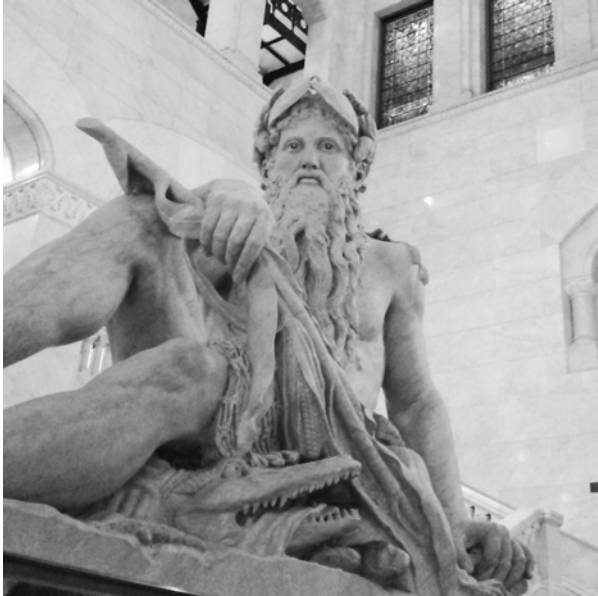


Comprehensive Annual Financial Report



City of Minneapolis, Minnesota
For the year ended December 31, 2016

Minneapolis
City of Lakes



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COMPREHENSIVE ANNUAL FINANCIAL REPORT



CITY OF
MINNEAPOLIS, MINNESOTA

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016

FINANCE & PROPERTY SERVICES DEPARTMENT

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June 8, 2017

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, 2016. 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, 2016. 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), Meet Minneapolis, and the Minneapolis Telecommunications Network (MTN), are discretely presented component units in the City's financial statements. Only the Board of Estimate and Taxation (BET) meets the criteria to be reported as a blended component unit.

THE CITY AND ITS SERVICES

City Profile

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

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

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. As of 2015, the City has 129 miles of on-street bikeways and another 97 miles of off-street or "protected" bikeways. Minneapolis is also home to such popular walking destinations as the 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 176,000 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 2015, Minneapolis is home to an estimated 412,517 people, which is the largest population the City has seen since the 1970s. From 2010 to 2015, the population within the City grew by a little over 29,900 people, a four year growth rate of 7.8%, which was faster than the comparable growth rate of 5.5% for the region as a whole. Males and females each make up approximately 50% of the population as do renters and homeowners. Children and youth under 18 make up 20% of the population with seniors aged 65 and above comprising 8% of the population. Following national and regional trends, an increasing percentage of the City's population is persons of color: as of the 2010 Census, 40% of the City's population is non-white or Hispanic, with a majority of the population 19 and younger being non-white. Approximately 15% of residents are immigrants and 20% routinely speak a language other than English at home.

As the major city within the larger metropolitan area, Minneapolis enjoys a strong and highly diverse business foundation of companies involved in manufacturing supercomputers, electronics, medical instruments, milling, machine manufacturing, food processing and graphic arts. In 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 2017.

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. In March 2014, following a public comment period in which residents were asked to provide feedback, the City Council adopted the City's vision, values, goals and strategic directions that will guide the City's work for the next four years.

City 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, 2016, was \$96.2 million, which is \$11.6 million more than policy requires. Additional information regarding the 2016 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 2016, and is \$4.0 million in 2017.

ECONOMIC CONDITION AND OUTLOOK

A detailed discussion and analysis of the City's overall financial condition during the fiscal year ended 2016 is included as part of the MD&A.

LONG-TERM FINANCIAL PLANNING

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

DEBT MANAGEMENT

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

Fitch - AAA

Standard & Poor's - AAA

Moody's Investors Service – Aa1

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (“GFOA”) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its CAFR for the fiscal year ended December 31, 2015. A Certificate of Achievement is valid for a period of one year only. The City has received this prestigious award for 42 years.

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

The City also received the GFOA’s Distinguished Budget Presentation Award for its 2016 annual budget document. To qualify for the distinguished Budget Presentation Award, the City’s budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

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

Respectfully submitted,



Mark T. Ruff
Finance Officer



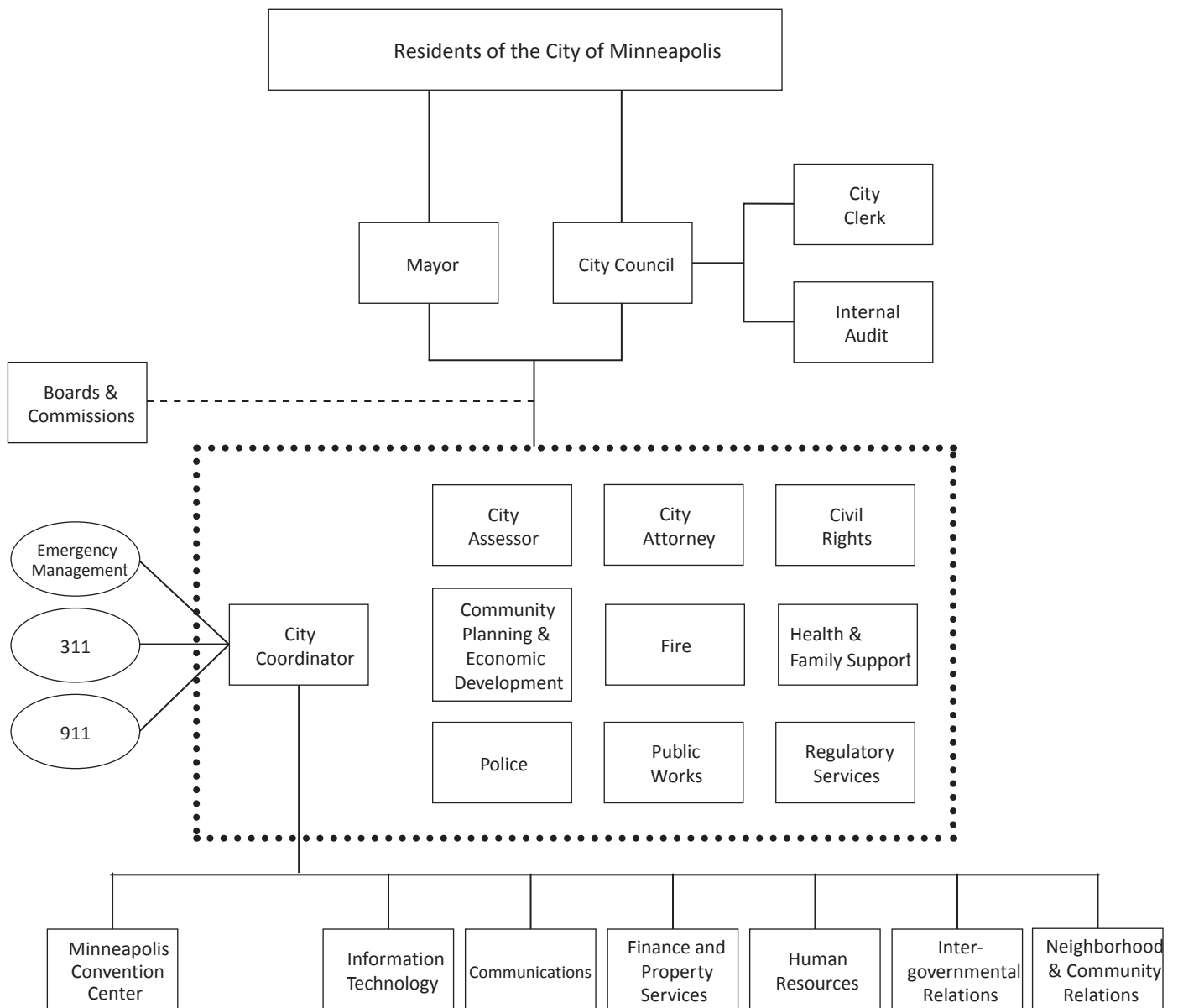
Lori R. Johnson
Deputy Finance Officer



Mary Dunning
Interim Controller

City of Minneapolis

Organizational Chart



MAYOR AND COUNCIL

CITY OF MINNEAPOLIS, MINNESOTA

2016

Mayor..... BETSY HODGES

CITY COUNCIL

Ward 1 KEVIN REICH

Ward 2 CAM GORDON

Ward 3 JACOB FREY

Ward 4.....President BARBARA JOHNSON

Ward 5 BLONG YANG

Ward 6 ABDI WARSAME

Ward 7 LISA GOODMAN

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

Ward 9 ALONDRA CANO

Ward 10 LISA BENDER

Ward 11 JOHN QUINCY

Ward 12 ANDREW JOHNSON

Ward 13 LINEA PALMISANO



Government Finance Officers Association

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

Presented to

**City of Minneapolis
Minnesota**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2015

Executive Director/CEO



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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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525 PARK STREET
SAINT PAUL, MN 55103-2139

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

INDEPENDENT AUDITOR'S REPORT

The Honorable Betsy Hodges, Mayor,
and Members of 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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Meet Minneapolis and Minneapolis Telecommunications Network, which are discrete component units and 1.3 percent, 0.2 percent, and 8.4 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 and Minneapolis Telecommunications Network component units, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Meet Minneapolis and Minneapolis Telecommunications Network were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Minneapolis as of December 31, 2016, 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.

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 Governmental Accounting Standards Board, 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 June 8, 2017, on our consideration of the City of Minneapolis' and the Municipal Building Commission component unit's internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of these reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. The reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Minneapolis' and the Municipal Building Commission component unit's internal control over financial reporting and compliance. The reports do not include Meet Minneapolis and Minneapolis Telecommunications Network, which were audited by other auditors, or the Minneapolis Park and Recreation Board, which was issued as a separate report.



