & economic development	12,069	14,104	14,328	(224)
Total expenditures	<u>15,680</u>	<u>17,854</u>	<u>17,569</u>	<u>285</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(33)</u>	<u>(352)</u>	<u>(319)</u>
Net change in fund balance	-	(33)	(352)	(319)
Fund balance - January 1	<u>6,544</u>	<u>6,544</u>	<u>6,544</u>	<u>-</u>
Fund balance - December 31	<u>\$ 6,544</u>	<u>\$ 6,511</u>	<u>\$ 6,192</u>	<u>\$ (319)</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, 2017**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Special assessments	\$ 6,220	\$ 6,645	\$ 6,693	\$ 48
Investment earnings	-	-	(8)	(8)
Total revenues	<u>6,220</u>	<u>6,645</u>	<u>6,685</u>	<u>40</u>
EXPENDITURES:				
Current:				
General government	<u>6,470</u>	<u>6,895</u>	<u>6,882</u>	<u>13</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(250)</u>	<u>(250)</u>	<u>(197)</u>	<u>53</u>
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	<u>250</u>	<u>250</u>	<u>250</u>	<u>-</u>
Net change in fund balance	-	-	53	53
Fund balance - January 1	<u>265</u>	<u>265</u>	<u>265</u>	<u>-</u>
Fund balance - December 31	<u>\$ 265</u>	<u>\$ 265</u>	<u>\$ 318</u>	<u>\$ 53</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, 2017**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES:				
Taxes	\$ 26,703	\$ 26,703	\$ 24,463	\$ (2,240)
Intergovernmental revenues	4,857	4,857	4,761	(96)
Investment earnings	-	-	170	170
Miscellaneous revenues	4,803	4,803	3,303	(1,500)
Total revenues	<u>36,363</u>	<u>36,363</u>	<u>32,697</u>	<u>(3,666)</u>
EXPENDITURES:				
Current:				
General government	22,991	22,991	16,515	6,476
Public safety	13,372	13,372	13,648	(276)
Total expenditures	<u>36,363</u>	<u>36,363</u>	<u>30,163</u>	<u>6,200</u>
Net change in fund balance	-	-	2,534	2,534
Fund balance - January 1	<u>26,643</u>	<u>26,643</u>	<u>26,643</u>	-
Fund balance - December 31	<u>\$ 26,643</u>	<u>\$ 26,643</u>	<u>\$ 29,177</u>	<u>\$ 2,534</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, 2017**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES:				
Intergovernmental revenues	\$ 11,636	\$ 19,547	\$ 14,153	\$ (5,394)
Charges for services and sales	-	-	169	169
Special assessments	-	101	-	(101)
Miscellaneous revenues	-	-	118	118
Total revenues	<u>11,636</u>	<u>19,648</u>	<u>14,440</u>	<u>(5,208)</u>
EXPENDITURES:				
Current:				
General government	1,126	2,553	547	2,006
Public safety	2,878	6,760	3,170	3,590
Public works	-	331	230	101
Health and welfare	5,022	7,749	7,239	510
Community planning & economic development	2,610	3,706	3,300	406
Intergovernmental:				
Public safety	-	111	111	-
Total expenditures	<u>11,636</u>	<u>21,210</u>	<u>14,597</u>	<u>6,613</u>
Net change in fund balance	-	(1,562)	(157)	1,405
Fund balance - January 1	<u>1,334</u>	<u>1,334</u>	<u>1,334</u>	-
Fund balance - December 31	<u>\$ 1,334</u>	<u>\$ (228)</u>	<u>\$ 1,177</u>	<u>\$ 1,405</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, 2017**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES:				
Taxes	\$ 7	\$ 7	\$ 39	\$ 32
Intergovernmental revenues	7,068	22,638	17,983	(4,655)
Charges for services and sales	1,036	1,038	1,189	151
Special assessments	-	-	1	1
Investment earnings	-	-	4	4
Miscellaneous revenues	1,312	5,060	1,191	(3,869)
Total revenues	<u>9,423</u>	<u>28,743</u>	<u>20,407</u>	<u>(8,336)</u>
EXPENDITURES:				
Current:				
General government	1,266	3,449	1,094	2,355
Public safety	1,013	1,939	982	957
Public works	-	25	24	1
Health and welfare	5,144	7,891	5,417	2,474
Community planning & economic development	2,000	16,546	12,679	3,867
Total expenditures	<u>9,423</u>	<u>29,850</u>	<u>20,196</u>	<u>9,654</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(1,107)</u>	<u>211</u>	<u>1,318</u>
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	<u>-</u>	<u>1</u>	<u>1</u>	<u>-</u>
Net change in fund balance	-	(1,106)	212	1,318
Fund balance - January 1	<u>3,578</u>	<u>3,578</u>	<u>3,578</u>	<u>-</u>
Fund balance - December 31	<u>\$ 3,578</u>	<u>\$ 2,472</u>	<u>\$ 3,790</u>	<u>\$ 1,318</u>

**POLICE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended December 31, 2017**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES:				
Taxes	\$ 184	\$ 184	\$ 224	\$ 40
Licenses and permits	1,073	1,073	892	(181)
Intergovernmental revenues	-	-	338	338
Charges for services and sales	1,267	1,382	1,334	(48)
Fines and forfeits	400	400	154	(246)
Investment earnings	-	-	3	3
Total revenues	<u>2,924</u>	<u>3,039</u>	<u>2,945</u>	<u>(94)</u>
EXPENDITURES:				
Current:				
General government	100	100	-	100
Public safety	2,924	3,039	2,798	241
Total expenditures	<u>3,024</u>	<u>3,139</u>	<u>2,798</u>	<u>341</u>
Net change in fund balance	(100)	(100)	147	247
Fund balance - January 1	<u>2,439</u>	<u>2,439</u>	<u>2,439</u>	<u>-</u>
Fund balance - December 31	<u>\$ 2,339</u>	<u>\$ 2,339</u>	<u>\$ 2,586</u>	<u>\$ 247</u>

NEIGHBORHOOD AND COMMUNITY RELATIONS SPECIAL REVENUE FUND CITY OF MINNEAPOLIS, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended December 31, 2017 **(In Thousands)**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Total revenues	\$ -	\$ -	\$ -	\$ -
EXPENDITURES:				
Current:				
Community planning & economic development	6,488	6,898	6,898	-
Total expenditures	6,488	6,898	6,898	-
Excess (deficiency) of revenues over (under) expenditures	(6,488)	(6,898)	(6,898)	-
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	6,488	6,488	6,488	-
Net change in fund balance	-	(410)	(410)	-
Fund balance - January 1	3,716	3,716	3,716	-
Fund balance - December 31	<u>\$ 3,716</u>	<u>\$ 3,306</u>	<u>\$ 3,306</u>	<u>\$ -</u>

**REGULATORY SERVICES SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended December 31, 2017**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES:				
Licenses and permits	\$ -	\$ -	\$ 78	\$ 78
Charges for services and sales	75	125	39	(86)
Fines and forfeits	-	-	73	73
Special assessments	3,300	3,300	2,848	(452)
Investment earnings	-	-	33	33
Miscellaneous revenues	50	-	-	-
Total revenues	<u>3,425</u>	<u>3,425</u>	<u>3,071</u>	<u>(354)</u>
EXPENDITURES:				
General government				
Current:				
Public safety	5,015	5,015	3,904	1,111
Community planning & economic development	238	238	238	-
Total expenditures	<u>5,253</u>	<u>5,253</u>	<u>4,142</u>	<u>1,111</u>
Net change in fund balance	(1,828)	(1,828)	(1,071)	757
Fund balance - January 1	<u>4,606</u>	<u>4,606</u>	<u>4,606</u>	<u>-</u>
Fund balance - December 31	<u>\$ 2,778</u>	<u>\$ 2,778</u>	<u>\$ 3,535</u>	<u>\$ 757</u>

DEBT SERVICE FUNDS
 COMBINING BALANCE SHEET
 NON-MAJOR FUNDS
 December 31, 2017

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	\$ 221	\$ 144	\$ 24,139	\$ 24,504
Investments with trustees	2,822	-	-	2,822
Receivables:				
Taxes	-	-	984	984
Accrued interest	1	-	53	54
Due from other funds	-	-	1,332	1,332
Total assets	<u>\$ 3,044</u>	<u>\$ 144</u>	<u>\$ 26,508</u>	<u>\$ 29,696</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ -	\$ 2	\$ -	\$ 2
Due to other funds	-	1,332	-	1,332
Advance from other funds	-	849	-	849
Total liabilities	<u>-</u>	<u>2,183</u>	<u>-</u>	<u>2,183</u>
Deferred Inflows of Resources:				
Unavailable revenue	-	-	691	691
Fund balances:				
Restricted	3,044	-	25,817	28,861
Unassigned	-	(2,039)	-	(2,039)
Total fund balances:	<u>3,044</u>	<u>(2,039)</u>	<u>25,817</u>	<u>26,822</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,044</u>	<u>\$ 144</u>	<u>\$ 26,508</u>	<u>\$ 29,696</u>

DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NON-MAJOR FUNDS
For the Fiscal Year Ended December 31, 2017

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Community Development Agency	Development	General Debt Service	Total
REVENUES:				
Taxes	\$ -	\$ -	\$ 46,778	\$ 46,778
Intergovernmental revenues	-	-	4,174	4,174
Investment earnings	13	26	395	434
Miscellaneous revenues	-	2,931	1,218	4,149
Total revenues	<u>13</u>	<u>2,957</u>	<u>52,565</u>	<u>55,535</u>
EXPENDITURES:				
Debt Service:				
Principal retirement	1,320	67,105	55,380	123,805
Interest and fiscal charges	779	9,455	3,331	13,565
Total expenditures	<u>2,099</u>	<u>76,560</u>	<u>58,711</u>	<u>137,370</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,086)</u>	<u>(73,603)</u>	<u>(6,146)</u>	<u>(81,835)</u>
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	4,128	35,116	994	40,238
Transfers to other funds	(1,904)	(70)	-	(1,974)
Premium (discount)	-	1,427	-	1,427
Refunding bonds issued	-	39,915	-	39,915
Total other financing sources (uses)	<u>2,224</u>	<u>76,388</u>	<u>994</u>	<u>79,606</u>
Net change in fund balances	138	2,785	(5,152)	(2,229)
Fund balances - January 1	<u>2,906</u>	<u>(4,824)</u>	<u>30,969</u>	<u>29,051</u>
Fund balances - December 31	<u>\$ 3,044</u>	<u>\$ (2,039)</u>	<u>\$ 25,817</u>	<u>\$ 26,822</u>

**INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
December 31, 2017**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Engineering Materials and Testing	Inter- governmental Services	Property Services	Equipment Services	Public Works Stores	Self- Insurance	Total
<u>ASSETS</u>							
Current assets:							
Cash and cash equivalents	\$ 1,527	\$ 23,572	\$ 8,098	\$ 30,350	\$ 1,988	\$ 90,007	\$ 155,542
Receivables:							
Accounts	10	1	75	127	-	8	221
Inventories	-	-	11	1,273	5,015	-	6,299
Properties held for resale	-	-	-	-	-	433	433
Prepaid items	-	2,180	-	-	-	-	2,180
Total current assets	<u>1,537</u>	<u>25,753</u>	<u>8,184</u>	<u>31,750</u>	<u>7,003</u>	<u>90,448</u>	<u>164,675</u>
Long-term assets:							
Advances to other funds	-	-	-	-	-	849	849
Capital assets:							
Non-depreciable:							
Land and easements	-	-	20,821	2,186	-	-	23,007
Construction in progress	-	9,258	188	4,632	-	-	14,078
Depreciable:							
Buildings and structures	-	-	25,588	30,061	-	-	55,649
Less accumulated depreciation	-	-	(21,961)	(10,895)	-	-	(32,856)
Public improvements	-	-	7,937	1,704	-	-	9,641
Less accumulated depreciation	-	-	(4,014)	(583)	-	-	(4,597)
Machinery and equipment	483	1,791	12,706	93,499	30	-	108,509
Less accumulated depreciation	(305)	(600)	(10,906)	(56,985)	(1)	-	(68,797)
Computer equipment	61	47,115	162	-	-	-	47,338
Less accumulated depreciation	(61)	(43,903)	(162)	-	-	-	(44,126)
Software	-	58,102	8	96	-	-	58,206
Less accumulated depreciation	-	(30,669)	(8)	(32)	-	-	(30,709)
Other capital outlay	15	-	21	-	-	-	36
Less accumulated depreciation	(15)	-	(21)	-	-	-	(36)
Total long - term assets	<u>178</u>	<u>41,094</u>	<u>30,359</u>	<u>63,683</u>	<u>29</u>	<u>849</u>	<u>136,192</u>
Total assets	<u>\$ 1,715</u>	<u>\$ 66,847</u>	<u>\$ 38,543</u>	<u>\$ 95,433</u>	<u>\$ 7,032</u>	<u>\$ 91,297</u>	<u>\$ 300,867</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>							
Deferred outflows - pensions	\$ 293	\$ 3,209	\$ 1,513	\$ 1,948	\$ 322	\$ 2,065	\$ 9,350
<u>LIABILITIES</u>							
Current liabilities:							
Salaries payable	\$ 26	\$ 329	\$ 182	\$ 194	\$ 29	\$ 175	\$ 935
Accounts payable	212	3,290	866	2,369	392	1,385	8,514
Deposits held for others	-	-	-	-	-	2	2
Interest payable	-	-	2	22	-	-	24
Unearned revenue	-	2,028	311	-	-	-	2,339
Bonds payable - current portion	-	-	853	9,081	-	-	9,934
Compensated absences payable - current portion	50	497	308	308	50	330	1,543
Unpaid claims payable - current portion	-	-	-	-	-	11,365	11,365
Total current liabilities	<u>288</u>	<u>6,144</u>	<u>2,522</u>	<u>11,974</u>	<u>471</u>	<u>13,257</u>	<u>34,656</u>
Long-term liabilities:							
Compensated absences payable	20	197	122	122	20	131	612
Other postemployment benefits	22	144	128	295	28	157	774
Net pension liability	1,398	15,302	7,217	9,291	1,534	9,849	44,591
Unpaid claims payable	-	-	-	-	-	43,727	43,727
Total long - term liabilities	<u>1,440</u>	<u>15,643</u>	<u>7,467</u>	<u>9,708</u>	<u>1,582</u>	<u>53,864</u>	<u>89,704</u>
Total liabilities	<u>\$ 1,728</u>	<u>\$ 21,787</u>	<u>\$ 9,989</u>	<u>\$ 21,682</u>	<u>\$ 2,053</u>	<u>\$ 67,121</u>	<u>\$ 124,360</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>							
Deferred inflows - pensions	\$ 172	\$ 1,881	\$ 888	\$ 1,141	\$ 189	\$ 1,211	\$ 5,482
<u>NET POSITION</u>							
Net investment in capital assets	\$ 178	\$ 41,094	\$ 29,505	\$ 54,602	\$ 29	\$ -	\$ 125,408
Unrestricted	(70)	5,294	(326)	19,956	5,083	25,030	54,967
Total net position	<u>\$ 108</u>	<u>\$ 46,388</u>	<u>\$ 29,179</u>	<u>\$ 74,558</u>	<u>\$ 5,112</u>	<u>\$ 25,030</u>	<u>\$ 180,375</u>

**INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION**

CITY OF MINNEAPOLIS, MINNESOTA

For the Fiscal Year Ended December 31, 2017

(In Thousands)

	Engineering Materials and Testing	Inter- governmental Services	Property Services	Equipment Services	Public Works Stores	Self- Insurance	Total
Operating revenues:							
Charges for services and sales	\$ 6,297	\$ 39,222	\$ 4,901	\$ 15,260	\$ 2,363	\$ 31,530	\$ 99,573
Fines and forfeits	-	-	-	-	-	10	10
Rents and commissions	-	-	19,657	18,918	-	-	38,575
Total operating revenues	6,297	39,222	24,558	34,178	2,363	31,540	138,158
Operating expenses:							
Personnel costs	1,308	12,313	7,982	8,408	1,335	16,656	48,002
Contractual services	804	22,329	14,364	6,430	269	8,636	52,832
Materials, supplies, services and other	4,498	4,554	1,818	6,133	143	5,503	22,649
Depreciation	9	9,725	794	7,554	1	-	18,083
Total operating expenses	6,619	48,921	24,958	28,525	1,748	30,795	141,566
Operating income (loss)	(322)	(9,699)	(400)	5,653	615	745	(3,408)
Nonoperating revenues (expenses):							
Investment earnings	-	-	-	-	-	31	31
Interest expense	-	-	(11)	(220)	-	-	(231)
Gain (loss) on disposal of capital assets	-	(14)	-	291	-	-	277
Other revenues	1	6	84	20	170	2,268	2,549
Total nonoperating revenues (expenses)	1	(8)	73	91	170	2,299	2,626
Income (loss) before transfers	(321)	(9,707)	(327)	5,744	785	3,044	(782)
Transfers in (out):							
Transfers from other funds	-	1,383	1,300	2,304	-	297	5,284
Transfers to other funds	-	(3,000)	(1,924)	-	-	(29)	(4,953)
Total transfers	-	(1,617)	(624)	2,304	-	268	331
Change in net position	(321)	(11,324)	(951)	8,048	785	3,312	(451)
Net position - January 1, restated (see Note 1Q)	429	57,712	30,130	66,510	4,327	21,718	180,826
Net position - December 31	\$ 108	\$ 46,388	\$ 29,179	\$ 74,558	\$ 5,112	\$ 25,030	\$ 180,375

**INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Fiscal Year Ended December 31, 2017**

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	\$ 14	\$ 151	\$ 567	\$ 8	\$ 58	\$ 35	\$ 833
Cash received from interfund activities	6,287	38,574	24,305	34,214	7,674	31,540	142,594
Payments to suppliers	(4,630)	(25,809)	(14,648)	(7,451)	(5,674)	(7,701)	(65,913)
Payments to employees	(1,171)	(10,642)	(7,213)	(7,453)	(1,155)	(15,634)	(43,268)
Payments for interfund activities	(498)	(1,950)	(2,002)	(4,239)	(273)	(3,459)	(12,421)
Other nonoperating revenue	1	6	84	20	170	2,268	2,549
Net cash provided (used) by operating activities	3	330	1,093	15,099	800	7,049	24,374
Cash flows from non-capital financing activities:							
Transfers from other funds	-	1,383	1,300	2,304	-	297	5,284
Repayment of advance from other funds	-	-	-	-	-	2,646	2,646
Interest paid on advance from other funds	-	-	-	-	-	31	31
Transfers to other funds	-	(3,000)	(1,924)	-	-	(29)	(4,953)
Net cash provided (used) by non-capital financing activities	-	(1,617)	(624)	2,304	-	2,945	3,008
Cash flows from capital and related financing activities:							
Principal paid on bonds	-	-	(820)	(2,340)	-	-	(3,160)
Interest paid on bonds	-	-	(49)	(337)	-	-	(386)
Acquisition and construction of capital assets	(21)	(6,009)	(106)	(11,623)	(30)	-	(17,789)
Proceeds from sale of capital assets	-	-	-	334	-	-	334
Net cash provided (used) by capital and related financing activities	(21)	(6,009)	(975)	(13,966)	(30)	-	(21,001)
Net increase (decrease) in cash and cash equivalents	(18)	(7,296)	(506)	3,437	770	9,994	6,381
Cash and cash equivalents, beginning of year	1,545	30,868	8,604	26,913	1,218	80,013	149,161
Cash and cash equivalents, end of year	\$ 1,527	\$ 23,572	\$ 8,098	\$ 30,350	\$ 1,988	\$ 90,007	\$ 155,542
Reconciliation of operating income to net cash provided (used) by operating activities							
Operating income (loss)	\$ (322)	\$ (9,699)	\$ (400)	\$ 5,653	\$ 615	\$ 745	\$ (3,408)
Adjustment to reconcile change in net position to net cash provided (used) by operating activities:							
Depreciation	9	9,725	794	7,554	1	-	18,083
Accounts receivable	4	(1)	3	2	-	34	42
Intergovernmental receivable	-	-	-	41	-	-	41
Inventories	-	-	2	(83)	(219)	-	(300)
Prepaid items	-	(570)	-	-	-	-	(570)
Deferred outflows - pensions	350	3,832	1,807	2,327	384	2,467	11,167
Salaries payable	(2)	20	3	(35)	5	(2)	(11)
Accounts payable	174	(306)	(470)	957	54	(244)	165
Unearned revenue	-	(496)	311	-	-	-	(185)
Compensated absences payable	(4)	84	25	35	16	13	169
Other postemployment benefits	-	3	2	5	-	3	13
Net pension liability	(231)	(2,528)	(1,192)	(1,535)	(253)	(1,627)	(7,366)
Unpaid claims payable	-	-	-	-	-	3,224	3,224
Deferred inflows - pensions	24	260	124	158	27	168	761
Other nonoperating revenue	1	6	84	20	170	2,268	2,549
Net cash provided (used) by operating activities	\$ 3	\$ 330	\$ 1,093	\$ 15,099	\$ 800	\$ 7,049	\$ 24,374
Non-cash investing, capital and financing activities:							
Loss on disposal of capital assets	\$ -	\$ (14)	\$ -	\$ (72)	\$ -	\$ -	\$ (86)
Sale of capital assets on account	-	-	-	116	-	-	116

COMBINING STATEMENT OF FIDUCIARY NET POSITION
 AGENCY FUNDS
 December 31, 2017

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	<u>Minneapolis Agency</u>	<u>Minneapolis Youth Coordinating Board Agency</u>	<u>Joint Board Agency</u>	<u>Total</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 193	\$ 990	\$ 17	\$ 1,200
Receivables:				
Accounts	34	18	68	120
Total assets	<u>\$ 227</u>	<u>\$ 1,008</u>	<u>\$ 85</u>	<u>\$ 1,320</u>
<u>LIABILITIES</u>				
Accounts payable	\$ -	\$ 1,008	\$ 85	\$ 1,093
Intergovernmental payable	227	-	-	227
Total liabilities	<u>\$ 227</u>	<u>\$ 1,008</u>	<u>\$ 85</u>	<u>\$ 1,320</u>

**FIDUCIARY FUNDS
COMBINING STATEMENT OF CHANGES
IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the fiscal year ended December 31, 2017**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	<u>Balance January 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31, 2017</u>
MINNEAPOLIS AGENCY				
<u>ASSETS</u>				
Cash and cash equivalents	\$ 417	\$ 397,402	\$ 397,626	\$ 193
Receivables:				
Accounts	6	178	150	34
Total assets	<u>423</u>	<u>397,580</u>	<u>397,776</u>	<u>227</u>
<u>LIABILITIES</u>				
Intergovernmental payable	<u>423</u>	<u>406,389</u>	<u>406,585</u>	<u>227</u>
MINNEAPOLIS YOUTH COORDINATING BOARD AGENCY				
<u>ASSETS</u>				
Cash and cash equivalents	836	1,817	1,663	990
Receivables:				
Accounts	225	18	225	18
Total assets	<u>1,061</u>	<u>1,835</u>	<u>1,888</u>	<u>1,008</u>
<u>LIABILITIES</u>				
Accounts payable	<u>1,061</u>	<u>1,835</u>	<u>1,888</u>	<u>1,008</u>
JOINT BOARD AGENCY				
<u>ASSETS</u>				
Cash and cash equivalents	18	-	1	17
Receivables:				
Accounts	68	-	-	68
Total assets	<u>86</u>	<u>-</u>	<u>1</u>	<u>85</u>
<u>LIABILITIES</u>				
Accounts payable	<u>86</u>	<u>-</u>	<u>1</u>	<u>85</u>
TOTAL ALL AGENCY FUNDS				
<u>ASSETS</u>				
Cash and cash equivalents	1,271	399,219	399,290	1,200
Receivables:				
Accounts	299	196	375	120
Total assets	<u>1,570</u>	<u>399,415</u>	<u>399,665</u>	<u>1,320</u>
<u>LIABILITIES</u>				
Accounts payable	1,147	1,835	1,889	1,093
Intergovernmental payable	423	406,389	406,585	227
Total liabilities	<u>\$ 1,570</u>	<u>\$ 408,224</u>	<u>\$ 408,474</u>	<u>\$ 1,320</u>

SCHEDULE OF GOVERNMENTAL ACTIVITY BONDS AND NOTES

CITY OF MINNEAPOLIS, MINNESOTA

December 31, 2017

(In Thousands)

Issues Outstanding	Interest Rates	Issue Date	Final Maturity Date	Issued	Retired	Outstanding	Principal Due in 2018	Interest Due in 2018
<u>Property Tax Supported General Obligation Bonds and Notes</u>								
General Infrastructure Bonds and Notes								
Bridges	2.00%	10/20/16	12/01/17	5,400	5,400	-	-	-
	3.00% to 4.00%	05/17/17	12/01/18	266	145	121	121	5
	5.00%	12/05/17	12/01/18	1,360	-	1,360	1,360	67
Park Improvements	2.00%	10/20/16	12/01/18	10,175	5,175	5,000	5,000	100
	5.00%	12/05/17	12/01/18	10,070	-	10,070	10,070	498
Parkway Improvements	2.00%	10/20/16	12/01/17	1,230	1,230	-	-	-
	5.00%	12/05/17	12/01/18	670	-	670	670	33
Public Buildings	2.00%	10/20/16	12/01/17	4,850	4,850	-	-	-
	3.00% to 4.00%	05/17/17	12/01/19	3,760	-	3,760	1,880	150
	5.00%	12/05/17	12/01/18	385	-	385	385	19
Municipal Buildings	2.00%	10/20/16	12/01/17	1,565	1,565	-	-	-
	3.00% to 4.00%	05/17/17	12/01/18	215	-	215	215	9
	5.00%	12/05/17	12/01/18	3,750	-	3,750	3,750	185
Street Improvements	0.50%	12/03/13	12/01/17	13,795	13,795	-	-	-
	Variable - Note	12/18/15	12/01/18	15,175	15,175	-	-	-
	2.00%	10/20/16	12/01/18	15,820	14,295	1,525	1,525	30
	3.00% to 4.00%	05/17/17	12/01/19	8,719	300	8,419	4,039	337
	5.00%	12/05/17	12/01/20	19,145	-	19,145	5,235	947
Information Tech & Art	2.00%	10/20/16	12/01/18	7,135	6,435	700	700	14
	5.00%	12/05/17	12/01/18	1,375	-	1,375	1,375	68
Sub-total General Infrastructure Bonds and Notes				124,860	68,365	56,495	36,325	2,462
Library Referendum Bonds	2.00%	11/22/11	12/01/19	42,200	16,100	26,100	4,000	522
	2.00% to 2.38%	10/30/12	12/01/25	28,860	7,600	21,260	1,700	449
	1.00% to 2.00%	12/03/13	12/01/18	17,930	10,865	7,065	7,065	141
Sub-total Library Referendum Bonds				88,990	34,565	54,425	12,765	1,112
Total Property Tax Supported General Obligation Bonds and Notes				213,850	102,930	110,920	49,090	3,574

SCHEDULE OF GOVERNMENTAL ACTIVITY BONDS AND NOTES

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

December 31, 2017

Issues Outstanding	Interest Rates	Issue Date	Final Maturity Date	Issued	Retired	Outstanding	Principal Due in 2018	Interest Due in 2018
<u>Self-Supporting General Obligation Bonds and Notes</u>								
Convention Center	2.00%	11/22/11	12/01/18	39,300	37,300	2,000	2,000	40
	3.00%	04/05/11	12/01/17	33,800	33,800	-	-	-
	3.25% to 3.80%	04/05/11	12/01/20	71,250	-	71,250	20,250	2,521
	1.00% to 2.00%	10/30/12	12/01/17	4,200	4,200	-	-	-
Park Acquisition	3.00%	06/24/10	12/01/20	5,795	3,980	1,815	590	55
Park Board Energy Efficiency Project	2.00% to 5.00%	06/03/10	12/01/17	450	450	-	-	-
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	425	6,575	250	216
Downtown East	0.95% to 4.63%	03/04/14	03/01/44	61,905	80	61,825	310	2,662
Target Center (Sales Tax)	Variable - Note	03/23/16	03/21/18	69,000	40,000	29,000	2,000	870
Target Center (Sales Tax) Refunding	3.25% to 4.25%	05/17/17	12/01/35	39,915	-	39,915	1,575	1,455
Total Self-Supporting General Obligation Bonds and Notes				335,415	120,235	215,180	26,975	7,875
<u>Special Assessment General Obligation Bonds and Notes</u>								
Improvements	3.50% to 4.50%	11/17/05	12/01/17	960	960	-	-	-
	3.00%	06/24/10	12/01/18	1,970	1,425	545	545	16
	3.00%	06/24/10	12/01/18	3,380	1,850	1,530	1,530	46
	3.00%	06/24/10	12/01/18	3,375	1,975	1,400	1,400	42
	1.00% to 2.00%	10/30/12	12/01/24	4,600	2,450	2,150	425	43
	2.00%	10/20/16	12/01/26	4,440	380	4,060	355	81
	2.00% to 4.00%	11/22/10	12/01/25	5,950	5,950	-	-	-
	2.00% to 3.50%	11/22/11	12/01/31	8,495	7,225	1,270	100	40
	2.00% to 2.63%	12/04/12	12/01/32	5,535	4,210	1,325	90	30
	1.00% to 2.00%	12/03/13	12/01/33	13,035	7,520	5,515	1,730	153
	2.00% to 3.50%	12/02/14	12/01/34	5,930	3,480	2,450	1,000	53
	2.00%	10/20/16	12/01/26	7,185	2,420	4,765	1,220	95
	3.00% to 4.00%	05/17/17	12/01/27	8,820	1,245	7,575	1,145	276
Housing Improvement Area Bonds	3.00% to 4.30%	12/03/13	12/01/32	1,260	190	1,070	50	42

SCHEDULE OF GOVERNMENTAL ACTIVITY BONDS AND NOTES

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

December 31, 2017

Issues Outstanding	Interest Rates	Issue Date	Final Maturity Date	Issued	Retired	Outstanding	Principal Due in 2018	Interest Due in 2018
<u>Special Assessment General Obligation Bonds and Notes (continued)</u>								
Nicollet Mall Improvement	Variable - Note	12/18/15	06/17/21	25,000	20,200	4,800	300	144
Nicollet Mall Improvement (Refunding)	3.00% to 4.00%	05/17/17	12/01/27	16,095	805	15,290	805	499
Northrop Lane Improvement (Refunding)	4.00% to 5.00%	11/17/05	12/01/18	35	35	-	-	-
Park Diseased Trees	1.00% to 2.00%	12/02/14	12/01/19	100	60	40	20	1
	2.00%	10/20/16	12/01/21	500	100	400	100	8
	5.00%	12/05/17	12/01/22	300	-	300	60	15
Total Special Assessment General Obligation Bonds and Notes				116,965	62,480	54,485	10,875	1,584
<u>Tax Increment General Obligation Bonds and Notes</u>								
Tax Redevelopment - Arena Acquisition	2.50% to 4.90%	12/30/09	03/01/25	57,480	17,515	39,965	3,500	1,748
West Side Milling District Tax Increment	2.00% to 4.40%	06/24/10	03/01/23	14,900	6,400	8,500	1,225	323
Block E Development (Refunding)	Variable - Note	01/03/12	12/01/22	5,170	2,420	2,750	490	82
Milwaukee Depot Development (Refunding)	2.00% to 3.50%	10/01/09	03/01/28	5,400	1,640	3,760	260	120
Humboldt Greenway	2.00% to 4.00%	06/24/10	03/01/30	4,170	750	3,420	200	113
Heritage Park (Refunding)	2.00% to 3.000%	10/30/12	03/01/26	3,000	880	2,120	200	48
Total Tax Increment General Obligation Bonds and Notes				90,120	29,605	60,515	5,875	2,434
<u>Tax Increment Revenue Bonds</u>								
2015 Village at St. Anthony Falls - Tax Exempt Refunding	1.60% to 4.00%	03/05/15	03/01/27	8,245	1,065	7,180	560	253
2015 Ivy Tower Refunding	1.25% to 5.00%	09/24/15	03/01/29	6,085	465	5,620	345	226
2015 Grant Park Tax Increment Revenue Refunding	1.55% to 4.00%	03/12/15	03/01/30	7,460	735	6,725	380	236
2015 East River Unocal Site Refunding	1.25% to 4.00%	09/24/15	03/01/25	920	140	780	80	27
Total Tax Increment Revenue Bonds				22,710	2,405	20,305	1,365	742
<u>Tax Increment Revenue Notes</u>								
Section 108 - Midtown Exchange	Variable - Note	12/01/04	08/01/24	6,500	2,795	3,705	435	122
Total Tax Increment Revenue Notes				6,500	2,795	3,705	435	122
Total General Government Bonds and Notes				785,560	320,450	465,110	94,615	16,331

SCHEDULE OF GOVERNMENTAL ACTIVITY BONDS AND NOTES

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

December 31, 2017

Issues Outstanding	Interest Rates	Issue Date	Final Maturity Date	Issued	Retired	Outstanding	Principal Due in 2018	Interest Due in 2018
<u>Internal Service Funds General Obligation Bonds</u>								
<u>Equipment Services Fund General Obligation Bonds</u>								
Currie Facility	3.00%	06/24/10	12/01/18	16,640	8,070	8,570	8,570	257
Equipment Purchases 2003 (Refunding)	3.00%	06/24/10	12/01/18	4,470	4,050	420	420	13
Equipment Purchases 2004 (Refunding)	1.00% to 2.00%	10/30/12	12/01/17	1,500	1,500	-	-	-
Sub-total Equipment Services Fund General Obligation Bonds				22,610	13,620	8,990	8,990	270
<u>Property Services Fund General Obligation Bonds</u>								
	3.00%	06/24/10	12/01/18	4,290	3,470	820	820	24
	3.00%	06/24/10	12/01/17	2,535	2,535	-	-	-
Sub-total Property Services Fund General Obligation Bonds				6,825	6,005	820	820	24
Total Internal Service Funds General Obligation Bonds				29,435	19,625	9,810	9,810	294
Total Governmental Activity Bonds and Notes				814,995	340,075	474,920	104,425	16,625

SCHEDULE OF BUSINESS-TYPE ACTIVITY BONDS AND NOTES

CITY OF MINNEAPOLIS, MINNESOTA

December 31, 2017

(In Thousands)

<u>Issues Outstanding</u>	<u>Interest Rates</u>	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Issued</u>	<u>Retired</u>	<u>Outstanding</u>	<u>Principal Due in 2018</u>	<u>Interest Due in 2018</u>
<u>Sanitary Sewer Fund General Obligation Bonds</u>								
	0.50% to 2.00%	12/03/13	12/01/19	7,050	4,050	3,000	1,500	60
	2.00%	10/20/16	12/01/23	20,750	1,900	18,850	1,900	377
	5.00%	12/05/17	12/01/22	5,960	-	5,960	1,080	295
Total Sanitary Sewer Fund General Obligation Bonds				<u>33,760</u>	<u>5,950</u>	<u>27,810</u>	<u>4,480</u>	<u>732</u>
<u>Water Treatment and Distribution Services Fund General Obligation Bonds and Notes</u>								
	2.00%	10/20/16	12/01/23	11,245	2,500	8,745	1,500	175
	2.00% to 5.00%	06/03/10	12/01/17	3,366	3,366	-	-	-
	2.00%	10/20/16	12/01/24	11,500	1,250	10,250	700	205
	1.00% to 2.00%	12/02/14	12/01/19	6,000	3,540	2,460	1,480	42
	5.00%	12/05/17	12/01/22	11,320	-	11,320	3,135	560
Drinking Water Program - Notes Payable								
	2.82%	12/17/02	08/20/22	27,400	14,400	13,000	2,500	366
	2.80%	02/21/04	08/20/23	25,000	6,350	18,650	1,700	522
	2.53%	03/23/05	08/20/19	12,500	8,675	3,825	1,850	97
	2.60%	08/23/06	08/20/26	13,500	5,295	8,205	930	213
	2.69%	12/09/09	08/20/27	19,558	1,323	18,235	110	490
	1.00%	03/02/10	08/20/21	6,230	3,155	3,075	785	31
Total Water Treatment and Distribution Services Fund General Obligation Bonds and Notes				<u>147,619</u>	<u>49,854</u>	<u>97,765</u>	<u>14,690</u>	<u>2,701</u>
<u>Municipal Parking Fund General Obligation Bonds and Notes</u>								
	4.00% to 5.00%	11/17/05	12/01/17	685	685	-	-	-
	Variable - Note	01/19/16	12/01/18	114	-	114	114	3
	2.00%	10/20/16	12/01/26	17,600	-	17,600	-	352
	3.50% to 5.00%	11/17/05	12/01/17	5,340	5,340	-	-	-
	3.00% to 4.00%	06/24/10	12/01/26	10,325	2,825	7,500	625	248
	2.00% to 2.50%	10/30/12	12/01/26	22,060	4,115	17,945	1,220	386
	Variable - Note	01/03/12	12/01/20	6,810	2,420	4,390	1,345	132
	Variable - Note	01/03/12	12/01/33	27,980	190	27,790	195	834
	1.00% to 2.00%	10/30/12	12/01/18	1,900	1,500	400	400	8
	3.50% to 5.00%	11/17/05	12/01/21	7,100	7,100	-	-	-
	Variable - Note	01/19/16	12/01/21	4,080	-	4,080	890	122
	2.00% to 3.25%	10/01/09	03/01/26	13,675	13,675	-	-	-
	3.50% to 5.00%	11/17/05	12/01/21	15,355	15,355	-	-	-
	Variable-Note	01/19/16	12/01/21	2,106	-	2,106	496	63
	Variable-Note	01/03/12	12/01/32	3,860	345	3,515	135	105
	5.00%	12/05/17	12/01/19	1,995	-	1,995	995	99
Total Municipal Parking Fund General Obligation Bonds and Notes				<u>140,985</u>	<u>53,550</u>	<u>87,435</u>	<u>6,415</u>	<u>2,352</u>
Total Business-type Activity General Obligation Bonds and Notes				<u>322,364</u>	<u>109,354</u>	<u>213,010</u>	<u>25,585</u>	<u>5,785</u>

SCHEDULE OF BUSINESS-TYPE ACTIVITY BONDS AND NOTES

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

December 31, 2017

<u>Issues Outstanding</u>	<u>Interest Rates</u>	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Issued</u>	<u>Retired</u>	<u>Outstanding</u>	<u>Principal Due in 2018</u>	<u>Interest Due in 2018</u>
<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	2,400	-	-	-
Cord Sets	4.10% to 5.50%	07/01/98	06/01/18	1,500	1,410	90	90	2
Discount Steel - A	5.00% to 5.25%	12/01/99	06/01/19	1,900	1,495	405	225	15
Kristol Properties	2.45% to 5.12%	11/20/03	12/01/23	3,300	2,405	895	130	46
Hennepin Theatre Trust	5.23% to 6.30%	12/20/05	12/01/35	21,055	4,470	16,585	525	1,037
Quality Resource Group	5.28% to 5.84%	03/04/07	12/01/27	3,100	3,100	-	-	-
New French Acquisition Holdco, Inc (Taxable and Tax Exempt)	4.62% to 5.70%	07/26/07	06/01/28	8,990	8,990	-	-	-
Open Systems International, Inc	2.29% to 6.60%	06/01/10	06/01/40	18,000	1,790	16,210	340	1,023
Open Access Technology International Inc (Taxable and Tax Exempt)	1.25% to 6.25%	12/29/10	12/01/40	25,000	6,690	18,310	1,085	1,065
LifeSource Project	3.00% to 4.00%	10/17/13	06/01/39	12,595	790	11,805	340	516
Total Community Planning & Economic Development Fund - GARFS Bonds				97,840	33,540	64,300	2,735	3,704
Total Business-type Activity Bonds and Notes				420,204	142,894	277,310	28,320	9,489