REBECCA OTTO
STATE AUDITOR



GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

June 8, 2017



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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, 2016. Please read it in conjunction with the transmittal letter at the front of this report and the City's basic financial statements following this section. **All dollar amounts are expressed in thousands unless otherwise indicated.**

FINANCIAL HIGHLIGHTS

- At the close of the 2016 fiscal year, assets plus deferred outflows exceeded liabilities plus deferred inflows by \$1,851,409 (net position). Of this amount, \$1,857,719 is the City's net investment in capital assets and \$250,479 is restricted for specific purposes (restricted net position) leaving a deficit of \$(256,789) 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 decreased by \$30,982 in 2016. Governmental activities decreased the City's net position by \$55,372 and the business-type activities increased the net position by \$24,390.
- As of December 31, 2016, total fund balance in the General Fund was \$107,497, of which \$96,236 was unassigned.
- The City's total long-term bond and note liability decreased by \$7,933 from the prior year. Total bonds and notes issued in 2016 was \$160,877. Total debt retirement was \$168,810. Major new debt issuances included notes of \$3,500 for the Nicollet Mall Reconstruction project; \$3,700 for various infrastructure improvements in the five-year capital plan; \$6,300 to refund various purpose refunding bonds; \$27,982 for the Target Center Renovation project; and bond issuance of \$119,395 for infrastructure, sanitary sewer improvements, and water infrastructure improvement projects.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements include three components: 1) Government-wide financial statements; 2) Fund financial statements; and 3) Notes to the basic financial statements. This report also contains required and other 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 in part a portion of these costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, culture and recreation, health and welfare, and community planning and economic development. The business-type activities of the City include sanitary sewer, stormwater, solid waste and recycling, water treatment and distribution services, municipal parking, and community planning and economic development.

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

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

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

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

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

The City of Minneapolis maintains 18 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Community Planning and Economic Development Special Revenue Fund, the Permanent Improvement Capital Projects Fund, and the Special Assessment Debt Service Fund, all of which are considered to be major funds. Data from the other 14 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements in the Other Supplemental Information section of this report beginning on page 113.

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 45-101 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 103-110 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 113.

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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, 2016 with a comparison to 2015.

**Statement of Net Position
December 31, 2016, and 2015**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 858,327	\$ 812,619	\$ 273,491	\$ 257,137	\$ 1,131,818	\$ 1,069,756
Capital assets	1,333,254	1,220,725	1,018,328	992,176	2,351,582	2,212,901
Total assets	\$ 2,191,581	\$ 2,033,344	\$ 1,291,819	\$ 1,249,313	\$ 3,483,400	\$ 3,282,657
Deferred outflows of resources	\$ 963,145	\$ 235,651	\$ 67,928	\$ 40,164	\$ 1,031,073	\$ 275,815
Current and other liabilities	\$ 224,521	\$ 161,453	\$ 50,135	\$ 45,854	\$ 274,656	\$ 207,307
Long-term liabilities	1,829,112	1,050,910	377,040	346,209	2,206,152	1,397,119
Total liabilities	\$ 2,053,633	\$ 1,212,363	\$ 427,175	\$ 392,063	\$ 2,480,808	\$ 1,604,426
Deferred inflows of resources	\$ 166,039	\$ 66,206	\$ 16,217	\$ 5,449	\$ 182,256	\$ 71,655
Net position						
Net investment in capital assets	\$ 1,057,445	\$ 968,927	\$ 800,274	\$ 778,150	\$ 1,857,719	\$ 1,747,077
Restricted net position	215,143	168,304	35,336	34,856	250,479	203,160
Unrestricted net position	(337,534)	(146,805)	80,745	78,959	(256,789)	(67,846)
Total net position	\$ 935,054	\$ 990,426	\$ 916,355	\$ 891,965	\$ 1,851,409	\$ 1,882,391

The largest portion of the City’s net position reflects its \$1,857,719 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 \$110,642 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.

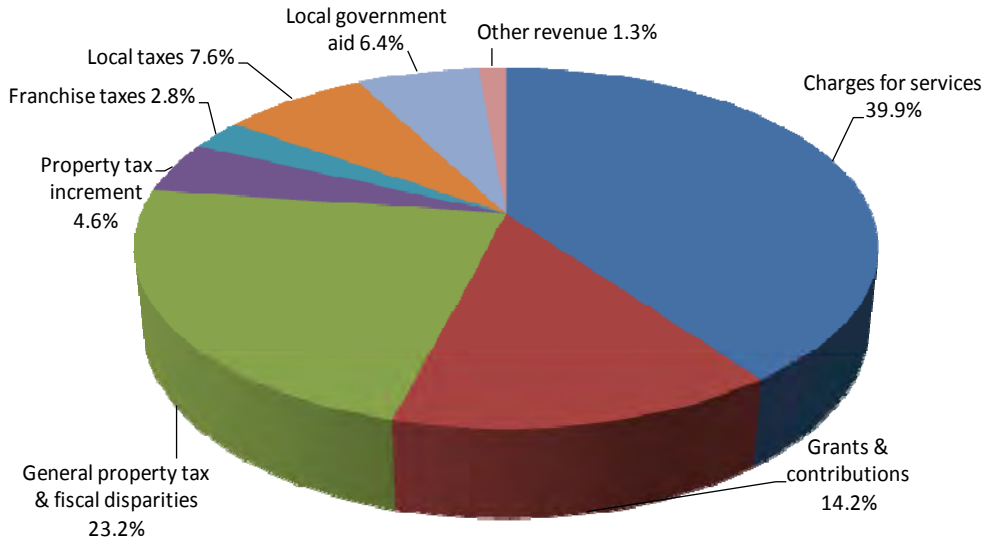
Restricted net position increased \$47,319 to \$250,479 in 2016 largely due to the \$15,145 increase in debt service restrictions coupled with the \$24,705 increase in the capital improvement restrictions. Net position is reported as restricted when constraints placed on the use of resources are either 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 \$(256,789) represents the unrestricted portion of the City’s net position. This is a decrease of \$188,943 from the 2015 unrestricted net position. The decrease is due to the City’s recognition of a larger net pension liability for 2016 as compared to 2015. The net pension liability more than doubled from \$612,066 in 2015 to \$1,466,440 in 2016. The implementation of GASB 68 in 2015 requires the City to book its proportion of the Public Employees Retirement Association (PERA) and the Teachers Retirements Association (TRA) unfunded pension liability each year.

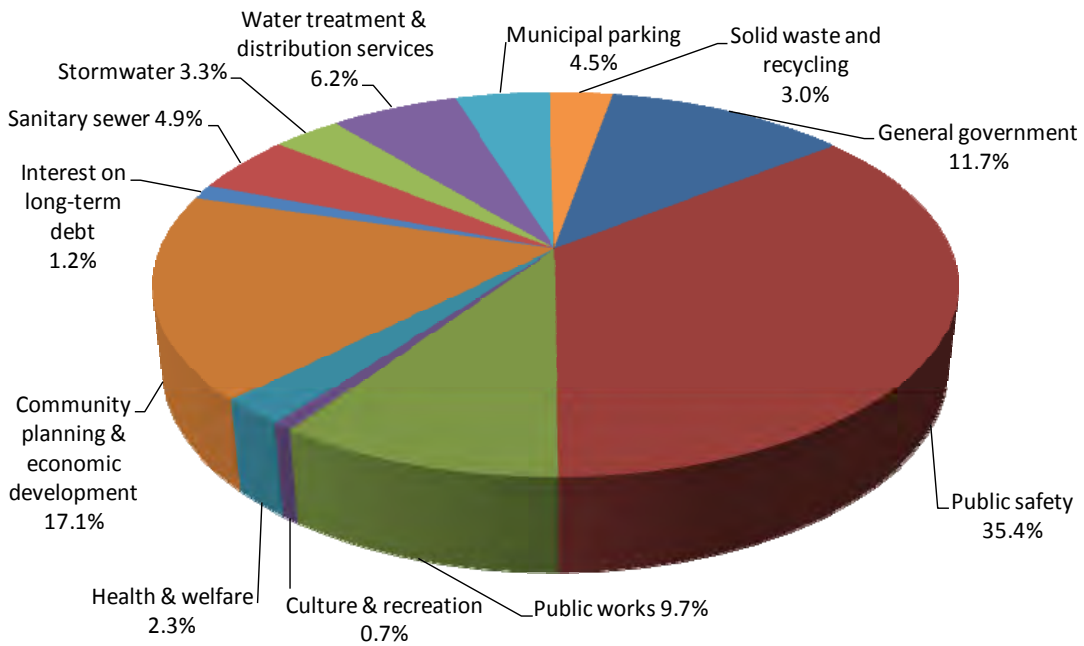
Statement of Activities—The following table presents the changes in net position for governmental and business-type activities. The governmental activities beginning net position decreased by \$55,372 while the business-type activities beginning net position increased by \$24,390.

	Statement of Activities For the Years Ended December 31, 2015, and 2014					
	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Revenues						
Program revenues:						
Charges for services	\$ 140,041	\$ 138,533	\$ 286,610	\$ 273,519	\$ 426,651	\$ 412,052
Operating grants and contributions	132,535	127,515	5,089	5,468	137,624	132,983
Capital grants and contributions	14,255	5,228	-	-	14,255	5,228
General revenues:						
General property tax and fiscal disparities	247,708	238,745	-	-	247,708	238,745
Property tax increment	49,616	45,205	-	-	49,616	45,205
Franchise taxes	29,515	30,118	-	-	29,515	30,118
Local taxes	80,851	78,293	-	-	80,851	78,293
Other taxes	212	313	-	-	212	313
Local government aid - unrestricted	68,391	68,022	-	-	68,391	68,022
Grants and contributions not restricted to programs	3,371	-	-	-	3,371	-
Unrestricted interest and investment earnings	7,754	3,399	205	306	7,959	3,705
Other	181	11,401	910	21	1,091	11,422
Gain on sale of capital assets	526	268	1,856	-	2,382	268
Total revenues	<u>774,956</u>	<u>747,040</u>	<u>294,670</u>	<u>279,314</u>	<u>1,069,626</u>	<u>1,026,354</u>
Expenses						
General government	128,137	97,652	-	-	128,137	97,652
Public safety	390,053	275,495	-	-	390,053	275,495
Public works	106,705	122,472	-	-	106,705	122,472
Culture and recreation	7,544	4,570	-	-	7,544	4,570
Health and welfare	25,494	23,462	-	-	25,494	23,462
Community planning and economic development	181,537	192,957	6,330	6,684	187,867	199,641
Interest on long-term debt	13,611	16,329	-	-	13,611	16,329
Sanitary sewer	-	-	54,030	53,185	54,030	53,185
Stormwater	-	-	36,009	32,331	36,009	32,331
Water treatment and distribution services	-	-	67,826	64,973	67,826	64,973
Municipal parking	-	-	50,020	49,086	50,020	49,086
Solid waste and recycling	-	-	33,312	34,166	33,312	34,166
Total expenses	<u>853,081</u>	<u>732,937</u>	<u>247,527</u>	<u>240,425</u>	<u>1,100,608</u>	<u>973,362</u>
Excess (deficiency) before transfers	(78,125)	14,103	47,143	38,889	(30,982)	52,992
Transfers	<u>22,753</u>	<u>14,604</u>	<u>(22,753)</u>	<u>(14,604)</u>	<u>-</u>	<u>-</u>
Change in net position	(55,372)	28,707	24,390	24,285	(30,982)	52,992
Net position - Beginning	990,426	961,719	891,965	867,680	1,882,391	1,829,399
Net position - Ending	<u>\$ 935,054</u>	<u>\$ 990,426</u>	<u>\$ 916,355</u>	<u>\$ 891,965</u>	<u>\$1,851,409</u>	<u>\$1,882,391</u>