SCHEDULE OF INTERGOVERNMENTAL REVENUE

CITY OF MINNEAPOLIS, MINNESOTA

For the Fiscal Year Ended December 31, 2017

(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	\$ 68,543	\$ -	\$ -	\$ -	\$ 68,543	\$ -	\$ -	\$ -	\$ -	\$ 68,543
Police state aid	7,295	-	-	1,501	8,796	-	-	-	-	8,796
Fire state aid	2,055	-	-	3,222	5,277	-	-	-	-	5,277
PERA rate increase aid	530	1	-	-	531	-	-	-	-	531
Market value homestead credit	-	-	-	3	3	-	-	-	-	3
Other aid	-	-	-	4,120	4,120	-	-	-	-	4,120
Municipal state aid	4,454	-	12,422	-	16,876	-	1,130	4	1,134	18,010
Total shared revenue	<u>82,877</u>	<u>1</u>	<u>12,422</u>	<u>8,846</u>	<u>104,146</u>	<u>-</u>	<u>1,130</u>	<u>4</u>	<u>1,134</u>	<u>105,280</u>
Payments										
Local										
County state aid	969	-	232	-	1,201	-	366	-	366	1,567
County grants	8	-	38	554	600	-	50	1,526	1,576	2,176
Mississippi watershed management organization	-	-	-	-	-	-	952	-	952	952
Metropolitan council	-	-	-	6,321	6,321	845	-	-	845	7,166
Minnesota historical society	-	-	74	67	141	-	-	-	-	141
Minneapolis public schools	-	-	-	38	38	-	-	-	-	38
Other local payments	43	-	155	200	398	-	-	-	-	398
Payments in lieu of tax	261	-	1	90	352	-	-	-	-	352
Total local	<u>1,281</u>	<u>-</u>	<u>500</u>	<u>7,270</u>	<u>9,051</u>	<u>845</u>	<u>1,368</u>	<u>1,526</u>	<u>3,739</u>	<u>12,790</u>
Grants										
State										
Department of employment and economic development	-	-	18,439	4,876	23,315	-	-	-	-	23,315
Department of health	-	-	-	4,130	4,130	-	-	-	-	4,130
Department of public safety	269	-	-	526	795	-	-	-	-	795
Department of transportation	704	-	766	9	1,479	311	119	-	430	1,909
Minnesota soil and resources board	-	-	-	-	-	-	111	-	111	111
Department of commerce	-	-	-	157	157	-	-	-	-	157
Minnesota housing finance agency	-	-	-	859	859	-	-	-	-	859
Minnesota pollution control agency	-	-	-	-	-	-	-	8	8	8
Minnesota judicial branch	-	-	-	48	48	-	-	-	-	48
Minnesota department of veteran affairs	-	-	-	10	10	-	-	-	-	10
Minnesota board of firefighter training and education	-	-	-	188	188	-	-	-	-	188
Total state grants	<u>973</u>	<u>-</u>	<u>19,205</u>	<u>10,803</u>	<u>30,981</u>	<u>311</u>	<u>230</u>	<u>8</u>	<u>549</u>	<u>31,530</u>
Federal										
Department of health and human services	-	-	-	5,784	5,784	-	-	-	-	5,784
Department of homeland security	-	-	1	2,027	2,028	-	-	-	-	2,028
Department of housing and urban development	-	-	-	16,138	16,138	-	-	-	-	16,138
Department of the interior	-	-	-	16	16	-	-	-	-	16
Department of justice	-	-	-	1,328	1,328	-	-	-	-	1,328
Department of labor	-	-	-	2,567	2,567	-	-	-	-	2,567
Department of transportation	-	-	10,930	517	11,447	-	-	-	-	11,447
Equal employment opportunity commission	-	-	-	7	7	-	-	-	-	7
National endowment for the arts	-	-	-	9	9	-	-	-	-	9
Department of treasury	-	-	-	295	295	-	-	-	-	295
Total federal grants	<u>-</u>	<u>-</u>	<u>10,931</u>	<u>28,688</u>	<u>39,619</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,619</u>
Total state and federal grants	<u>973</u>	<u>-</u>	<u>30,136</u>	<u>39,491</u>	<u>70,600</u>	<u>311</u>	<u>230</u>	<u>8</u>	<u>549</u>	<u>71,149</u>
Total intergovernmental revenue	<u>\$ 85,131</u>	<u>\$ 1</u>	<u>\$ 43,058</u>	<u>\$ 55,607</u>	<u>\$ 183,797</u>	<u>\$ 1,156</u>	<u>\$ 2,728</u>	<u>\$ 1,538</u>	<u>\$ 5,422</u>	<u>\$ 189,219</u>

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 ALL FUND TYPES
 For the Fiscal Year Ended December 31, 2017

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

Federal Grantor Pass Through Agency Program or Cluster Title	Federal CFDA	Pass-through Grant Numbers	Expenditures	Passed Through to Subrecipients
U.S. Department of Housing and Urban Development				
Direct				
CDBG - Entitlement Grants Cluster				
Community Development Block Grants/Entitlement Grants	14.218		\$ 11,973	\$ 2,663
Total CDBG - Entitlement Grants Cluster (\$11,973)				
Emergency Solutions Grant Program	14.231		845	663
Home Investment Partnerships Program	14.239		3,289	-
Housing Opportunities for Persons with AIDS (HOPWA)	14.241		1,077	1,062
Neighborhood Stabilization Program - ARRA	14.256		(207)	-
Lead Based Paint Hazard Control in Privately-Owned Housing	14.900		1,912	-
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	468	-
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	02-2011-02-NSP3	53	-
Total CFDA 14.228			521	-
Total Department of Housing and Urban Development			\$ 19,410	\$ 4,388
Department of the Interior-National Parks Service				
Passed Through Minnesota Historical Society				
Historic Preservation Fund Grants-In-Aid	15.904	4709519	\$ 16	\$ -
U.S. Department of Justice				
Direct				
Drug Court Discretionary Grant Program	16.585		\$ 60	\$ -
Grants to Encourage Arrest Policies and Enforcement of Protection Orders	16.590		76	-
Public Safety Partnership and Community Policing Grants	16.710		406	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738		21	-
Total Edward Byrne Memorial Justice Assistance Grant Program (CFDA 16.738 - \$165)				
Bryne Criminal Innovations Program	16.817		30	30
Children Exposed to Violence	16.818		79	-
National Forum on Youth Violence Prevention	16.819		1	-
Passed Through Minnesota Department of Public Safety				
Juvenile Accountability Block Grant	16.523	A-JABGSP-2016-HFS-0002	(2)	-
Crime Victim Assistance	16.575	A-CVS-2016-MPLS	(2)	-
Crime Victim Assistance	16.575	A-CVS-2017-MPLS-HFS	140	138
Total CFDA 16.575			138	138
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	A-NFSIA-2017-MPLSPD-00004	9	-
Passed Through Hennepin County				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	A140666	80	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	A153627-SR	64	-
Total CFDA 16.738			144	-
Total Edward Byrne Memorial Justice Assistance Grant Program (CFDA 16.738 - \$165)				
Total Department of Justice			\$ 962	\$ 168

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 ALL FUND TYPES
 For the Fiscal Year Ended December 31, 2017

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

Federal Grantor Pass Through Agency Program or Cluster Title	Federal CFDA	Pass-through Grant Numbers	Expenditures	Passed Through to Subrecipients
U.S. Department of Labor				
Direct				
Reentry Employment Opportunities	17.270		\$ 132	\$ -
Passed Through Minnesota Department of Employment and Economic Development				
Workforce Innovation Opportunity Act (WIOA) Cluster				
WIOA Adult Program	17.258	5103100	19	-
WIOA Adult Program	17.258	6103100	443	394
WIOA Adult Program	17.258	7103100	278	92
Total CFDA 17.258			<u>740</u>	<u>486</u>
WIOA Youth Activities	17.259	5103601	4	4
WIOA Youth Activities	17.259	6103600	981	854
WIOA Youth Activities	17.259	7103600	155	70
Total CFDA 17.259			<u>1,140</u>	<u>928</u>
WIOA Dislocated Workers	17.278	4108001	3	-
WIOA Dislocated Workers	17.278	6108000	309	126
WIOA Dislocated Workers	17.278	7108000	56	47
Total CFDA 17.278			<u>368</u>	<u>173</u>
Total WIOA Cluster (\$2,248)				
WIOA National Dislocated Worker Grants / WIA National Emergency Grants	17.277	5107200	90	44
Passed Through Employ Milwaukee				
H-1B Job Training Grants	17.268	HG-30128-17-60-A-55	97	-
Total Department of Labor			\$ 2,567	\$ 1,631
U.S. Department of Transportation				
Passed Through Minnesota Department of Transportation				
Highway Planning and Construction Cluster				
Highway Planning and Construction	20.205	03973	\$ (14)	\$ -
Highway Planning and Construction	20.205	93496	15	-
Highway Planning and Construction	20.205	99903	8,974	-
Highway Planning and Construction	20.205	1000608	4	-
Total CFDA 20.205			<u>8,979</u>	<u>-</u>
Total Highway Planning and Construction Cluster (\$8,979)				
Passed Through Minnesota Department of Public Safety				
Highway Safety Cluster				
State and Community Highway Safety	20.600	A-ENFRC17-2017-MPLSPD-015	23	-
State and Community Highway Safety	20.600	A-ENFRC18-2018-MPLSPD-010	8	-
Total CFDA 20.600			<u>31</u>	<u>-</u>
National Priority Safety Programs	20.616	A-ENFRC17-2017-MPLSPD-015	3	-
National Priority Safety Programs	20.616	A-OFFICR17-2017-MPLSPD-004	21	-
National Priority Safety Programs	20.616	A-OFFICR18-2018-MPLSPD-013	14	-
Total CFDA 20.616			<u>38</u>	<u>-</u>
Total Highway Safety Cluster (\$69)				

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
ALL FUND TYPES
For the Fiscal Year Ended December 31, 2017**

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

Federal Grantor Pass Through Agency Program or Cluster Title	Federal CFDA	Pass-through Grant Numbers	Expenditures	Passed Through to Subrecipients
U.S. Department of Transportation				
Passed Through Minnesota Department of Public Safety (Continued)				
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	A-ENFRC17-2017-MPLSPD-015	42	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	A-ENFRC18-2018-MPLSPD-010	46	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	A-OFFICR17-2017-MPLSPD-004	42	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	A-OFFICR18-2018-MPLSPD-013	17	-
Total CFDA 20.608			<u>147</u>	<u>-</u>
Passed Through Metropolitan Council				
Federal Transit Cluster				
Federal Transit Capital Investment Grants	20.500	10I045R	20	-
Federal Transit Formula Grants	20.507	MN-2016-004	232	232
Total Federal Transit Cluster (\$252)			<u>252</u>	<u>232</u>
Total Department of Transportation			\$ 9,447	\$ 232
National Endowment for the Arts				
Direct				
Promotion of the Arts Grants to Organizations and Individuals	45.024		<u>\$ 9</u>	<u>\$ -</u>
U.S. Department of Health and Human Services				
Direct				
Food and Drug Administration Research	93.103		\$ 2	\$ -
Maternal and Child Health Federal Consolidated Programs	93.110		177	100
Injury Prevention and Control Research and State and Community Based Programs	93.136		229	42
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243		441	33
Healthy Start Initiative	93.926		726	511
Passed Through Minnesota Department of Health				
Public Health Emergency Preparedness	93.069	65488	183	-
Public Health Emergency Preparedness	93.069	127925	111	-
Public Health Emergency Preparedness	93.069	90407	11	-
Total CFDA 93.069			<u>305</u>	<u>-</u>
Pregnancy Assistance Fund Program	93.500	131721	35	33
Maternal, Infant and Early Childhood Home Visiting Cluster				
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	115011	152	152
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	102299	163	163
Total CFDA 93.505			<u>315</u>	<u>315</u>
Maternal, Infant and Early Childhood Home Visiting Cluster				
Maternal, Infant and Early Childhood Home Visiting Grant Program	93.870	118492	389	379
Total Maternal, Infant and Early Childhood Home Visiting Cluster (\$704)				

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
ALL FUND TYPES
For the Fiscal Year Ended December 31, 2017**

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

Federal Grantor Pass Through Agency Program or Cluster Title	Federal CFDA	Pass-through Grant Numbers	Expenditures	Passed Through to Subrecipients
U.S. Department of Health and Human Services				
Passed Through Minnesota Department of Health (Continued)				
TANF Cluster				
Temporary Assistance for Needy Families (TANF)	93.558	93083	601	544
Temporary Assistance for Needy Families (TANF)	93.558	127474	505	458
Total CFDA 93.558			1,106	1,002
Total Temporary Assistance for Needy Families (CFDA 93.558 - \$1,257)				
Total TANF Cluster (\$1,257)				
Child Lead Poisoning Prevention Surveillance financed in part by Prevention and Public Health (PPHF) Program	93.753	107286	15	-
State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease and Stroke (PPHF)	93.757	12-700-00079	831	444
Maternal and Child Health Services Block Grant to the States	93.994	86869	821	269
Passed Through Minnesota Department of Employment and Economic Development				
TANF Cluster				
Temporary Assistance for Needy Families (TANF)	93.558	8107400	151	5
Total Temporary Assistance for Needy Families (CFDA 93.558 - \$1,257)				
Total TANF Cluster (\$1,257)				
Passed Through Hennepin County				
Teenage Pregnancy Prevention Program	93.297	A153906-SR	117	-
Passed Through Regents of the University of Minnesota				
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	P004828001	12	-
Total Department of Health and Human Services			\$ 5,672	\$ 3,133
U.S. Department of Homeland Security				
Direct				
Assistance To Firefighters Grant	97.044		\$ 498	\$ -
Passed Through Minnesota Department of Public Safety				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	418DRMNP00000001	545	-
Emergency Management Performance Grants	97.042	A-EMPG-2017-MPLSEMER-050	30	-
Homeland Security Grant Program	97.067	A-SHSP-2016-MPLSBOMB-00015	118	-
Homeland Security Grant Program	97.067	A-UASI-2015-MPLSEMER-0008	546	-
Homeland Security Grant Program	97.067	A-UASI-2016-MPLSEMER-008	711	138
Homeland Security Grant Program	97.067	A-UASI-2017-MPLSEMER-008	66	-
Passed through City of Minneapolis				
Homeland Security Grant Program	97.067	C-41661	135	-
Total CFDA 97.067			1,576	138
Total U.S. Department of Homeland Security			\$ 2,649	\$ 138
Total Federal Awards			\$ 40,732	\$ 9,690

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

For the Fiscal Year Ended December 31, 2017

(Dollars 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, Minneapolis Park and Recreation Board, and Municipal Building Commission component units of the City. For the year ended December 31, 2017, the level of federal funding for the Minneapolis Park and Recreation Board and Municipal Building Commission did not require that separate single audits be performed for the component units. The City's, Minneapolis Park and Recreation Board's and Municipal Building Commission's reporting entities are defined in Note 1 to the financial statements.