Government-wide Revenues



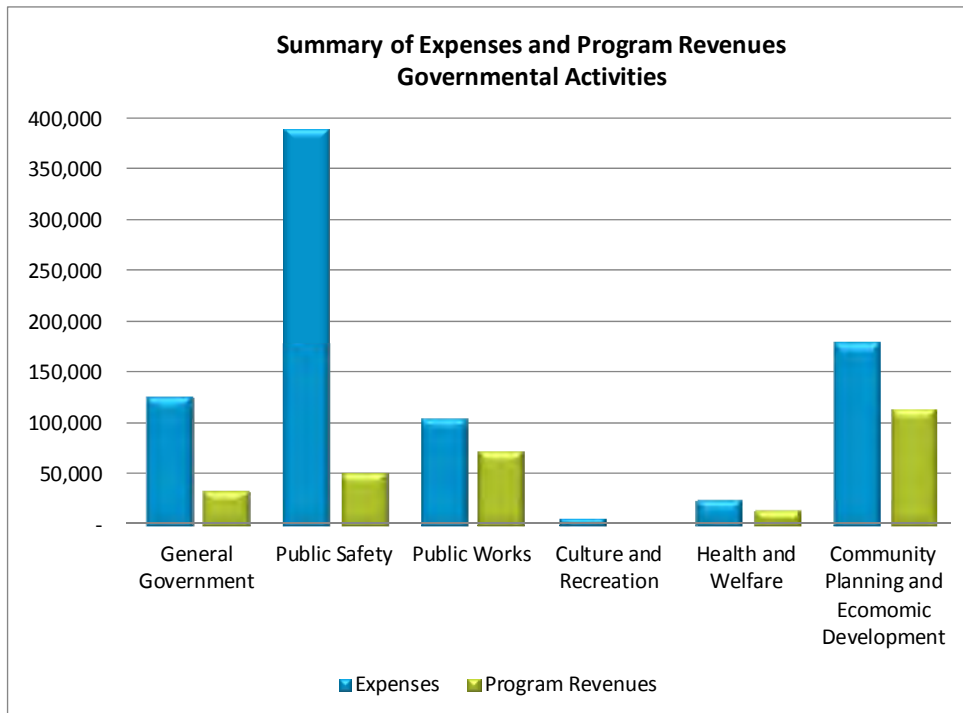
Government-wide Expenses



Governmental Activities—Governmental activities decreased the City’s net position by \$55,372 compared to an increase of \$28,707 in 2015. Total governmental revenue increased by 3.7% from 2015 to 2016 while total expenses increased by 16.4% over that same period. The increase in expenses is attributable mainly to the recognition of pension expense related to the increased net pension liability. Pension expense booked to the governmental activities as a result of the change in net pension liability was \$196,468. Governmental activities are supported by charges for services, grants, and contributions. Additionally, general revenues cover any net expense after program specific revenues are applied. Specifically, property tax increment revenues supported economic development activities. Revenue increased due to an increase in the property tax levy, increased federal and local grant funding, and an increase in charges for services. A significant expense in the statement of activities, compared to fund statements, is depreciation. Current year depreciation for governmental activities was \$57,082.

**Summary of expenses and program revenues - Governmental Activities
For the Year ended December 31, 2016**

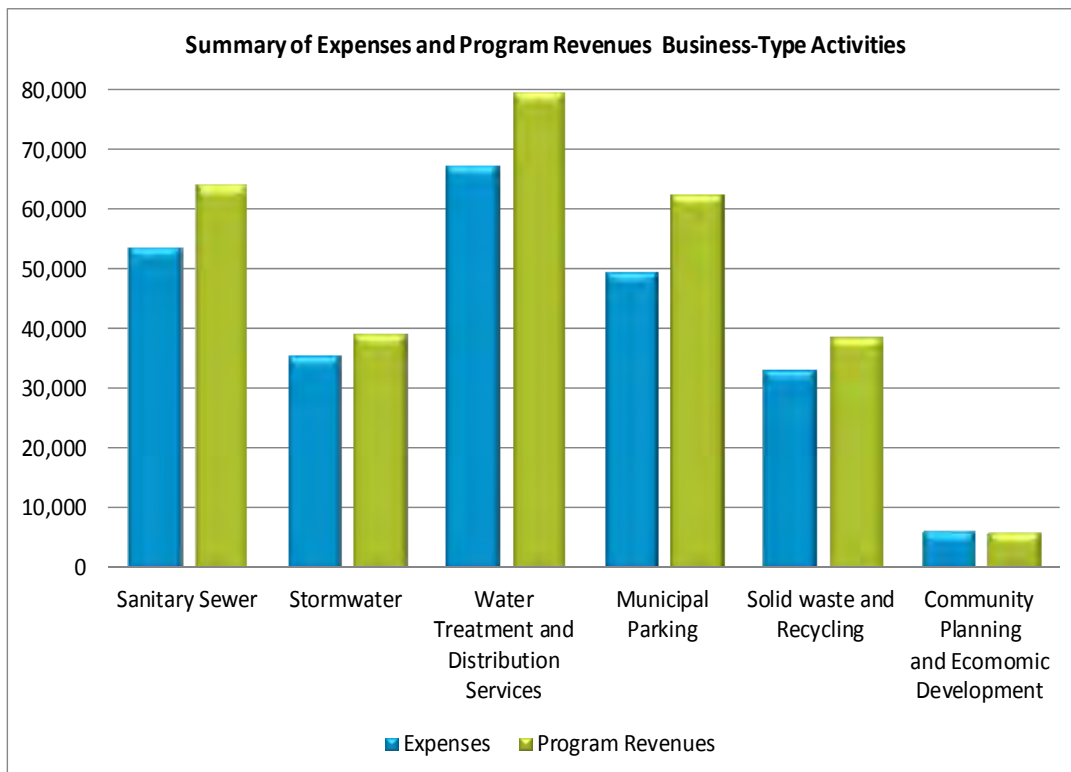
Functions/Programs	Expenses	Program Revenues	Net (Expense) Revenue by Program
General government	\$ 128,137	\$ 34,003	\$ (94,134)
Public safety	390,053	50,966	(339,087)
Public works	106,705	72,581	(34,124)
Culture and recreation	7,544	-	(7,544)
Health and welfare	25,494	15,532	(9,962)
Community planning and economic development	181,537	113,749	(67,788)
Interest on long-term debt	13,611	-	(13,611)
	<u>\$ 853,081</u>	<u>\$ 286,831</u>	<u>\$ (566,250)</u>
General revenues and transfers supporting governmental activities			<u>510,878</u>
Change in net position			(55,372)
Net position - January 1, 2016			<u>990,426</u>
Net position - December 31, 2016			<u>\$ 935,054</u>



Business-Type Activities—Business-type activities increased the City’s net position by \$24,390 compared with an increase of \$24,285 in 2015.

**Summary of expenses and program revenues - Business-Type Activities
For the Year ended December 31, 2016**

Functions/Programs	Expenses	Program Revenues	Net (Expense) Revenue by Program
Sanitary sewer	\$ 54,030	\$ 64,394	\$ 10,364
Stormwater	36,009	39,436	3,427
Water treatment and distribution services	67,826	79,975	12,149
Municipal parking	50,020	62,962	12,942
Solid waste and recycling	33,312	38,831	5,519
Community planning and economic development	6,330	6,101	(229)
	<u>\$ 247,527</u>	<u>\$ 291,699</u>	\$ 44,172
General revenues and transfers supporting business-type activities			(19,782)
Change in net position			24,390
Net position - January 1, 2016			891,965
Net position - December 31, 2016			<u>\$ 916,355</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 2016, four governmental funds, including the General Fund, are presented as major funds. These funds include the Community Planning and Economic Development Fund Special Revenue Fund, the Permanent Improvement Capital Project Fund, and the Special Assessment Debt Service Fund. At December 31, 2016, the City's governmental funds reported a combined ending fund balance of \$480,559, an increase of \$11,459 compared with the prior year. Approximately 14.8% of this total amount, or \$71,041, 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 (\$35,015) for land development, advances to other funds, prepaid items, and properties held for resale; restricted (\$215,143) for debt service, community planning and economic development, properties held for resale, capital improvements, grants, and law enforcement legal requirements; and assigned (\$159,360) 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	2016		2015		Increase/ (Decrease)
	Amount	Percent of Total	Amount	Percent of Total	Amount
Taxes	\$ 408,195	50.55 %	\$ 393,015	52.86 %	\$ 15,180
Licenses and permits	48,267	5.98	45,878	6.17	2,389
Intergovernmental revenues	181,477	22.48	160,953	21.65	20,524
Charges for services and sales	90,626	11.22	71,609	9.63	19,017
Fines and forfeits	6,705	0.83	6,853	0.92	(148)
Special assessments	28,220	3.49	25,780	3.47	2,440
Investment earnings	7,916	0.98	3,903	0.52	4,013
Miscellaneous revenue	36,054	4.47	35,467	4.78	587
Total revenues	\$ 807,460	100.00 %	\$ 743,458	100.00 %	\$ 64,002

**Expenditures by Function
Governmental Funds**

Expenditures by Function	2016		2015		Increase/ (Decrease)
	Amount	Percent of Total	Amount	Percent of Total	Amount
Current:					
General government	\$ 106,212	11.92 %	\$ 102,556	12.79 %	\$ 3,656
Public safety	269,020	30.18	256,981	32.05	12,039
Public works	56,978	6.40	54,084	6.75	2,894
Culture and recreation	1,560	0.18	2,363	0.29	(803)
Health and welfare	21,705	2.44	21,235	2.65	470
Community planning and economic development	174,858	19.63	161,868	20.19	12,990
Capital outlay	151,681	17.02	76,361	9.52	75,320
Intergovernmental:					
General government	616	0.07	647	0.08	(31)
Public safety	154	0.02	168	0.02	(14)
Culture and recreation	5,984	0.67	2,207	0.28	3,777
Debt service:					
Principal retirement	84,027	9.43	83,871	10.46	156
Interest and fiscal charges	13,711	1.54	16,194	2.02	(2,483)
Bond issuance costs	4	-	482	0.06	(478)
Payments to refunded bond escrow agents	4,440	0.50	22,753	2.84	(18,313)
Total expenditures	\$ 890,950	100.00 %	\$ 801,770	100.00 %	\$ 89,180

General Fund—The General Fund is the general operating fund of the City. As of December 31, 2016, unassigned fund balance in the General Fund was \$96,236, nonspendable fund balance was \$1,261, and assigned fund balance is \$10,000. Total fund balance increased by \$1,506 during 2016.