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, 2017. 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, as applicable, either 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 of Minneapolis has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

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For the Fiscal Year Ended December 31, 2017

(Dollars Amounts Expressed in Thousands)

NOTE 4 – RECONCILIATION TO SCHEDULE OF INTERGOVERNMENTAL REVENUE

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 39,619
Federal Fixed Price Contracts	
Equal Employment Opportunity Commission	(7)
Minnesota Family Investment Program	(95)
Police Task Force Agreements	
Minnesota Cold Case Investigations Task Force	(10)
Drug Enforcement Admin Task Force	(27)
Minnesota Cyber Crime Task Force	(17)
Safe Streets Violent Crime Task Force	(195)
U.S. Marshalls Overtime - Predatory Offenders Unit	(13)
U.S. Marshalls Overtime May - December 2017	(10)
Joint Terrorism Task Force	(7)
Violent Crimes Investigation - ATF	(45)
Violent Crimes Investigation - HIS	(58)
Toward Zero Deaths Partners	(110)
Timing Differences Between Expenditures and Related Reimbursements	(50)
Expenditures occurring in 2016 reimbursed in 2017	(1,936)
Revenue received in 2017 for future years expenditures	(338)
Federal Program Income	
Neighborhood Stabilization Program - ARRA	73
Lead-Based Paint Hazard Control in Privately - Owned Housing	141
Neighborhood Stabilization Program	177
Community Development Block Grants/Entitlement Grants	1,753
Home Investment Partnerships Program	1,161
Expenditures for the Minneapolis Park and Recreation Board	
Highway Planning and Construction Cluster	4
Highway Safety Cluster - State and Community Highway Safety	5
Highway Safety Cluster - National priority Safety Programs	6
Minimum Penalties for Repeated Offenders for Driving While Intoxicated	31
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	545
Homeland Security Grant Program	55
Expenditures for the Municipal Building Commission	
Homeland Security Grant Program	80
Expenditures per Schedule of Expenditures of Federal Awards	<u>\$ 40,732</u>

**MUNICIPAL BUILDING COMMISSION
BALANCE SHEET
December 31, 2017**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

<u>ASSETS</u>	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Cash and cash equivalents	\$ 3,255	\$ 309	\$ 3,564
Receivables:			
Intergovernmental	766	295	1,061
 Total assets	 <u>\$ 4,021</u>	 <u>\$ 604</u>	 <u>\$ 4,625</u>
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Salaries payable	\$ 255	\$ -	\$ 255
Accounts payable	1,484	401	1,885
 Total liabilities	 <u>1,739</u>	 <u>401</u>	 <u>2,140</u>
Fund balances:			
Assigned	2,282	203	2,485
 Total liabilities and fund balances	 <u>\$ 4,021</u>	 <u>\$ 604</u>	 <u>\$ 4,625</u>

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

Fund balances - total governmental funds \$ 2,485

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	15,971	
Depreciable	75,120	
Accumulated depreciation	<u>(67,930)</u>	<u>23,161</u>

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	(284)	
Net pension liability	(5,469)	
Compensated absences	<u>(164)</u>	<u>(5,917)</u>

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	1,315	
Deferred inflows of resources - pensions	<u>(595)</u>	<u>720</u>

Net position of governmental activities \$ 20,449

**MUNICIPAL BUILDING COMMISSION
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the fiscal year ended December 31, 2017**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
REVENUES:			
Intergovernmental revenues	\$ 314	\$ 2,119	\$ 2,433
Charges for services and sales	8,613	-	8,613
Miscellaneous revenues	73	-	73
Total revenues	<u>9,000</u>	<u>2,119</u>	<u>11,119</u>
EXPENDITURES:			
Current:			
General government	8,790	-	8,790
Capital outlay	-	2,242	2,242
Total expenditures	<u>8,790</u>	<u>2,242</u>	<u>11,032</u>
Net change in fund balances	<u>210</u>	<u>(123)</u>	<u>87</u>
OTHER FINANCING SOURCES (USES):			
Transfers from other funds	-	225	225
Transfers to other funds	(225)	-	(225)
Total other financing sources (uses)	<u>(225)</u>	<u>225</u>	<u>-</u>
Net change in fund balance	(15)	102	87
Fund balances - January 1	<u>2,297</u>	<u>101</u>	<u>2,398</u>
Fund balances - December 31	<u>\$ 2,282</u>	<u>\$ 203</u>	<u>\$ 2,485</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 \$ 87

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:	2,242	
Less current year depreciation	<u>(1,130)</u>	<u>1,112</u>

Some expenses and revenues reported in the statement of activities are not related to current financial resources and, therefore, are not reported as expenditures or revenues in governmental funds:

Change in other postemployment benefits payable	35	
Change in net pension liability	(706)	
Change in compensated absences	<u>50</u>	<u>(621)</u>

Increase (decrease) in net position of governmental activities \$ 578

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.	156-160
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	161-164
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.	165-172
Demographic and Economic Information: These tables offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.	173-174
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.	175-178

Schedule 1
City of Minneapolis
Net Position by Component (In Thousands)
Last 10 Fiscal Years
December 31, 2017

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental Activities										
Net investment in capital assets	\$ 536,126	\$ 526,551	\$ 631,808	\$ 691,926	\$ 798,704	\$ 845,638	\$ 890,622	\$ 968,927	\$ 1,057,445	\$ 1,190,812
Restricted	59,629	112,895	60,814	192,829	193,107	198,251	195,322	168,304	215,143	254,967
Unrestricted	(33,767)	58,216	87,443	91,652	139,303	190,018	192,384	(146,805)	(337,534)	(331,419)
Total governmental activities net position	<u>\$ 561,988</u>	<u>\$ 697,662</u>	<u>\$ 780,065</u>	<u>\$ 976,407</u>	<u>\$ 1,131,114</u>	<u>\$ 1,233,907</u>	<u>\$ 1,278,328</u>	<u>\$ 990,426</u>	<u>\$ 935,054</u>	<u>\$ 1,114,360</u>
Business-type Activities										
Net investment in capital assets	\$ 591,964	\$ 615,455	\$ 634,686	\$ 666,986	\$ 694,243	\$ 731,372	\$ 760,038	\$ 778,150	\$ 800,274	\$ 876,141
Restricted	34,456	34,464	34,674	34,967	33,616	33,529	34,457	34,856	35,336	36,082
Unrestricted	46,266	57,157	69,905	77,751	88,330	89,137	101,258	78,959	80,745	57,000
Total business-type activities net position	<u>\$ 672,686</u>	<u>\$ 707,076</u>	<u>\$ 739,265</u>	<u>\$ 779,704</u>	<u>\$ 816,189</u>	<u>\$ 854,038</u>	<u>\$ 895,753</u>	<u>\$ 891,965</u>	<u>\$ 916,355</u>	<u>\$ 969,223</u>
Primary government										
Net investment in capital assets	\$ 1,128,090	\$ 1,142,006	\$ 1,266,494	\$ 1,358,912	\$ 1,492,947	\$ 1,577,010	\$ 1,650,660	\$ 1,747,077	\$ 1,857,719	\$ 2,066,953
Restricted	94,085	147,359	95,488	227,796	226,723	231,780	229,779	203,160	250,479	291,049
Unrestricted	12,499	115,373	157,348	169,403	227,633	279,155	293,642	(67,846)	(256,789)	(274,419)
Total primary government net position	<u>\$ 1,234,674</u>	<u>\$ 1,404,738</u>	<u>\$ 1,519,330</u>	<u>\$ 1,756,111</u>	<u>\$ 1,947,303</u>	<u>\$ 2,087,945</u>	<u>\$ 2,174,081</u>	<u>\$ 1,882,391</u>	<u>\$ 1,851,409</u>	<u>\$ 2,083,583</u>

(UNAUDITED)

Schedule 2
City of Minneapolis
Changes in Net Position (In Thousands)
Last 10 Fiscal Years
December 31, 2017

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental Activities:										
General government	\$ 79,609	\$ 72,276	\$ 120,378	\$ 82,897	\$ 98,546	\$ 83,726	\$ 109,005	\$ 97,652	\$ 128,137	\$ 102,171
Public safety	232,210	244,134	263,806	269,036	248,333	225,332	244,482	275,495	390,053	323,498
Public works	50,523	94,752	73,848	5,210	71,736	86,795	126,689	122,472	106,705	58,174
Culture and recreation	29,607	13,483	13,861	7,287	5,528	11,993	8,836	4,570	7,544	11,252
Health and welfare	13,028	14,164	14,240	16,260	13,709	18,442	20,098	23,462	25,494	25,483
Community planning & economic development	122,936	110,344	146,439	138,537	139,190	153,877	140,604	192,957	181,537	149,145
Interest on long-term debt	36,405	28,753	26,152	21,916	16,503	16,549	17,581	16,329	13,611	15,121
Total governmental activities expenses	<u>\$ 564,318</u>	<u>\$ 577,906</u>	<u>\$ 658,724</u>	<u>\$ 541,143</u>	<u>\$ 593,545</u>	<u>\$ 596,714</u>	<u>\$ 667,295</u>	<u>\$ 732,937</u>	<u>\$ 853,081</u>	<u>\$ 684,844</u>
Business-type Activities:										
Sanitary sewer	\$ 38,057	\$ 32,892	\$ 35,233	\$ 33,659	\$ 51,564	\$ 44,868	\$ 47,710	\$ 53,185	\$ 54,030	\$ 58,250
Stormwater	24,027	24,856	26,273	24,502	25,998	27,816	27,305	32,331	36,009	34,518
Water treatment and distribution services	56,310	51,751	55,980	52,891	59,940	57,961	57,899	64,973	67,826	59,536
Municipal parking	50,833	51,929	49,920	46,106	49,706	45,868	43,418	49,086	50,020	48,758
Solid waste and recycling	26,514	23,641	27,804	29,784	31,158	34,446	30,013	34,166	33,312	36,087
Community planning & economic development	6,367	6,860	6,472	8,266	7,875	7,862	7,759	6,684	6,330	5,921
Total business-type activities expenses	<u>\$ 202,108</u>	<u>\$ 191,929</u>	<u>\$ 201,682</u>	<u>\$ 195,208</u>	<u>\$ 226,241</u>	<u>\$ 218,821</u>	<u>\$ 214,104</u>	<u>\$ 240,425</u>	<u>\$ 247,527</u>	<u>\$ 243,070</u>
Total primary government expenses	<u>\$ 766,426</u>	<u>\$ 769,835</u>	<u>\$ 860,406</u>	<u>\$ 736,351</u>	<u>\$ 819,786</u>	<u>\$ 815,535</u>	<u>\$ 881,399</u>	<u>\$ 973,362</u>	<u>\$ 1,100,608</u>	<u>\$ 927,914</u>
Program Revenues										
Governmental Activities:										
Charges for services:										
General government	\$ 45,882	\$ 6,060	\$ 69,827	\$ 23,537	\$ 40,636	\$ 28,943	\$ 20,831	\$ 21,577	\$ 5,886	\$ 1,215
Public safety	37,525	42,511	41,805	49,673	46,992	14,382	17,604	16,357	17,051	17,681
Public works	11,670	22,112	22,567	5,998	15,507	16,298	14,522	26,976	43,236	60,640
Health and welfare	524	452	14	-	-	2,432	2,436	2,506	2,498	2,830
Community planning & economic development	30,470	29,416	27,601	36,233	35,523	63,606	72,896	71,117	71,370	69,946
Operating grants and contributions	100,095	92,775	118,118	115,622	128,205	115,838	103,219	127,515	132,535	137,377
Capital grants and contributions	13,136	26,928	28,198	20,630	25,230	15,466	3,885	5,228	14,255	11,356
Total governmental activities program revenues	<u>\$ 239,302</u>	<u>\$ 220,254</u>	<u>\$ 308,130</u>	<u>\$ 251,693</u>	<u>\$ 292,093</u>	<u>\$ 256,965</u>	<u>\$ 235,393</u>	<u>\$ 271,276</u>	<u>\$ 286,831</u>	<u>\$ 301,045</u>
Business-type Activities:										
Charges for services:										
Sanitary sewer	\$ 40,787	\$ 43,949	\$ 49,358	\$ 48,456	\$ 61,849	\$ 45,742	\$ 59,310	\$ 60,151	\$ 64,289	\$ 67,978
Stormwater	35,109	39,418	39,903	41,063	38,383	38,254	39,983	37,704	37,432	39,974
Water treatment and distribution services	61,088	67,539	67,408	69,301	74,412	73,506	71,881	72,624	78,963	81,070
Municipal parking	52,564	52,507	58,316	52,687	54,015	57,928	57,749	61,052	62,837	68,472
Solid waste and recycling	29,626	30,411	31,152	31,957	31,001	30,208	30,473	35,494	36,988	38,103
Community planning & economic development	7,698	31,820	6,426	7,872	2,239	2,350	1,842	6,494	6,101	5,735
Operating grants and contributions	2,641	-	-	-	4,552	3,435	4,696	5,468	5,089	6,988
Capital grants and contributions	-	1,826	1,215	2,146	1,808	2,972	157	-	-	-
Total business-type activities program revenues	<u>\$ 229,513</u>	<u>\$ 267,470</u>	<u>\$ 253,778</u>	<u>\$ 253,482</u>	<u>\$ 268,259</u>	<u>\$ 254,395</u>	<u>\$ 266,091</u>	<u>\$ 278,987</u>	<u>\$ 291,699</u>	<u>\$ 308,320</u>
Total primary government program revenues	<u>\$ 468,815</u>	<u>\$ 487,724</u>	<u>\$ 561,908</u>	<u>\$ 505,175</u>	<u>\$ 560,352</u>	<u>\$ 511,360</u>	<u>\$ 501,484</u>	<u>\$ 550,263</u>	<u>\$ 578,530</u>	<u>\$ 609,365</u>
Net (Expenses) Revenue										
Governmental Activities	\$ (325,016)	\$ (357,652)	\$ (350,594)	\$ (289,450)	\$ (301,452)	\$ (339,749)	\$ (431,902)	\$ (461,661)	\$ (566,250)	\$ (383,799)
Business-type Activities	27,405	75,541	52,096	58,274	42,018	35,574	51,987	38,562	44,172	65,250
Total primary government net expense	<u>\$ (297,611)</u>	<u>\$ (282,111)</u>	<u>\$ (298,498)</u>	<u>\$ (231,176)</u>	<u>\$ (259,434)</u>	<u>\$ (304,175)</u>	<u>\$ (379,915)</u>	<u>\$ (423,099)</u>	<u>\$ (522,078)</u>	<u>\$ (318,549)</u>