The following table provides changes in revenues by source from 2015 to 2016.

Revenues by Source	General Fund Revenues By Source				Increase/ (Decrease)
	2016		2015		Amount
	Amount	Percent of Total	Amount	Percent of Total	
Taxes	\$ 274,925	57.66 %	\$ 267,316	58.08 %	\$ 7,609
Licenses and permits	47,030	9.87	44,317	9.63	2,713
Intergovernmental revenues	85,212	17.88	82,625	17.96	2,587
Charges for services and sales	48,813	10.24	46,873	10.19	1,940
Fines and forfeits	6,313	1.32	6,539	1.42	(226)
Special assessments	3,450	0.72	3,202	0.70	248
Investment earnings	3,460	0.73	1,613	0.35	1,847
Miscellaneous revenues	3,473	0.73	3,398	0.74	75
Total revenues	\$ 472,676	99.15	\$ 455,883	99.07	\$ 16,793
Transfers in	4,029	0.85	4,258	0.93	(229)
Total revenues and other financing sources	\$ 476,705	100.00 %	\$ 460,141	100.00 %	\$ 16,564

In 2016, General Fund revenues and transfers increased by about 3.6% from the previous year. Some highlights include:

- Tax collections were higher in 2016 which was expected since the General Fund property tax levy increased by \$6,517 from 2015 to 2016.
- Licenses and permit revenue also increased in 2016. Development activity, especially in Downtown Minneapolis, continued at a high rate during 2016. For the fifth consecutive year, the City issued permits for an excess of \$1 billion in building and development activity.
- Intergovernmental revenue increased slightly from state aid payments made to the City.
- Revenue from fines and forfeits decreased from 2015 to 2016 as a result of efforts to increase compliance with housing and parking rules. Increased compliance results in less revenue from fines due to non-compliance.

The following table provides the changes in expenditures by function from 2015 to 2016:

Expenditures by Function	General Fund Expenditures by Function				Increase/ (Decrease)
	2016		2015		Amount
	Amount	Percent of Total	Amount	Percent of Total	
Current:					
General government	\$ 73,353	15.43 %	\$ 67,160	14.70 %	\$ 6,193
Public safety	245,143	51.59	235,092	51.49	10,051
Public works	56,911	11.98	53,019	11.61	3,892
Culture and recreation	1,560	0.32	2,363	0.52	(803)
Health and welfare	9,062	1.91	8,289	1.82	773
Community planning and economic development	33,008	6.95	31,167	6.83	1,841
Total expenditures	419,037	88.18	397,090	86.97	21,947
Transfers out	56,162	11.82	59,499	13.03	(3,337)
Total expenditures and other financing uses	<u>\$ 475,199</u>	<u>100.00 %</u>	<u>\$ 456,589</u>	<u>100.00 %</u>	<u>\$ 18,610</u>

Overall, general fund expenditures increased by 4.1% from the previous year, although appropriations were underspent by approximately \$7,479.

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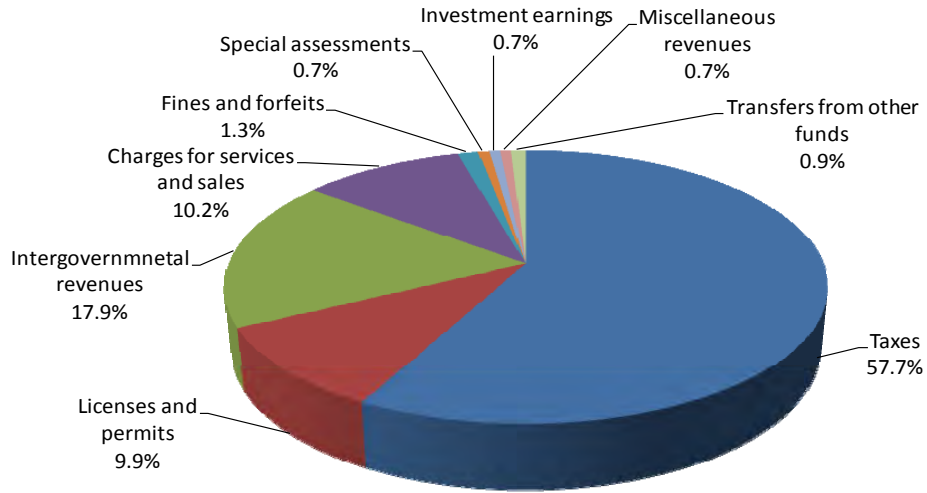
General Fund Budgetary Highlights—The final budget for the City’s General Fund represents the original budget plus any previously appropriated funds set aside for the purpose of honoring legally incurred obligations (prior year encumbrances and commitments), and any additional supplemental appropriations that may occur during the fiscal year. In 2016, the following were significant budget actions:

- The original General Fund appropriation for fiscal year 2016 was \$488,249, which included projected transfers out of \$66,412. The final appropriation was \$492,678 including transfers of \$66,162. General revenues and other resources were originally estimated at \$464,226, which included projected transfers in of \$4,029. The final revenue estimate was \$464,439 including transfers of \$4,029.
- Significant budgetary variances between the final amended budget and the actual results include:
 - 1) Overall, Public Works finished the year with \$550 in budgetary savings. A milder winter with lower snow removal expense drove these savings.
 - 2) Staffing savings and other cost reductions including deferring projects into 2017 resulted in a \$1,342 budget surplus in Regulatory Services.
 - 3) Community Planning and Economic Development realized budgetary savings of \$5,042 due to initiatives that were in the budget but not completed in 2016.
 - 4) Contingency funding totaling \$3.6 million was used by Police and the City Clerk’s office to pay for personnel and election expenses respectively.
 - 5) A \$10.0 million transfer to the capital project fund was budgeted, but not completed in 2016. Due to a delay in state bonding money, the project that was to be funded by the transfer did not begin as planned.

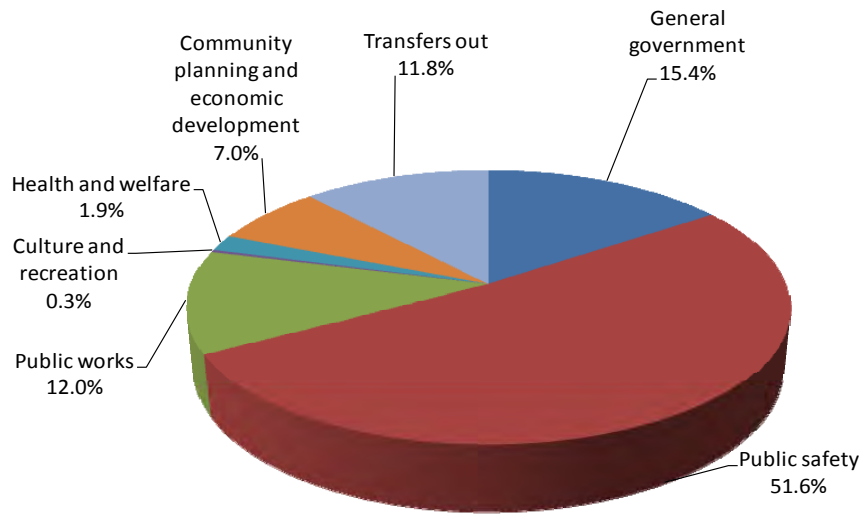
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Current fiscal year revenue and expenditure budgets for the General Fund by major category or function are as follows:

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 2016 were \$61,059, a 2.8% increase from the prior year. The increase is due to City land sales made to develop riverfront properties. A majority, approximately 78.9%, of the fund’s revenue was derived from property tax increment, and 13.6% of the fund’s revenue was generated from rents collected and the repayment of loans made for the housing and redevelopment activities of the City. The remaining revenue was derived from a variety of miscellaneous sources. The expenditures for the fund in 2016 were \$36,136. The fund’s expenditures are primarily for contractual services for the housing and economic programs operated within the fund and for the staff costs to monitor and deliver these programs. The level of current fund expenditures in 2016 was comparable to the prior year.

The fund’s transfers to other funds of \$25,084 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 \$6,127 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 \$202,129. This included \$33,473 in a nonspendable form, primarily for the inventory of properties held for resale; \$130,038 restricted for specific programs by State law; and the remaining \$38,618 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, buildings, and other capital projects. During 2016, \$151,681 of capital outlay occurred which is an increase of 99% from \$76,361 in 2015.

The key assets constructed with these funds include:

- Bridges - \$15,662
- Streets - \$56,159
- Traffic Signals and Street Lighting - \$13,565
- Bike Trails - \$575
- Property Service - \$3,553
- Target Center Renovation - \$41,712

The fund balance increased from \$6,519 in 2015 to \$10,223 in 2016. The increase was due to increase of Federal and State grants, and other funding proceeds. Additionally, revenues for the fund increased from \$36,635 in 2015 to \$75,162 in 2016 due to increase from State, Federal, local sources, and charges for services for capital projects.

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

At the end of 2016 the City had \$43,676 of debt outstanding for special assessment improvements. During 2016, the City received debt related assessment collections and interest earnings of \$10,723 and paid total principal of \$11,242 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 \$933,618 at December 31, 2016, an increase of \$24,730 over the 2015 balance.