Schedule 2
City of Minneapolis
Changes in Net Position (In Thousands)
Last 10 Fiscal Years
December 31, 2017

(continued)

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes										
General property tax and fiscal disparities	\$ 184,985	\$ 263,776	\$ 217,519	\$ 218,756	\$ 230,719	\$ 232,979	\$ 228,620	\$ 238,745	\$ 247,708	\$ 278,088
Property tax increment	82,686	13,440	42,117	61,003	52,679	41,159	48,568	45,205	49,616	55,666
Franchise taxes	31,705	28,053	27,855	29,128	26,120	29,620	33,531	30,118	29,515	32,143
Local taxes	60,480	54,868	61,307	65,850	56,349	70,634	76,292	78,293	80,851	83,266
Other taxes	183	202	42	218	13,079	165	180	313	212	267
Local government aid - unrestricted	60,702	70,540	56,578	56,378	56,404	56,379	66,860	68,022	68,391	68,543
Grants and contributions not restricted to programs	7	-	-	-	-	-	-	-	3,371	1,879
Unrestricted interest and investment earnings	13,121	6,843	5,961	5,088	4,248	(593)	4,213	3,399	7,754	6,651
Other	1,287	10,239	1,440	31,078	4,548	8,793	1,141	11,401	181	2,003
Gain on sale of capital assets	-	-	-	-	-	340	214	268	526	291
Transfers	4,250	45,365	20,178	18,293	10,889	3,066	16,704	14,604	22,753	31,102
Total governmental activities	<u>\$ 439,406</u>	<u>\$ 493,326</u>	<u>\$ 432,997</u>	<u>\$ 485,792</u>	<u>\$ 455,035</u>	<u>\$ 442,542</u>	<u>\$ 476,323</u>	<u>\$ 490,368</u>	<u>\$ 510,878</u>	<u>\$ 559,899</u>
Business-type Activities:										
Grants and contributions not restricted to programs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16
Unrestricted interest and investment earnings	1,487	4,126	271	438	5,286	5,072	6,064	306	205	364
Other	1,479	88	-	-	56	244	119	21	910	20
Gain on sale of capital assets	565	-	-	20	54	25	249	-	1,856	20,660
Transfers	(4,250)	(45,365)	(20,178)	(18,293)	(10,889)	(3,066)	(16,704)	(14,604)	(22,753)	(31,102)
Total business-type activities	<u>\$ (719)</u>	<u>\$ (41,151)</u>	<u>\$ (19,907)</u>	<u>\$ (17,835)</u>	<u>\$ (5,493)</u>	<u>\$ 2,275</u>	<u>\$ (10,272)</u>	<u>\$ (14,277)</u>	<u>\$ (19,782)</u>	<u>\$ (10,042)</u>
Total primary government	<u>\$ 438,687</u>	<u>\$ 452,175</u>	<u>\$ 413,090</u>	<u>\$ 467,957</u>	<u>\$ 449,542</u>	<u>\$ 444,817</u>	<u>\$ 466,051</u>	<u>\$ 476,091</u>	<u>\$ 491,096</u>	<u>\$ 549,857</u>
Changes in Net Position										
Governmental Activities	\$ 114,390	\$ 135,674	\$ 82,403	\$ 196,342	\$ 153,583	\$ 102,793	\$ 44,421	\$ 28,707	\$ (55,372)	\$ 176,100
Business-type Activities	26,686	34,390	32,189	40,439	36,525	37,849	41,715	24,285	24,390	55,208
Total primary government	<u>\$ 141,076</u>	<u>\$ 170,064</u>	<u>\$ 114,592</u>	<u>\$ 236,781</u>	<u>\$ 190,108</u>	<u>\$ 140,642</u>	<u>\$ 86,136</u>	<u>\$ 52,992</u>	<u>\$ (30,982)</u>	<u>\$ 231,308</u>

(UNAUDITED)

Schedule 3
City of Minneapolis
Fund Balance, Governmental Funds (In Thousands)
Last 10 Fiscal Years
December 31, 2017

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund										
Reserved	\$ 1,073	\$ 927	\$ 1,270					\$ 1,251	\$ 1,261	\$ 1,263
Unreserved	48,615	67,340	60,092					-	10,000	10,000
Total general fund	<u>\$ 49,688</u>	<u>\$ 68,267</u>	<u>\$ 61,362</u>					<u>\$ 104,740</u>	<u>\$ 96,236</u>	<u>\$ 105,835</u>
All Other Government Funds										
Reserved	\$ 213,450	\$ 205,490	\$ 227,174							
Unreserved										
Special revenue funds	84,491	106,681	65,760							
Debt Service funds	58,989	112,895	60,814							
Capital project funds	20,994	17,364	20,024							
Total all other governmental funds	<u>\$ 377,924</u>	<u>\$ 442,430</u>	<u>\$ 373,772</u>					<u>\$ 105,991</u>	<u>\$ 107,497</u>	<u>\$ 117,098</u>
General Fund										
Nonspendable	\$ 36	\$ 6	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,251	\$ 1,261	\$ 1,263
Assigned	2,444	941	-	-	-	-	-	-	10,000	10,000
Unassigned	69,891	85,357	96,970	102,439	85,357	96,970	102,439	104,740	96,236	105,835
Total general fund	<u>\$ 72,371</u>	<u>\$ 86,304</u>	<u>\$ 96,970</u>	<u>\$ 102,439</u>	<u>\$ 86,304</u>	<u>\$ 96,970</u>	<u>\$ 102,439</u>	<u>\$ 105,991</u>	<u>\$ 107,497</u>	<u>\$ 117,098</u>
All Other Government Funds										
Nonspendable	\$ 55,604	\$ 54,176	\$ 45,871	\$ 45,706	\$ 54,176	\$ 45,871	\$ 45,706	\$ 41,931	\$ 33,754	\$ -
Restricted	192,829	193,107	198,251	195,322	193,107	198,251	195,322	168,304	215,143	254,967
Committed	7,058	2,347	125	-	2,347	125	-	-	-	-
Assigned	103,307	107,495	128,085	143,134	107,495	128,085	143,134	152,874	149,360	146,671
Unassigned	-	(46)	(169)	(145)	(46)	(169)	(145)	-	(25,195)	(2,039)
Total all other governmental funds	<u>\$ 358,798</u>	<u>\$ 357,079</u>	<u>\$ 372,163</u>	<u>\$ 384,017</u>	<u>\$ 357,079</u>	<u>\$ 372,163</u>	<u>\$ 384,017</u>	<u>\$ 363,109</u>	<u>\$ 373,062</u>	<u>\$ 399,599</u>

Note: The City implemented GASB 54 starting in 2011.

(UNAUDITED)

Schedule 4
City of Minneapolis
Changes in Fund Balance, Governmental Funds (In Thousands)
Last 10 Fiscal Years
December 31, 2017

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
Taxes	\$ 362,553	\$ 359,500	\$ 343,956	\$ 374,123	\$ 379,519	\$ 375,006	\$ 387,322	\$ 393,015	\$ 408,195	\$ 428,271
Licenses and permits	27,118	29,348	29,301	32,851	37,663	40,735	50,996	45,878	48,267	46,398
Intergovernmental revenues	151,308	179,880	189,510	167,316	186,550	155,756	136,432	160,953	181,477	183,797
Charges for services and sales	62,186	59,340	56,776	58,722	68,158	63,028	62,863	71,609	90,626	110,799
Fines and forfeits	9,700	9,621	9,934	10,620	8,603	8,014	7,519	6,853	6,705	7,783
Special assessments	18,018	20,897	23,849	22,678	23,834	24,379	25,529	25,780	28,220	29,516
Investment earnings	13,660	7,037	6,269	5,050	4,603	(645)	4,067	3,903	7,916	6,679
Miscellaneous revenues	29,420	35,542	35,366	26,831	34,733	44,466	35,923	35,467	36,054	33,609
Total revenues	<u>673,963</u>	<u>701,165</u>	<u>694,961</u>	<u>698,191</u>	<u>743,663</u>	<u>710,739</u>	<u>710,651</u>	<u>743,458</u>	<u>807,460</u>	<u>846,852</u>
Expenditures										
Current:										
General government	59,567	65,357	72,746	72,546	95,970	97,469	99,330	102,556	106,212	100,772
Public safety	237,692	242,061	258,507	260,307	244,297	232,311	245,341	256,981	269,020	284,155
Public works	43,893	43,495	50,165	49,918	49,759	54,915	56,173	54,084	56,978	59,804
Culture and recreation	29,607	13,424	13,808	7,287	5,528	4,106	3,238	2,363	1,560	780
Health and welfare	13,309	13,953	13,822	16,014	13,179	17,993	20,029	21,235	21,705	23,797
Community planning & economic development	117,396	115,384	146,082	128,338	136,076	148,082	142,326	161,868	174,858	155,783
Capital outlay	39,160	83,656	60,659	44,633	77,864	63,414	102,422	76,361	151,681	193,489
Intergovernmental:										
General government	-	-	-	-	-	898	297	647	616	968
Public safety	-	-	-	-	-	169	176	168	154	111
Culture and recreation	-	-	-	-	-	7,887	5,598	2,207	5,984	10,472
Debt Service:										
Principal retirement	68,617	102,518	179,242	96,947	108,042	58,386	77,391	83,871	84,027	154,711
Interest and fiscal charges	60,191	56,924	30,505	26,247	22,152	16,712	17,065	16,194	13,711	15,104
Bond issuance costs	-	-	-	-	-	-	-	482	4	-
Payments to refunded bond escrow agents	-	-	-	-	-	-	-	22,753	4,440	-
Total expenditures	<u>669,432</u>	<u>736,772</u>	<u>825,536</u>	<u>702,237</u>	<u>752,867</u>	<u>702,342</u>	<u>769,386</u>	<u>801,770</u>	<u>890,950</u>	<u>999,946</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,531</u>	<u>(35,607)</u>	<u>(130,575)</u>	<u>(4,046)</u>	<u>(9,204)</u>	<u>8,397</u>	<u>(58,735)</u>	<u>(58,312)</u>	<u>(83,490)</u>	<u>(153,094)</u>
Other Financing Sources (Uses)										
Transfers from other funds	133,635	151,259	115,103	105,800	117,868	60,967	105,459	114,054	110,883	131,389
Transfers to other funds	(152,056)	(154,190)	(139,658)	(129,803)	(124,335)	(92,941)	(126,862)	(115,943)	(110,336)	(120,300)
Premium (discount)	1,490	4,213	3,165	3,707	1,481	1,522	451	135	920	5,780
Bonds issued	39,965	35,280	24,687	20,377	26,610	47,805	97,010	22,710	53,860	58,835
Refunding bonds issued	12,360	82,130	51,715	186,550	36,460	18,430	-	-	4,440	56,010
Refunding notes issued	-	-	-	-	-	-	-	-	-	2,449
Loans and notes issued	-	-	-	-	5,170	-	-	20,000	35,182	55,069
Payments to escrow agents	(12,262)	-	-	(186,550)	(41,630)	(18,430)	-	-	-	-
Total other financing sources (uses)	<u>23,132</u>	<u>118,692</u>	<u>55,012</u>	<u>81</u>	<u>21,624</u>	<u>17,353</u>	<u>76,058</u>	<u>40,956</u>	<u>94,949</u>	<u>189,232</u>
Net change in fund balance	<u>\$ 27,663</u>	<u>\$ 83,085</u>	<u>\$ (75,563)</u>	<u>\$ (3,965)</u>	<u>\$ 12,420</u>	<u>\$ 25,750</u>	<u>\$ 17,323</u>	<u>\$ (17,356)</u>	<u>\$ 11,459</u>	<u>\$ 36,138</u>
Debt service as a percentage of noncapital expenditures	20.6%	24.1%	27.4%	20.6%	19.3%	11.9%	13.6%	16.4%	13.8%	21.1%

(UNAUDITED)

Schedule 5
City of Minneapolis
Assessed Value and Actual Value of Taxable Property
Last Ten Fiscal Years
(in thousands of dollars)
December 31, 2017

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
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	7.67	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	9.22	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	10.34	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	9.55	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	8.29	43,879,415	83%
2016	7,596,673	6,090,411	24,958,025	1,215,531	436,040	12,726,043	40,296,681	8.11	45,025,954	89%
2017	8,469,151	7,196,358	26,608,421	1,295,694	494,630	13,923,130	44,064,254	7.93	49,148,618	90%

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

Notes:

¹Total of the first five property types.

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

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

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

(UNAUDITED)

Schedule 6
City of Minneapolis
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
December 31, 2017

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
City Direct Rates										
<i>Tax Capacity Based Rates</i>										
General	4.80	4.86	5.04	5.73	6.09	5.36	4.76	4.48	4.59	4.55
Estimate and Taxation	0.01	0.01	0.01	0.01	0.01	0.01	0.01	-	-	-
Building Commission	0.13	0.13	0.13	0.14	0.15	0.16	0.14	0.13	0.13	0.12
Permanent Improvement	0.05	0.05	0.05	0.06	0.03	0.03	0.03	0.03	0.01	-
Bond Redemption	0.57	0.69	0.47	0.61	0.65	1.00	1.11	1.06	0.98	0.95
Firefighter's Relief Association	0.11	0.06	0.04	0.16	0.01	0.09	0.08	0.08	0.04	0.04
Police Relief Association	0.11	0.09	0.35	0.51	0.79	0.22	0.20	0.18	0.24	0.19
Minneapolis Employees Retirement Fund	0.09	0.07	0.07	0.09	0.60	0.62	0.56	0.51	0.29	0.31
Parks	1.29	1.35	1.33	1.56	1.63	1.69	1.56	1.52	1.55	1.50
Public Housing	0.04	0.04	-	-	-	-	-	-	-	-
Teacher's Retirement Association	0.07	0.07	0.07	0.08	0.09	0.08	0.07	0.06	0.06	0.06
<i>Market Value Based Rates</i>										
Library Referendum	0.25	0.25	0.25	0.27	0.29	0.29	0.30	0.24	0.22	0.22
Total City Direct Rates	<u>7.52</u>	<u>7.67</u>	<u>7.81</u>	<u>9.22</u>	<u>10.34</u>	<u>9.55</u>	<u>8.82</u>	<u>8.29</u>	<u>8.11</u>	<u>7.93</u>
Overlapping Rates										
<i>Tax Capacity Based Rates</i>										
Watershed Districts	0.18	0.19	0.21	0.21	0.23	0.23	0.22	0.22	0.22	0.22
Hennepin County	4.38	5.09	5.38	5.76	6.24	6.33	5.92	5.78	5.64	5.49
Minneapolis Public Schools	2.78	3.15	2.57	2.95	3.47	3.29	2.85	2.72	2.63	2.88
Other Special Taxing Districts	0.54	0.49	0.52	0.59	0.70	0.73	0.71	0.67	0.68	0.68
<i>Market Value Based Rates</i>										
Minneapolis Public Schools Referendum	0.01	0.02	0.02	0.02	0.02	0.01	0.02	0.02	0.02	0.01
Total Overlapping Rates	<u>7.89</u>	<u>8.94</u>	<u>8.70</u>	<u>9.53</u>	<u>10.66</u>	<u>10.59</u>	<u>9.72</u>	<u>9.41</u>	<u>9.19</u>	<u>9.28</u>
Grand Total	<u>15.41</u>	<u>16.61</u>	<u>16.51</u>	<u>18.75</u>	<u>21.00</u>	<u>20.14</u>	<u>18.54</u>	<u>17.69</u>	<u>17.30</u>	<u>17.20</u>

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

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

Source: Finance and Property Services Department

(UNAUDITED)

Schedule 7
City of Minneapolis
Principal Property Tax Payers
Current Year and Nine Years Ago
(in thousands of dollars)
December 31, 2017

Taxpayer	2017			2008		
	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.	\$ 398,947	1	1.62%	\$ 314,134	1	1.32%
Target Corporation	256,149	2	1.04%	263,243	2	1.11%
BRI 1855 IDS Center LLC	251,670	3	1.02%	-	-	-
NWC Limited Partnership	240,630	4	0.98%	191,000	4	0.80%
Minneapolis 225 Holdings LLC	237,870	5	0.96%	185,600	5	0.78%
33 City Center Holding LLC	196,300	6	0.80%	-	-	-
Wells Fargo Bank and Home Mortgage	245,689	7	0.99%	-	-	-
US Bank	181,700	8	0.74%	-	-	-
Wells Operating Partnership LP	163,140	9	0.66%	161,600	8	0.68%
Diamond Rock Minneapolis LLC	146,200	10	0.59%	-	-	-
First Minneapolis-Hines Co.	-	-	-	168,200	7	0.71%
MB Mpls 8th Street LLC	-	-	-	219,000	3	0.92%
City Center Associates	-	-	-	172,400	6	0.72%
American Express Financial Corp.	-	-	-	142,474	10	0.59%
Byte Investment Partnership	-	-	-	141,000	9	0.59%
Total	\$ 2,318,295		9.40%	\$ 1,958,651		8.22%

Source: Bond Issue Report 11/16/17 and 11/1/08

(UNAUDITED)

Schedule 8
City of Minneapolis
Property Tax Levies and Collections
Last Ten Fiscal Years
(in thousands of dollars)
December 31, 2017

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
2008	\$ 240,553	\$ 228,176	94.85%	\$ 4,529	\$ 232,705	96.74%
2009	245,003	232,655	94.96%	3,940	236,595	96.57%
2010	264,805	251,967	95.15%	1,262	253,229	95.63%
2011	277,357	264,605	95.40%	2,805	267,410	96.41%
2012	279,607	274,883	98.31%	2,221	277,104	99.10%
2013	284,409	280,888	98.76%	1,856	282,744	99.41%
2014	281,874	278,320	98.74%	1,723	280,043	99.35%
2015	287,630	285,190	99.15%	1,187	286,377	99.56%
2016	297,580	294,605	99.00%	706	295,311	99.24%
2017	313,941	310,480	98.90%	-	310,480	98.90%

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, 2017

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		
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
2016	439,908	21,625	4,115	221,637	76,315	-	763,600	1,851
2017	460,116	20,305	3,705	216,456	64,300	-	764,882	1,849

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 - Investments, 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, 2017

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		
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
2016	439,908	221,637	38,695	622,850	1.55%	1,510
2017	460,116	216,456	35,070	641,502	1.46%	1,551

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 - Investments, Capital and Debt Management

(UNAUDITED)

Schedule 11
City of Minneapolis
Direct and Overlapping Governmental Activities Debt
(in thousands of dollars)
December 31, 2017

Governmental Unit	Governmental Debt Outstanding (1)	Estimated Percentage Applicable (2)	Estimated Share of Direct and Overlapping Debt
City of Minneapolis - Direct Debt	\$ 484,126	100.00%	\$ 484,126
<u>Overlapping Debt:</u>			
Special School District No. 1	402,975	100.00%	402,975
Hennepin County	911,084 (3)	28.39%	258,657
Hennepin County Regional Railroad Authority	26,943	28.39%	7,649
Metropolitan Council	84,608	15.43%	13,055
Subtotal, Overlapping Debt			\$ 682,336
Total Direct and Overlapping Debt			\$ 1,166,462

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 - Investments, Capital and Debt Management

Minneapolis Public School District 1

Hennepin County

MET Council Report of Outstanding Indebtedness

(UNAUDITED)

Schedule 12
City of Minneapolis
Legal Debt Margin Information
Last Ten Fiscal Years
(in thousands of dollars)
December 31, 2017

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt Limit	\$ 1,306,194	\$ 1,282,797	\$ 1,254,206	\$ 1,173,628	\$ 1,131,060	\$ 1,102,298	\$ 1,117,046	\$ 1,226,826	\$ 1,350,986	\$ 1,472,354
Total net debt applicable to limit	<u>302,772</u>	<u>270,629</u>	<u>246,979</u>	<u>213,714</u>	<u>154,317</u>	<u>155,494</u>	<u>146,506</u>	<u>114,260</u>	<u>109,926</u>	<u>106,843</u>
Legal debt margin	<u>\$ 1,003,422</u>	<u>\$ 1,012,168</u>	<u>\$ 1,007,227</u>	<u>\$ 959,914</u>	<u>\$ 976,743</u>	<u>\$ 946,804</u>	<u>\$ 970,540</u>	<u>\$ 1,112,566</u>	<u>\$ 1,241,060</u>	<u>\$ 1,365,511</u>
Total net debt applicable to limit as a percentage of debt limit	23.18%	21.10%	19.69%	18.21%	13.64%	14.11%	13.12%	9.31%	8.14%	7.26%

Legal Debt Margin Calculation for Fiscal Year 2017

Real Property (2017 Assessed Market Value)	\$ 43,591,679
Personal Property (2017 Assessed Market Value)	472,575
Adjustment for Exempt Personal Property (1966 Market Value)	298,030
Adjustment for Net Fiscal Disparities (Contribution)/Distribution	<u>(191,651)</u>
Total 2017 Assessed Market Value (as adjusted)	44,170,633
Debt Limit (3-1/3% of Market Value Applicable to Debt Limit)	1,472,354
Debt applicable to limit:	
General Obligation Bonds Subject to Debt Limit	132,660
Less: Amount set aside to pay general obligation debt	<u>(25,817)</u>
Total Net Debt Applicable to Limit	<u>106,843</u>
Legal Debt Margin	<u>\$ 1,365,511</u>

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

(UNAUDITED)

Schedule 13
City of Minneapolis
Pledged-Revenue Coverage
Last Ten Fiscal Years
(in thousands of dollars)
December 31, 2017

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	Total	
2008	\$ 64,130	\$ 47,208	\$ 16,922	\$ 6,930	\$ 3,406	\$ 10,336	1.64
2009	67,575	47,195	20,380	6,076	3,656	9,732	2.09
2010	67,129	47,507	19,622	5,646	3,872	9,518	2.06
2011	69,934	45,520	24,414	5,906	4,133	10,039	2.43
2012	76,502	47,421	29,081	5,796	4,476	10,272	2.83
2013	75,793	50,474	25,319	5,982	4,401	10,383	2.44
2014	73,097	50,428	22,669	6,146	4,314	10,460	2.17
2015	73,099	55,271	17,828	8,654	3,121	11,775	1.51
2016	80,454	57,544	22,910	9,635	2,212	11,847	1.93
2017	82,247	52,586	29,661	12,765	2,512	15,277	1.94

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 - Investments, Capital and Debt Management

(UNAUDITED)

Schedule 13
City of Minneapolis
Pledged-Revenue Coverage
Last Ten Fiscal Years
(in thousands of dollars)
December 31, 2017

(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	Total	
2008	\$ 52,752	\$ 35,383	\$ 17,219	\$ 34,588	\$ 16,239	\$ 10,047	\$ 26,286	1.32
2009	52,521	37,564	22,923	37,880	30,165	8,870	39,035	0.97
2010	58,155	43,101	14,777	29,831	14,740	6,232	20,972	1.42
2011	52,687	36,450	15,196	31,433	14,820	5,730	20,550	1.53
2012	54,082	39,861	13,799	28,020	16,770	5,299	22,069	1.27
2013	58,185	37,745	11,622	32,062	14,629	4,142	18,771	1.71
2014	57,866	37,652	373	20,587	10,884	3,628	14,512	1.42
2015	61,226	40,601	525	21,150	5,440	3,463	8,903	2.38
2016	65,916	43,608	690	22,998	16,285	2,361	18,646	1.23
2017	68,489	45,385	814	23,918	10,129	1,771	11,900	2.01

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 - Investments, Capital and Debt Management

(UNAUDITED)

Schedule 13
City of Minneapolis
Pledged-Revenue Coverage
Last Ten Fiscal Years
(in thousands of dollars)
December 31, 2017

(Continued)

SANITARY SEWER BONDS

Fiscal Year	Operating Revenue (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage Ratio
				Principal	Interest	Total	
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
2016	66,948	61,935	5,013	1,487	131	1,618	3.10
2017	69,357	63,674	5,683	2,700	662	3,362	1.69

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 - Investments, Capital and Debt Management

(UNAUDITED)

Schedule 13
City of Minneapolis
Pledged-Revenue Coverage
Last Ten Fiscal Years
(in thousands of dollars)
December 31, 2017

(Continued)

STORMWATER BONDS

Fiscal Year	Operating Revenue (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage Ratio
				Principal	Interest	Total	
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
2016	38,380	31,617	6,763	2,500	62	2,562	2.64
2017	42,784	29,935	12,849	-	-	-	-

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 - Investments, Capital and Debt Management

(UNAUDITED)

Schedule 14
City of Minneapolis
Demographic and Economic Statistics
Last 10 Fiscal Years
December 31, 2017

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)
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	412,517	34,763	14,340,328,471	32.4	176,878	317,475	3.4%	54,571	35,649
2016	413,645	34,527	14,281,920,915	32.0	179,807	324,620	3.4%	56,255	35,597
2017	NA	NA	NA	NA	NA	327,355	3.2%	NA	35,402

Sources:

- (1) U.S. Census Bureau - American Community Survey - 1 Year Estimate
- (2) Per Capita Income - U.S. Census Bureau - American Community Survey - 1 Year Estimate
- (3) Median Age - U.S. Census Bureau - American Community Survey - 1 Year Estimate
- (4) Households - U.S. Census Bureau - American Community Survey - 1 Year Estimate
- (5) Jobs data from MN DEED/QCEW tables; 2017 number reflects 3rd quarter, latest available data
- (6) Annual Average Unemployment Rate - from MN DEED/LAUS tables
- (7) Median Household Income - U.S. Census Bureau - American Community Survey - 1 Year Estimate
- (8) School Enrollment - Minneapolis Public Schools/Student Accounting Office

NA - 2017 data is not yet available for these categories.