The following table summarizes the cash balances, total assets, deferred outflows of resources, total liabilities, deferred inflows of resources, operating income, changes in net position, and net positions for each of the enterprise funds, from 2015 to 2016:

	Sanitary	Stormwater	Water	Municipal	Solid	Community	Total	
	Sewer		Treatment and Distribution Services	Parking	Waste and Recycling	Planning and Economic Development	2016	2015
Cash	\$ 18,310	\$ 35,863	\$ 42,086	\$ 17,201	\$ 25,324	\$ 1,359	\$ 140,143	\$ 115,713
Assets	151,477	340,989	360,210	295,015	40,540	120,851	1,309,082	1,266,236
Deferred outflows of resources	7,569	12,567	26,060	6,192	15,540	-	67,928	40,164
Liabilities	37,865	23,366	146,775	111,562	26,852	80,755	427,175	392,063
Deferred inflows of resources	1,826	3,020	6,193	1,472	3,706	-	16,217	5,449
Operating income (loss)	3,451	2,335	11,670	15,622	(3,739)	4,356	33,695	36,834
Change in net position	1,887	3,392	12,947	7,426	(1,166)	244	24,730	24,014
Net position	\$ 119,355	\$ 327,170	\$ 233,302	\$ 188,173	\$ 25,522	\$ 40,096	\$ 933,618	\$ 908,888

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, 2016 was \$119,355 compared to \$117,468 for 2015 for an increase of \$1,887.

The operating revenues of \$66,903 for 2016 compared to \$60,332 for 2015 reflects an increase of \$6,571. The sanitary utility sales and service revenues account for \$4,772 of the increase due to increase in rates. These increases were further inflated by \$1,800 in SAC revenues. Increase in SAC revenues is off-set by equivalent increase in SAC expenses.

The operating expense totaled \$63,452 compared to \$57,767 for 2015 resulting in an increase of \$5,685. The increase in operating expenses reflects a number of changes from 2015. There was an increase in salaries and fringes of \$1,438 due to an increase in maintenance and repair work being done by City crews and increase in pension cost. This was combined with an increase in contractual and professional services by \$2,212 due to work on Nicollet Mall project, sewer cleaning, rehab work, and SAC payments. Finally, Met Council increased rates for MCES by 6% resulting in an increased expense of \$1,929. 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, 2016 was \$327,170 which was an increase of \$3,392 from the beginning balance of \$323,778.

The 2016 operating revenues of \$38,306 compared to \$39,265 for 2015 reflected a decrease of \$959. The drop in revenue is due to a decrease in sales, services, design activities and local grants, offset slightly by an increase in reimbursements from the State of Minnesota for maintenance work done by the street cleaning and storm maintenance departments. These reimbursements are based on agreements with the State and Hennepin County.

The operating expenses totaled \$35,971 compared to \$32,195 reported for 2015. This was an increase of \$3,776 and reflects several changes. There was an increase in salaries and fringes of \$2,129 due to increase in pension expense, repair, and cleaning works. This was coupled with an increase in vendor payments related to software training, modeling, cleaning, catch basin and vegetation maintenance work by \$1,262. Finally there was an increase in Met Council payments due to rate increases and Maximo inventory system upgrade increased expenses by \$369.

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

Net position increased by \$12,947 for the year, resulting in a net position at December 31, 2016 of \$233,302. This planned increase allowed for net increases to long-term assets in the amount of \$11,750 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 \$6,748, when compared to 2015, due in large part to increased water sales and increased charges for services. Operating expenses increased by \$2,284, when compared to 2015. This increase was in large part due to a \$1,964 increase from 2015 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, 2016 was \$188,173 which is an increase of \$7,426 from the beginning balance.

There are three main reasons for the change in net position. There were continued operational efficiencies attained through off-street parking; the largest contributor was a reduction in operator expenses due to the new pay machines in most of the ramps reducing the number of staff hired. The City implemented new, multi-space parking meters which continue to provide increased revenues in on-street parking.

Solid Waste and Recycling Fund—The Solid Waste and Recycling Fund accounts for the City's solid waste and recycling collection and disposal, graffiti removal, and a solid waste transfer station that serves over 106,000

dwelling units. Pick-up services for trash, yard waste, and recyclables are provided on a weekly and a biweekly basis. City crews provide approximately one-half of the solid waste collection services and the other half are provided through a consortium of companies specializing in waste collections. Also accounted for in this fund are various initiatives such as clean city neighborhood clean sweeps; city-wide litter and graffiti abatement and removal; and an organics program.

Net position through December 31, 2016 totaled \$25,522, a decrease of \$1,166 compared to the beginning balance of \$26,688. Operating revenues totaled \$37,235, an increase of \$1,503 over 2015. This increase can be attributed to a rate increase of \$1.29 per dwelling unit in utility billing, resulting in increased revenue from sales.

Operating expenses increased to \$40,974 compared to \$34,570 for 2015. This increase of \$6,404 is due in part to an increase in salaries and fringes of \$2,520 due to increase in personnel to support organics program and pension plans. There was also an increase in vendor payments of \$3,426 due to new contracts with higher rates relating to collection, disposal, and hauling. Finally there were increased expenses associated with the purchase of carts, City services, and depreciation totaling \$458.

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 \$244 during the year. The increase resulted primarily from interest revenue earned on various reserve investments within the fund, and an operating transfer to reduce the deficit in the discontinued theatres operation. The barge related activities of the River Terminal facility have been discontinued. The facility is currently used primarily as leased space for commodity storage. The City intends to develop the site for park and jobs-intensive business uses.

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

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

Internal Service Funds
Key Balance Sheet Account Balances and Operating Activities
December 31, 2016, and 2015

	Engineering Materials and Testing	Intergovern- mental Services	Property Services	Equipment Services	Public Works Stores	Self- Insurance	Total	
							2016	2015
Cash	\$ 1,545	\$ 30,868	\$ 8,604	\$ 26,913	\$ 1,218	\$ 80,013	\$ 149,161	\$ 144,239
Assets	1,725	77,302	39,742	87,929	6,014	83,983	296,695	286,136
Deferred outflows of resources	1,719	14,136	8,259	9,440	1,270	11,507	46,331	27,189
Liabilities	2,730	28,110	16,147	27,978	2,335	71,578	148,878	133,587
Deferred inflows of resources	412	3,486	1,950	2,264	307	2,694	11,113	3,687
Operating income (loss)	(511)	(5,760)	(80)	2,103	181	833	(3,234)	(1)
Change in net position	(500)	(2,809)	415	5,208	257	4,413	6,984	10,866
Net position	\$ 302	\$ 59,842	\$ 29,904	\$ 67,127	\$ 4,642	\$ 21,218	\$ 183,035	\$ 176,051

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 2016, the net position is \$302 representing a decrease of \$500 from the 2016 beginning net position of \$802. The decrease in net position is primarily due to long-term pension liabilities recorded in accordance with GASB Statement No. 68. The fund maintains a positive cash balance at \$1,545 at year-end 2016 which is a decrease of \$8 from the 2015 ending balance of \$1,553.

Intergovernmental Services Fund—This fund accounts for operations of Information Technology (IT); the City Clerk’s printing and central mailing services; and the Human Resources technology training services. IT is comprised of telecommunications services, network services, application support, internet and intranet services, convenience copier function, broadband wireless, and deployment of software and hardware. These services are also provided to the Minneapolis Park and Recreation Board, Municipal Building Commission, and the Minneapolis Youth Coordinating Board. In 2016, the fund insourced the services provided by the IT helpdesk and desk side support that were previously outsourced.

The fund’s 2016 ending net position is \$59,842. The cash balance at year-end 2016 is \$30,868, representing a decrease of \$7,492 from the 2015 year-end cash balance of \$38,360. The primary reason for the decrease to cash in 2016 is the use of net position to fund one-time expenses related to insourcing the help desk and desk side support functions and contracting with a new provider for managed services. Cash also decreased in 2016 due to the use of unearned revenue to fund PMO projects.

Property Services Fund—The Property Services Fund is responsible for the management and maintenance of City-owned buildings including police precinct structures, fire stations, and public works buildings. The fund does not include 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. However, in 2016, the fund experienced an increase of \$415 to net position resulting in an ending balance of \$29,904 compared to the 2016 beginning net position of \$29,489. The primary reason for the increase to net position is timing differences between the receipt of revenue collected for asset preservation maintenance projects and the timing of the project work. 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 2016, the remaining debt obligation is \$1,714. The cash balance increased from \$4,958 at year-end 2015 to \$8,604 at year-end 2016. The increase in cash resulted from the revenue received for the asset preservation maintenance projects.

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 2016, the fund reported an increase to net position of \$5,208, increasing the net position from a 2016 beginning balance of \$61,919 to an ending balance of \$67,127. The 2016 ending cash balance is \$26,913, an increase of \$3,211 from the ending balance of \$23,702 in 2015. 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 2016, the fund reported an increase to net position of \$257, increasing the net position from a 2016 beginning balance of \$4,385 to an ending balance of \$4,642. The fund's ending cash balance is \$1,218 for 2016, an increase of \$1,202 from the ending 2015 cash balance of \$16. The fund experienced a decrease of \$385 in the amount due to other funds resulting in a 2016 year-end balance of \$0. In 2016, the fund decreased the value of inventory by 15.9% resulting in a year-end balance of \$4,796.

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 2016 was \$21,218, an increase of \$4,413 from the 2016 beginning net position of \$16,805. The cash balance increased by \$4,363 from \$75,650 in 2015 to \$80,013 at year-end 2016. 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, 2016 the City's investment in capital assets for its governmental and business-type activities was \$2,351,582 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, roads, highways, and bridges. The increase in

the City's investment in capital assets for the current fiscal year included a 9.2% increase in governmental activities and a 2.6% increase in business-type activities.

The following table summarizes capital assets for governmental and business-type activities for 2016 and 2015:

	Capital Assets (Net of depreciation)					
	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	2016	2015	2016	2015	2016	2015
Land and easements	\$ 110,788	\$ 110,788	\$ 130,879	\$ 128,382	\$ 241,667	\$ 239,170
Construction in progress	333,988	198,314	85,960	51,484	419,948	249,798
Infrastructure	420,819	447,989	-	-	420,819	447,989
Buildings and structures	364,185	372,127	300,160	307,099	664,345	679,226
Public improvements	19,531	19,974	468,838	473,339	488,369	493,313
Machinery and equipment	50,842	47,792	32,235	31,707	83,077	79,499
Computer equipment	4,436	4,772	237	165	4,673	4,937
Software	28,665	18,969	19	-	28,684	18,969
Total	\$ 1,333,254	\$ 1,220,725	\$ 1,018,328	\$ 992,176	\$ 2,351,582	\$ 2,212,901

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 approximately one-third of the way completed.
- The net increase in construction in progress between governmental and business-type activities totaled \$170,150 as a multitude of large infrastructure projects including the Nicollet Mall redesign were under way, but incomplete at year end.

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

Long-term debt—As of December 31, 2016, the City had total long-term bonds and notes outstanding of \$756,182 compared to \$764,115 in the prior year. Of this amount, \$460,428 is related to governmental activities and \$295,754 is related to business-type activities. The City had \$87,977 or approximately 11.6% of the long-term debt in variable rate mode at year-end. Long-term notes of \$159,497 are included in the above total, of which \$44,507 is for governmental activities and \$114,990 is for business-type activities.

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The following table shows various classifications of the City's long-term debt at December 31, 2016 and the amount of principal due in 2017.

<u>Summary of Outstanding Bonds and Notes</u>	<u>Balance 1/1/2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/2016</u>	<u>Due in 2017</u>
General Obligation (GO) Bonds and Notes:					
Property Tax Supported GO Bonds	\$ 90,165	\$ 46,175	\$ (21,725)	\$ 114,615	\$ 52,965
Property Tax Supported GO Notes	15,000	3,700	(18,000)	700	700
Self-Supporting GO Bonds	190,775	-	(21,920)	168,855	22,590
Self-Supporting GO Notes	-	27,982	-	27,982	-
GO Improvement Bonds	34,293	12,125	(11,242)	35,176	7,801
GO Improvement Notes	5,000	3,500	-	8,500	1,000
Tax Increment GO Bonds	76,355	-	(13,675)	62,680	4,915
Tax Increment GO Notes	3,650	-	(440)	3,210	460
Internal Service Fund Related GO Bonds	16,005	-	(3,035)	12,970	3,160
Enterprise Fund Related GO Bonds	97,262	61,095	(53,908)	104,449	13,324
Enterprise Fund Related GO Notes	<u>114,415</u>	<u>6,300</u>	<u>(5,725)</u>	<u>114,990</u>	<u>8,005</u>
Total General Obligation Bonds and Notes	642,920	160,877	(149,670)	654,127	114,920
Revenue Bonds and Notes:					
Economic Development Revenue Bonds	22,710	-	(1,085)	21,625	1,320
Other Community Development Related Bonds	84,790	-	(8,475)	76,315	3,380
Revenue Notes	<u>13,695</u>	<u>-</u>	<u>(9,580)</u>	<u>4,115</u>	<u>410</u>
Total Revenue Bonds and Notes	121,195	-	(19,140)	102,055	5,110
Total Outstanding Bonds and Notes	<u>\$ 764,115</u>	<u>\$ 160,877</u>	<u>\$ (168,810)</u>	<u>\$ 756,182</u>	<u>\$ 120,030</u>

The City maintained an "AAA" rating from Standard & Poor's and Fitch Ratings and received an "Aa1" from Moody's for its general obligation debt in 2016. Additional information on the City's Long-term debt can be found in Note 5 starting on page 72 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 \$77.4 million for 2015. Another \$0.4 million was added in 2016 bringing the total to \$77.8 million. 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 2016, the City marked its fifth 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 fourth year of this program, approximately \$29.2 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, \$4.4 million is funded from existing General Fund resources.

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

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

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

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

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

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

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

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

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Budget Outlook:

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

- For 2017, 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 \$1.45 billion which represents a \$112.7 million or 8.4% increase from the 2016 Council Adopted Budget of \$1.34 billion.

- At the same time, the Council adopted a 2017 property tax levy of \$313.9 million, which results in a 5.5%, or \$16.4 million increase, from the 2016 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 2017, City positions grew by 217.1 FTEs and salaries and wages increased by \$21.0 million. Health and dental insurance expenditures are budgeted to decrease from \$72.0 million in 2016 to \$70.9 million in 2017. This estimate results from better than anticipated medical renewal rates and changes in coverage selections by employees.
- The 2017 budget bolsters public safety by raising the authorized number of sworn police officers from 862 to 877, providing funding for a recruit class and ongoing community service officer classes, and additional specially trained personnel in the area of mental health co-responders. Funding is also included for the additional firefighters bringing the total sworn firefighters up to 411.
- The City's levies for its closed pension funds that merged into the Minnesota State Public Employees' Retirement Association (PERA) decrease from \$27.3 million for 2016 to \$22.3 million for 2017.
- For 2017 – 2021, the five year capital program totals \$927.0 million including all funding sources. The 2017 portion of the five-year capital program is \$195.8 million which funds accelerated improvements to the City's infrastructure by continuing support for the expanded net debt bond program put in place in 2012.

In the 2017 budget, approximately \$29.2 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 \$10.3 billion dollars, of which \$5.3 billion resides in the Minneapolis Central Business District (CBD).

From 2016 to 2017, the City-wide commercial tax base saw an increase in value of 8.2%. CBD values grew by 10.7% 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 Radisson Red hotel, corporate headquarters of national construction firm Ryan Companies, and Wells Fargo's regional headquarters. A new corporate headquarters for Kraus-Anderson Construction and a destination attraction from local brewer Finnegan's are both nearing completion as well.

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. Following the closing of the St. Anthony lock and dam on the Mississippi river, the Upper Harbor Terminal port facility in North Minneapolis 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. Work continues on redevelopment of properties along the I-394 corridor in North Minneapolis. Low-intensity commercial is planned for this area as well.

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. From the third to fourth quarter in 2016, the direct vacancy rate in the CBD increased from 14.6% to 17.9%. This increase is largely the result of the completion of the new Wells Fargo regional headquarters, which created large new vacancies in other CBD properties as Wells Fargo employees were relocated.

Employment:

The unemployment rate for the City of Minneapolis as of December 2016 is 3.3% according to the Minnesota Department of Employment and Economic Development. This economic indicator compares favorably to the State of Minnesota (4.4%) and the national unemployment rate (4.6%).

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, 2016

CITY OF MINNEAPOLIS, MINNESOTA
(In Thousands)

	Primary Government				
	Governmental Activities	Business-type Activities	Total	Discrete Component Units	Total
ASSETS					
Cash and pooled investments	\$ 622,551	\$ 140,143	\$ 762,694	\$ 37,132	\$ 799,826
Investments with trustees	2,691	38,095	40,786	-	40,786
Receivables	115,804	25,492	141,296	16,005	157,301
Loans receivable from component unit	2,031	-	2,031	-	2,031
Due from primary government	-	-	-	1,500	1,500
Due from other governmental agencies	47,303	3,236	50,539	1,320	51,859
Capital leases	-	3,375	3,375	-	3,375
Prepays and other assets	1,902	3,391	5,293	258	5,551
Inventories	5,998	3,832	9,830	34	9,864
Internal balances	17,263	(17,263)	-	-	-
Long-term portion of loans and notes receivable	-	255	255	-	255
Long-term portion of loans due from component unit	25	-	25	-	25
Long-term portion of capital lease receivable	-	72,935	72,935	-	72,935
Properties held for resale	42,759	-	42,759	-	42,759
Capital assets:					
Nondepreciable	444,776	216,839	661,615	146,286	807,901
Depreciable, net	888,478	801,489	1,689,967	207,518	1,897,485
Total assets	\$ 2,191,581	\$ 1,291,819	\$ 3,483,400	\$ 410,053	\$ 3,893,453
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows - pensions	\$ 963,145	\$ 67,928	\$ 1,031,073	\$ 72,662	\$ 1,103,735
LIABILITIES					
Accrued salaries and benefits	\$ 16,614	\$ 1,370	\$ 17,984	\$ 2,083	\$ 20,067
Accounts payable	52,783	13,995	66,778	8,461	75,239
Interest payable	2,839	1,359	4,198	25	4,223
Unpaid claims payable	-	-	-	4,428	4,428
Loans payable to primary government	-	-	-	2,031	2,031
Fiscal agent liability	-	-	-	2	2
Due to component unit	1,500	-	1,500	-	1,500
Due to other governmental agencies	2	355	357	-	357
Unearned revenue	8,720	1,074	9,794	436	10,230
Deposits held for others	15,483	4,957	20,440	-	20,440
Compensated absences:					
Due within one year	19,716	2,316	22,032	1,066	23,098
Due beyond one year	16,850	802	17,652	3,890	21,542
Other postemployment benefits - due beyond one year	36,306	1,442	37,748	4,220	41,968
Net pension liability	1,364,887	101,553	1,466,440	119,093	1,585,533
Long-term portion of loan payable due to primary government	-	-	-	25	25
Long-term liabilities:					
Due within one year	106,864	24,709	131,573	2,461	134,034
Due beyond one year	411,069	273,243	684,312	2,977	687,289
Total liabilities	\$ 2,053,633	\$ 427,175	\$ 2,480,808	\$ 151,198	\$ 2,632,006
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows - pensions	\$ 166,039	\$ 16,217	\$ 182,256	\$ 10,862	\$ 193,118
NET POSITION					
Net investment in capital assets	\$ 1,057,445	\$ 800,274	\$ 1,857,719	\$ 349,175	\$ 2,206,894
Restricted:					
Debt service	41,601	35,336	76,937	-	76,937
Community & economic development	130,038	-	130,038	-	130,038
Law enforcement	1,679	-	1,679	-	1,679
Grants	2,378	-	2,378	-	2,378
Properties held for resale	8,853	-	8,853	-	8,853
Capital improvements	30,594	-	30,594	245	30,839
Project and grant programs	-	-	-	7,287	7,287
Special trust	-	-	-	115	115
Special reserves	-	-	-	5,785	5,785
Unrestricted	(337,534)	80,745	(256,789)	(41,952)	(298,741)
Total net position	\$ 935,054	\$ 916,355	\$ 1,851,409	\$ 320,655	\$ 2,172,064

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

STATEMENT OF ACTIVITIES
For the Fiscal Year Ended December 31, 2016

CITY OF MINNEAPOLIS, MINNESOTA
(In Thousands)