(UNAUDITED)

Schedule 15
City of Minneapolis
Principal Employers
Current Year and Nine Years Ago
December 31, 2017

<u>Employer</u>	<u>2017 (a)</u>			<u>2008 (b)</u>		
	<u>Approximate Number of Employees</u>	<u>Rank</u>	<u>Percentage of Total Metro Employment</u>	<u>Approximate Number of Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
University of Minnesota	20,000	1	6.1%	30,000	1	14.2%
Allina Health	20,000	2	6.1%	22,105	3	10.5%
Target Corporation	8,300	3	2.5%	25,734	2	12.2%
Hennepin County Medical Center	7,100	4	2.2%	(d)	(d)	(d)
Wells Fargo Bank	7,000	5	2.1%	20,175	4	9.5%
Hennepin County	6,600	6	2.0%	12,171	6	5.8%
Ameriprise Financial Services	4,900	7	1.5%	6,000	8	2.8%
US Bancorp	4,700	8	1.4%	9,500	7	4.5%
Xcel Energy	2,400	9	0.7%	5,057	9	2.4%
City of Minneapolis	2,100	10	0.6%	(c)	(c)	(c)
Fairview Health Services	-		-	18,500	5	8.7%

(UNAUDITED)

Schedule 16
City of Minneapolis
Full-time Equivalent City Government Employees by Function
Last 10 Fiscal Years
December 31, 2017

	Full-time Equivalent Employees as of December 31, 2017									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Function Program										
General Government										
Assessor	37.00	36.50	36.50	34.50	35.00	35.00	36.00	36.00	37.00	38.00
Attorney	108.00	105.50	102.00	105.00	101.00	102.00	108.00	110.00	112.00	112.00
City Clerk/Council	67.00	65.50	65.50	64.75	65.02	66.00	66.00	70.00	71.00	71.00
City Coordinator	941.00	919.10	949.80	546.60	691.40	677.40	702.60	747.60	754.10	764.10
Civil Rights	26.00	21.00	19.00	19.00	19.00	21.00	22.00	23.00	25.00	29.00
Community Planning and Economic Development	139.00	141.00	135.00	128.00	116.79	224.80	228.00	230.00	239.00	240.00
Fire	449.00	444.00	438.00	406.00	392.00	413.00	413.00	413.00	413.00	418.00
Minneapolis Health Department	66.00	67.00	60.00	61.70	50.25	91.00	94.30	99.30	100.05	103.05
Internal Audit	-	-	2.00	3.00	2.50	2.00	3.00	3.00	3.00	4.00
Mayor	12.00	12.00	10.00	11.00	11.00	11.00	11.00	12.00	13.00	13.00
Police	1,093.00	1,092.00	999.20	992.00	967.80	980.50	985.50	1,020.50	1,029.50	1,060.50
Public Works	1,203.00	1,189.20	1,024.50	1,000.35	932.08	911.65	946.98	1,004.50	1,005.90	1,097.90
Regulatory Services*	-	-	-	379.00	285.30	141.00	149.00	156.50	173.00	177.00
	<u>4,141.00</u>	<u>4,092.80</u>	<u>3,841.50</u>	<u>3,750.90</u>	<u>3,669.14</u>	<u>3,676.35</u>	<u>3,765.38</u>	<u>3,925.40</u>	<u>3,975.55</u>	<u>4,127.55</u>
175 Independent Boards										
Board of Estimate & Taxation	2.00	2.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Park	886.00	859.00	827.00	811.18	802.40	814.72	819.24	832.00	859.26	924.36
Building Commission	62.00	62.00	62.00	60.00	54.00	55.00	55.00	55.00	55.00	55.00
Youth Coordinating Board	5.00	5.00	5.00	5.80	5.80	5.80	9.00	8.00	8.00	8.00
Neighborhood Revitalization Program**	9.00	9.00	7.00	5.00	-	-	-	-	-	-
	<u>964.00</u>	<u>937.00</u>	<u>902.00</u>	<u>882.98</u>	<u>863.20</u>	<u>876.52</u>	<u>884.24</u>	<u>896.00</u>	<u>923.26</u>	<u>988.36</u>
Total	<u>5,105.00</u>	<u>5,029.80</u>	<u>4,743.50</u>	<u>4,633.88</u>	<u>4,532.34</u>	<u>4,552.87</u>	<u>4,649.62</u>	<u>4,821.40</u>	<u>4,898.81</u>	<u>5,115.91</u>

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

** In 2012, the Neighborhood Revitalization Program (NRP) changed management to the Neighborhood and Community Relations (NCR) department under the City Coordinator.

Source: City Management and Budget

(UNAUDITED)

Schedule 17
City of Minneapolis
Operating Indicators by Function/Program - Last 10 Fiscal Years
December 31, 2017

Function/Description	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Government										
Assessor										
Sales ratio, all classes aggregated	94%	97%	98%	98%	99%	95%	95%	96%	95%	95%
Number of parcels' valuations petitioned in tax court	2,235	2,304	1,822	1,346	1,098	607	606	643	645	643
Attorney - City litigation										
Liability payouts, millions \$	1	3	2	8	1	5	2	2	1	1
Civil litigation caseload	1,107	1,028	1,036	1,193	972	811	978	629	255	233
City Clerk - Elections										
Number of registered voters	240,022	231,078	227,024	223,696	214,003	233,351	227,660	225,027	246,185	239,750
Number of votes cast in election	209,000	45,968	140,363	9,065	215,804	80,099	137,362	no election	219,832	105,928
Voter turnout, percentage of registered voters	87.08%	19.89%	55.59%	10.07%	80.84%	33.00%	56.00%	no election	78.91%	42.5%
Type of election, highest level of government	federal	municipal	state	state specials	federal	municipal	state	no election	Federal	Municipal
Number of new voters registered at the polls	50,505	2,950	25,471	422	52,952	6,634	19,622	no election	32,406	8,276
Number of spoiled ballots	NA	1,888	NA	NA	NA	NA	NA	no election	3,843	4,295
Number of absentee ballots	17,100	1,619	6,405	355	15,143	4,954	12,279	no election	60,538	11,975
Coordinator - Finance										
Bond rating - Fitch	AAA	AAA	AAA	AAA	AAA	AAA	AAA	AAA	AAA	AA+
Bond rating - Moody's	Aa1	Aa1	Aaa	Aaa	Aaa	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	78%	NA	NA	NA	NA	NA	NA	NA	NA	NA
Civil Rights										
Number of new civil rights complaints	294	254	158	117	153	77	39	101	97	109
Number of new complaints of police misconduct	68	114	89	97	157	396	398	344	370	402
Community Planning and Economic Development										
Number of jobs added by City loan assisted businesses (projected)	NAP	NA	434	1,106	693	602	414	484	464	NA
Multifamily housing investment: City funds, millions \$	6	9	16	18	23	6	18	12	20	11
Multifamily housing investment: Other public funds, millions \$	4	8	34	47	12	19	22	22	25	7
Multifamily housing investment: Private funds, millions \$	14	46	21	267	164	195	205	157	202	340
Business finance loans: City funds, millions \$	3	3	4	3	2	3	2	2	2	2
Number of foreclosure sales	3,077	2,233	2,308	1,719	1,448	879	640	502	343	243
Convention Center										
Occupancy rate	61.0%	57.0%	51.0%	57.0%	56.0%	54.0%	60.0%	56.8%	56.9%	60.0%
Total attendance	755,497	643,753	661,461	749,691	767,803	777,446	963,364	786,790	749,760	819,052
Health										
Number of three-year old screenings conducted by the schools	989	1,082	1,118	1,096	1,251	1,758	1,483	1,483	1,490	1,707
Number of homicide deaths in Minneapolis, ages 0-24	14	5	17	20	11	12	7	24	NAP	10
Percent of one and two year olds tested for lead	74.0%	66.0%	71.0%	56.0%	61.0%	66.0%	72.0%	63.0%	66.0%	NAP
Number of children under age 6 with elevated lead levels	217	170	161	76	120	50	253	218	192	NAP
Public Safety										
Coordinator - 311 - 911										
911 answer time, seconds	7.10	6.23	5.98	6.15	7.33	10.43	6.76	NAP	NAP	NAP
911 calls answered within 15 seconds	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	96%	95%
911 calls answered within 40 seconds	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	99%	99%
911 pending time to dispatch, high priority calls, minutes	1.82	1.24	1.14	1.16	1.34	0.07	2.05	NAP	0.11	0.12
Percent of 311 calls answered in 20 seconds or less	80.4%	82.0%	71.0%	66.0%	72.0%	63.0%	64.0%	78.9%	78.6%	71.5%
Percent of 311 calls resolved at first call	80.3%	83.0%	83.0%	83.0%	82.0%	82.0%	83.0%	79.6%	82.5%	81.8%

Schedule 17
City of Minneapolis
Operating Indicators by Function/Program - Last 10 Fiscal Years
December 31, 2017

Continued

Function/Description	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Public Safety - Continued										
Attorney - Criminal Prosecution										
Number of chronic offenders convicted	145	136	134	127	133	139	130	99	155	156
Domestic violence conviction rate	61.0%	66.0%	70.0%	70.0%	72.0%	64.0%	69.0%	68.0%	68.0%	68.0%
Prosecution caseload	32,076	30,467	28,352	24,509	25,731	24,092	20,391	18,505	17,289	18,857
Fire										
Number of emergency responses	34,146	32,165	33,561	35,204	37,011	38,137	40,662	41,343	49,898	47,190
Number of fires extinguished (all non EMS runs prior to 2002)	1,489	1,401	1,373	1,348	1,347	1,210	1,154	1,272	1,277	1,243
Number of hazmat, false alarms, and other non EMS/ fire runs	10,165	9,403	10,410	9,818	10,071	11,108	27,619	11,432	13,810	13,440
Number of inspections	7,337	10,447	10,298	7,763	2,992	3,083	921	3,529	3,762	3,751
Percent of time response is five minutes or less	86.5%	86.1%	84.0%	81.8%	81.0%	82.8%	92.0%	79.8%	76.6%	79.0%
Lives lost due to fires	6	2	13	5	3	2	10	8	2	10
Civilian injuries due to fire	21	15	29	33	33	27	33	24	16	18
Police										
Number of major crimes	25,898	22,469	22,646	23,114	23,532	23,726	23,496	22,000	22,369	23,845
Number of livability crimes	35,206	33,325	32,219	29,343	28,771	30,808	28,587	33,127	25,992	19,288
Number of violent crimes (subset of major crimes)	4,884	4,318	4,093	3,668	3,950	4,094	4,142	4,458	4,639	4,557
Number of guns seized	1,002	929	867	637	792	666	692	685	630	942
Community Planning and Economic Development - Building permits										
Permits issued	11,022	12,200	13,249	17,178	12,864	12,100	11,796	15,127	12,651	11,455
Estimated value, in millions \$	773	778	548	753	1,118	1,212	2,001	1,389	1,758	1,495
Public Works										
Refuse Collection										
Refuse collected, tons	125,423	122,453	121,589	120,246	114,797	115,293	114,964	115,522	113,190	111,431
Compostable material collected, tons	19,523	19,076	15,875	16,116	16,967	18,635	17,577	20,160	21,015	22,235
Non-recyclable construction material collected, tons	6,125	6,661	6,154	5,961	5,493	4,479	5,213	5,112	5,089	5,723
Recyclables, tons	22,848	21,759	20,592	19,683	19,927	26,585	28,583	28,065	29,560	29,191
Percent of solid waste stream recycled, by weight	18.2%	17.8%	16.9%	16.4%	17.4%	23.3%	25.0%	25.3%	26.3%	26.3%
Water										
Average daily production, thousands of gallons	58,677	58,630	54,227	54,611	54,986	54,186	53,881	52,546	54,383	55,620
Sewer										
Number of sanitary sewer backups	10	16	15	24	12	8	11	15	4	15
Streets										
Safety and ride-ability pavement condition index (PCI), average of all city streets	73	73	70	71	72	71	69	69	69	72
Number of traffic crashes	5,640	5,923	6,177	6,127	5,894	6,144	6,425	6,700	NA	NA
Number of injuries in traffic crashes	2,171	2,103	1,886	2,027	1,935	2,351	2,389	2,700	NA	NA

Notes:

NA = Not Available, NAP= measure is Not Applicable to that year; new service or process; will update when information is available.

The City is working to focus on consistent reporting of results data. Although many of these statistics may have been collected in earlier years, the method of collection may not have been the same as current collection methods.

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

(UNAUDITED)

Schedule 18
City of Minneapolis
Capital Assets Statistics by Function/Program
Last 10 Fiscal Years
December 31, 2017

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<u>Primary Government</u>										
Public Safety:										
Police stations	5	5	5	5	5	5	5	5	5	5
Patrol units	215	203	192	189	177	189	176	195	201	199
Unmarked, trucks, trailers, scooters, motorcycles	299	286	225	219	255	261	244	221	203	222
Fire Stations	19	19	19	19	19	19	19	19	19	19
Fire Trucks/Pumpers/Ladders/Engines/Cars	123	129	115	110	109	118	114	110	76	77
Regulatory Services Fleet	150	127	165	175	159	96	97	101	114	110
Public Works:										
Refuse collection trucks, heavy equipment, dumpsters	135	144	144	144	144	144	124	156	140	128
Streets (miles)	896	896	896	896	896	896	896	903	903	903
Alleys (miles)	380	380	380	380	380	380	380	380	380	378
Sidewalks (miles)	2,000	2,000	1,715	1,715	1,715	1,715	1,715	1,715	1,715	1,910
Streetlights	19,000	19,000	19,000	19,000	19,000	19,000	19,000	19,000	19,000	19,199
Traffic signals	916	916	916	916	916	916	916	916	916	809
Buildings/Plants/Garages	31	31	31	32	32	33	33	33	33	34
Equipment, cars, trucks, tractors, vans	1,436	1,471	1,141	1,155	1,028	1,046	1,137	1,395	1,260	1252
Community and Economic Development:										
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>										
Water Treatment and Distribution Services:										
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	147,000	147,000	147,000
Buildings	13	13	13	13	13	13	14	14	14	14
Reservoirs	3	3	3	3	3	3	3	8	8	8
Sanitary Sewer:										
Sanitary sewers (miles)	830	830	830	830	830	830	830	830	830	830
Sanitary Lift Stations	9	9	9	9	9	9	9	9	9	9
Stormwater:										
Storm sewers (miles)	522	522	522	581	581	581	581	581	581	581
Stormwater Pump Stations	26	25	25	25	25	25	23	23	23	23
Stormwater Ponds and Treatment Sites	3	3	3	18	18	18	27	27	29	29
Number of parking ramps	14	14	14	14	14	14	14	14	14	14

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

(UNAUDITED)