FUNCTIONS/PROGRAMS Primary government	Program Revenues				Net (Expenses) Revenues and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Discrete Component Units	
								Total	Component Units
	\$ 128,137	\$ 5,886	\$ 13,909	\$ 14,208	\$ (94,134)	\$ -	\$ (94,134)	\$ -	\$ (94,134)
General government	390,053	17,051	33,887	28	(339,087)	-	(339,087)	-	(339,087)
Public safety	106,705	43,236	29,326	19	(34,124)	-	(34,124)	-	(34,124)
Culture and recreation	7,544	-	-	-	(7,544)	-	(7,544)	-	(7,544)
Health and welfare	25,494	2,498	13,034	-	(9,962)	-	(9,962)	-	(9,962)
Community planning & economic development	181,537	71,370	42,379	-	(67,788)	-	(67,788)	-	(67,788)
Interest on long-term debt	13,611	-	-	-	(13,611)	-	(13,611)	-	(13,611)
Total governmental activities	853,081	140,041	132,535	14,255	(566,250)	-	(566,250)	-	(566,250)
Business-type Activities:									
Sanitary sewer	54,030	64,289	105	-	-	10,364	10,364	-	10,364
Stormwater	36,009	37,432	2,004	-	-	3,427	3,427	-	3,427
Water treatment and distribution services	67,826	78,963	1,012	-	-	12,149	12,149	-	12,149
Municipal parking	50,020	62,837	125	-	-	12,942	12,942	-	12,942
Solid waste and recycling	33,312	36,988	1,843	-	-	5,519	5,519	-	5,519
Community planning & economic development	6,330	6,101	-	-	-	(229)	(229)	-	(229)
Total business-type activities	247,527	286,610	5,089	-	-	44,172	44,172	-	44,172
Total primary government	\$ 1,100,608	\$ 426,651	\$ 137,624	\$ 14,255	(566,250)	44,172	(522,078)	-	(522,078)
Component units:									
Discrete component units	\$ 145,349	\$ 45,138	\$ 5,587	\$ 22,786				(71,838)	(71,838)
General Revenues:									
Taxes:									
General property tax and fiscal disparities					247,708	-	247,708	65,768	313,476
Property tax increment					49,616	-	49,616	-	49,616
Franchise taxes					29,515	-	29,515	-	29,515
Local taxes					80,851	-	80,851	-	80,851
Other taxes					212	-	212	-	212
Local government aid - unrestricted					68,391	-	68,391	234	68,625
Grants and contributions not restricted to programs					3,371	-	3,371	9,574	12,945
Unrestricted interest and investment earnings					7,754	205	7,959	22	7,981
Other					181	910	1,091	81	1,172
Gain on sale of capital assets					526	1,856	2,382	97	2,479
Transfers					22,753	(22,753)	-	-	-
Total general revenues and transfers					510,878	(19,782)	491,096	75,776	566,872
Change in net position					(55,372)	24,390	(30,982)	3,938	(27,044)
Net position - January 1					990,426	891,965	1,882,391	316,717	2,199,108
Net position - December 31					\$ 935,054	\$ 916,355	\$ 1,851,409	\$ 320,655	\$ 2,172,064

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

**GOVERNMENTAL FUNDS
BALANCE SHEET
December 31, 2016**

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	\$ 121,693	\$ 166,270	\$ 27,927	\$ 8,095	\$ 149,405	\$ 473,390
Investments with trustees	-	-	-	-	2,691	2,691
Receivables:						
Accounts	11,600	43	7,886	-	1,325	20,854
Taxes	3,815	212	26	-	1,725	5,778
Special assessments	505	966	2,682	33,994	969	39,116
Intergovernmental	8,372	708	28,681	-	9,501	47,262
Loans - net	-	25,832	-	-	22,430	48,262
Loans due from component unit	-	36	-	-	2,020	2,056
Accrued interest	831	343	130	14	281	1,599
Due from other funds	-	-	-	-	5,032	5,032
Advances to other funds	1,250	2,750	-	-	-	4,000
Prepaid items	11	-	-	-	281	292
Properties held for resale	-	33,473	-	-	8,853	42,326
Total assets	<u>\$ 148,077</u>	<u>\$ 230,633</u>	<u>\$ 67,332</u>	<u>\$ 42,103</u>	<u>\$ 204,513</u>	<u>\$ 692,658</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u>						
Liabilities:						
Salaries payable	\$ 14,583	\$ 19	\$ 245	\$ -	\$ 820	\$ 15,667
Accounts payable	18,859	641	12,987	13	11,934	44,434
Intergovernmental payable	-	-	-	-	2	2
Due to other funds	-	-	-	-	5,032	5,032
Due to component units	1,500	-	-	-	-	1,500
Deposits held for others	3,631	735	9,089	-	2,026	15,481
Advances from other funds	-	-	4,000	-	3,495	7,495
Unearned revenue	9	-	1,968	-	4,219	6,196
Total liabilities	<u>38,582</u>	<u>1,395</u>	<u>28,289</u>	<u>13</u>	<u>27,528</u>	<u>95,807</u>
Deferred Inflows of Resources:						
Unavailable Revenue	<u>1,998</u>	<u>27,109</u>	<u>28,820</u>	<u>34,364</u>	<u>24,001</u>	<u>116,292</u>
Fund balances:						
Nonspendable	1,261	33,473	-	-	281	35,015
Restricted	-	130,038	30,594	7,726	46,785	215,143
Assigned	10,000	38,618	-	-	110,742	159,360
Unassigned	96,236	-	(20,371)	-	(4,824)	71,041
Total fund balances	<u>107,497</u>	<u>202,129</u>	<u>10,223</u>	<u>7,726</u>	<u>152,984</u>	<u>480,559</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 148,077</u>	<u>\$ 230,633</u>	<u>\$ 67,332</u>	<u>\$ 42,103</u>	<u>\$ 204,513</u>	<u>\$ 692,658</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, 2016**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

Fund balances - total governmental funds		\$	480,559
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>			
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.</p>			
Non-depreciable	408,749		
Depreciable	1,526,013		
Accumulated depreciation	<u>(737,270)</u>		<u>1,197,492</u>
<p>Deferred inflows are not available to pay for current-period expenditures and, therefore, in the governmental funds, are unavailable revenue.</p>			
			116,292
<p>Internal service funds are used by management to charge the costs of engineering materials and testing, intergovernmental services, property services, permanent improvement equipment, public works stores, and, self-insurance.</p>			
			183,035
<p>Receivable from business-type funds for internal service fund activity.</p>			
			17,263
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.</p>			
Bonds and notes payable and any related unamortized premiums/discounts	(452,407)		
Other postemployment benefits payable	(35,546)		
Operating and capital leases payable	(417)		
Bond interest payable	(2,807)		
Compensated absences	<u>(34,583)</u>		<u>(525,760)</u>
<p>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:</p>			
Deferred outflows - pensions	916,814		
Net pension liability	(1,295,715)		
Deferred inflows - pensions	<u>(154,926)</u>		<u>(533,827)</u>
Net position of governmental activities		\$	<u>935,054</u>

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, 2016**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	General	Community Planning and Economic Development	Permanent Improvement	Special Assessment	Non-Major Governmental	Total
REVENUES:						
Taxes	\$ 274,925	\$ 48,182	\$ 5,978	\$ -	\$ 79,110	\$ 408,195
Licenses and permits	47,030	-	118	-	1,119	48,267
Intergovernmental revenues	85,212	1	32,494	-	63,770	181,477
Charges for services and sales	48,813	1,556	29,653	-	10,604	90,626
Fines and forfeits	6,313	-	-	-	392	6,705
Special assessments	3,450	118	4,256	10,663	9,733	28,220
Investment earnings	3,460	2,889	193	60	1,314	7,916
Miscellaneous revenues	3,473	8,313	2,470	-	21,798	36,054
Total revenues	<u>472,676</u>	<u>61,059</u>	<u>75,162</u>	<u>10,723</u>	<u>187,840</u>	<u>807,460</u>
EXPENDITURES:						
Current:						
General government	73,353	-	-	-	32,859	106,212
Public safety	245,143	-	-	-	23,877	269,020
Public works	56,911	-	-	-	67	56,978
Culture and recreation	1,560	-	-	-	-	1,560
Health and welfare	9,062	-	-	-	12,643	21,705
Community planning & economic development	33,008	36,136	-	-	105,714	174,858
Capital outlay	-	-	151,681	-	-	151,681
Intergovernmental:						
General government	-	-	616	-	-	616
Public safety	-	-	-	-	154	154
Culture and recreation	-	-	5,984	-	-	5,984
Debt Service:						
Principal retirement	-	-	-	6,802	77,225	84,027
Interest and fiscal charges	-	-	-	999	12,712	13,711
Bond issuance costs	-	-	-	4	-	4
Payments to refunded bond escrow agents	-	-	-	4,440	-	4,440
Total expenditures	<u>419,037</u>	<u>36,136</u>	<u>158,281</u>	<u>12,245</u>	<u>265,251</u>	<u>890,950</u>
Excess (deficiency) of revenues over (under) expenditures	<u>53,639</u>	<u>24,923</u>	<u>(83,119)</u>	<u>(1,522)</u>	<u>(77,411)</u>	<u>(83,490)</u>
OTHER FINANCING SOURCES (USES):						
Transfers from other funds	4,029	1,104	500	-	105,250	110,883
Transfers to other funds	(56,162)	(25,084)	(3,554)	-	(25,536)	(110,336)
Premium (discount)	-	-	835	85	-	920
Bonds issued	-	-	53,860	-	-	53,860
Refunding bonds issued	-	-	-	4,440	-	4,440
Loans and notes issued	-	-	35,182	-	-	35,182
Total other financing sources (uses)	<u>(52,133)</u>	<u>(23,980)</u>	<u>86,823</u>	<u>4,525</u>	<u>79,714</u>	<u>94,949</u>
Net change in fund balances	1,506	943	3,704	3,003	2,303	11,459
Fund balances - January 1	<u>105,991</u>	<u>201,186</u>	<u>6,519</u>	<u>4,723</u>	<u>150,681</u>	<u>469,100</u>
Fund balances - December 31	<u>\$ 107,497</u>	<u>\$ 202,129</u>	<u>\$ 10,223</u>	<u>\$ 7,726</u>	<u>\$ 152,984</u>	<u>\$ 480,559</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, 2016**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

Net increase (decrease) in fund balances - total governmental funds	\$	11,459
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>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.</p>		6,984
Transfers from business-type funds for internal service fund activity.		340
<p>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.</p> <p>Expenditures for general capital assets, infrastructure, and other related capital assets:</p>	151,721	
Less loss on retirement of capital assets	(75)	
Less current year depreciation	<u>(41,818)</u>	<u>109,828</u>
<p>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.</p>		
Deferred inflows of resources - December 31	116,292	
Deferred inflows of resources - January 1	<u>(121,706)</u>	<u>(5,414)</u>
<p>Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position:</p>		
Bonds principal payments	84,027	
Bond proceeds	(58,300)	
Loans and notes proceeds	(35,182)	
Premium/discount	<u>(920)</u>	<u>(10,375)</u>
<p>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:</p>		
Change in accrued interest payable	100	
Change in other postemployment benefits payable	(971)	
Change in compensated absences	(1,219)	
Change in net pension liability	(181,176)	
Change in other long-term liabilities	<u>15,072</u>	<u>(168,194)</u>
Increase (decrease) in net position of governmental activities	\$	<u><u>(55,372)</u></u>

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

PROPRIETARY FUNDS
STATEMENT OF NET POSITION
December 31, 2016

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Business-type Activities - Enterprise Funds						Governmental Activities	
	Sanitary Sewer	Stormwater	Water		Solid Waste and Recycling	Community Planning and Economic Development	Total	Internal Service Funds
			Treatment and Distribution Services	Municipal Parking				
ASSETS								
Current assets:								
Cash and cash equivalents	\$ 18,310	\$ 35,863	\$ 42,086	\$ 17,201	\$ 25,324	\$ 1,359	\$ 140,143	\$ 149,161
Investments with trustees	-	-	-	-	-	38,095	38,095	-
Receivables:								
Accounts	5,120	3,298	4,346	343	3,416	66	16,589	195
Special assessments:								
Current	113	174	938	173	160	-	1,558	-
Delinquent	16	30	94	6	19	-	165	-
Deferred	-	-	1,377	5,435	-	-	6,812	-
Intergovernmental	-	365	-	2,845	26	-	3,236	41
Loans	-	-	-	-	-	60	60	-
Accrued interest	-	-	-	-	-	308	308	-
Capital leases	-	-	-	-	-	3,375	3,375	-
Inventories	-	-	2,489	-	1,343	-	3,832	5,998
Properties held for resale	-	-	-	-	-	-	-	433
Prepaid items	3,221	170	-	-	-	-	3,391	1,610
Total current assets	26,780	39,900	51,330	26,003	30,288	43,263	217,564	157,438
Long-term assets:								
Receivables:								
Loans	-	-	-	-	-	255	255	-
Capital leases	-	-	-	-	-	72,935	72,935	-
Advances to other funds	-	-	-	-	-	-	-	3,495
Capital assets:								
Nondepreciable:								
Land and easements	1	7,211	5,347	112,452	2,020	3,848	130,879	23,007
Construction in progress	25,107	29,462	27,618	2,976	797	-	85,960	13,020
Depreciable:								
Buildings and structures	-	-	236,656	284,077	2,047	12,743	535,523	55,650
Less accumulated depreciation	-	-	(84,442)	(136,685)	(2,043)	(12,193)	(235,363)	(32,069)
Public improvements	162,521	382,159	179,839	7,794	-	-	732,313	9,641
Less accumulated depreciation	(63,127)	(117,940)	(80,512)	(1,896)	-	-	(263,475)	(4,254)
Machinery and equipment	1,515	1,704	39,700	5,003	17,006	347	65,275	102,049
Less accumulated depreciation	(1,320)	(1,512)	(15,577)	(4,709)	(9,575)	(347)	(33,040)	(64,302)
Computer equipment	10	193	382	1,041	178	-	1,804	47,234
Less accumulated depreciation	(10)	(193)	(145)	(1,041)	(178)	-	(1,567)	(42,880)
Software	-	1,494	285	130	955	-	2,864	51,789
Less accumulated depreciation	-	(1,489)	(271)	(130)	(955)	-	(2,845)	(23,123)
Other capital outlay	-	-	19	15	-	-	34	51
Less accumulated depreciation	-	-	(19)	(15)	-	-	(34)	(51)
Total long-term assets	124,697	301,089	308,880	269,012	10,252	77,588	1,091,518	139,257
Total assets	\$ 151,477	\$ 340,989	\$ 360,210	\$ 295,015	\$ 40,540	\$ 120,851	\$ 1,309,082	\$ 296,695
DEFERRED OUTFLOWS OF RESOURCES								
Deferred outflows - pensions	\$ 7,569	\$ 12,567	\$ 26,060	\$ 6,192	\$ 15,540	\$ -	\$ 67,928	\$ 46,331

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

PROPRIETARY FUNDS
STATEMENT OF NET POSITION
December 31, 2015

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

	Business-type Activities - Enterprise Funds						Total	Governmental
	Water							Internal
	Sanitary Sewer	Stormwater	Treatment and Distribution Services	Municipal Parking	Solid Waste and Recycling	Community Planning and Economic Development		
LIABILITIES								
Current liabilities:								
Salaries payable	\$ 151	\$ 229	\$ 572	\$ 141	\$ 273	\$ 4	\$ 1,370	\$ 947
Accounts payable	772	3,583	4,675	2,930	2,016	19	13,995	8,349
Intergovernmental payable	-	-	-	39	316	-	355	-
Deposits held for others	-	-	86	1,894	-	2,977	4,957	2
Interest payable	57	-	756	187	-	359	1,359	32
Unearned revenue	-	-	-	-	-	1,074	1,074	2,524
Bonds payable - current portion	2,700	-	6,235	4,389	-	3,380	16,704	3,160
Notes payable - current portion	-	-	6,530	1,475	-	-	8,005	-
Compensated absences payable - current portion	264	453	921	188	485	5	2,316	1,472
Unpaid claims payable - current portion	-	-	-	-	-	-	-	11,543
Total current liabilities	<u>3,944</u>	<u>4,265</u>	<u>19,775</u>	<u>11,243</u>	<u>3,090</u>	<u>7,818</u>	<u>50,135</u>	<u>28,029</u>
Long-term liabilities:								
Bonds payable	22,410	-	22,071	48,842	-	72,935	166,258	10,081
Notes payable	-	-	64,990	41,995	-	-	106,985	-
Compensated absences payable	91	157	319	65	168	2	802	511
Other postemployment benefits	138	193	608	149	354	-	1,442	760
Net pension liability	11,282	18,751	39,012	9,268	23,240	-	101,553	69,172
Unpaid claims payable	-	-	-	-	-	-	-	40,325
Total long-term liabilities	<u>33,921</u>	<u>19,101</u>	<u>127,000</u>	<u>100,319</u>	<u>23,762</u>	<u>72,937</u>	<u>377,040</u>	<u>120,849</u>
Total liabilities	<u>\$ 37,865</u>	<u>\$ 23,366</u>	<u>\$ 146,775</u>	<u>\$ 111,562</u>	<u>\$ 26,852</u>	<u>\$ 80,755</u>	<u>\$ 427,175</u>	<u>\$ 148,878</u>
DEFERRED INFLOWS OF RESOURCES								
Deferred inflows - pensions	\$ 1,826	\$ 3,020	\$ 6,193	\$ 1,472	\$ 3,706	\$ -	\$ 16,217	\$ 11,113
NET POSITION								
Net investment in capital assets	\$ 102,728	\$ 301,089	\$ 209,496	\$ 172,311	\$ 10,252	\$ 4,398	\$ 800,274	\$ 122,505
Restricted - debt service	-	-	-	-	-	35,336	35,336	-
Unrestricted	16,627	26,081	23,806	15,862	15,270	362	98,008	60,530
Total net position	<u>\$ 119,355</u>	<u>\$ 327,170</u>	<u>\$ 233,302</u>	<u>\$ 188,173</u>	<u>\$ 25,522</u>	<u>\$ 40,096</u>	<u>\$ 933,618</u>	<u>\$ 183,035</u>
Net position - total enterprise funds							\$ 933,618	
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.							(17,263)	
Net position of business-type activities							<u>\$ 916,355</u>	

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

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
For the Fiscal Year Ended December 31, 2016

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Business-type Activities - Enterprise Funds						Total	Governmental
	Water							Activities
	Sanitary Sewer	Stormwater	Treatment and Distribution Services	Municipal Parking	Solid Waste and Recycling	Community Planning and Economic Development		Internal Service Funds
Operating revenues:								
Licenses and permits	\$ 79	\$ -	\$ 78	\$ 458	\$ -	\$ -	\$ 615	\$ -
Intergovernmental revenues	-	714	-	-	-	-	714	-
Charges for services and sales	66,719	37,432	79,484	65,254	37,008	1,374	287,271	93,981
Fines and forfeits	-	-	-	-	-	-	-	24
Special assessments	105	160	278	-	227	-	770	-
Investment earnings	-	-	-	-	-	4,396	4,396	-
Rents and commissions	-	-	-	32	-	-	32	35,448
Other	-	-	-	-	-	331	331	-
Total operating revenues	66,903	38,306	79,840	65,744	37,235	6,101	294,129	129,453
Operating expenses:								
Personnel costs	7,213	12,111	25,597	5,882	15,853	131	66,787	52,709
Contractual services	15,798	14,964	19,766	34,663	21,189	1,267	107,647	52,118
Materials, supplies, services and other	38,924	4,542	12,181	3,063	2,769	-	61,479	12,597
Depreciation	1,517	4,354	10,626	6,514	1,163	347	24,521	15,263
Total operating expenses	63,452	35,971	68,170	50,122	40,974	1,745	260,434	132,687
Operating income (loss)	3,451	2,335	11,670	15,622	(3,739)	4,356	33,695	(3,234)
Nonoperating revenues (expenses):								
Intergovernmental	-	1,130	-	-	1,616	-	2,746	-
Investment earnings	-	-	-	-	-	205	205	-
Interest expense	(15)	(38)	(1,931)	(1,265)	-	(4,585)	(7,834)	(320)
Gain (loss) on disposal of capital assets	-	1	1,648	-	207	-	1,856	315
Special assessments	-	-	734	125	-	-	859	-
Other expense	-	-	(640)	-	-	-	(640)	-
Other revenues	45	74	613	47	131	-	910	3,675
Total nonoperating revenues (expenses)	30	1,167	424	(1,093)	1,954	(4,380)	(1,898)	3,670
Income (loss) before contributions and transfers	3,481	3,502	12,094	14,529	(1,785)	(24)	31,797	436
Capital contributions	-	-	-	-	-	-	-	28
Transfers in (out):								
Transfers from other funds	-	-	1,126	690	619	268	2,703	6,846
Transfers to other funds	(1,594)	(110)	(273)	(7,793)	-	-	(9,770)	(326)
Total contributions and transfers	(1,594)	(110)	853	(7,103)	619	268	(7,067)	6,548
Change in net position	1,887	3,392	12,947	7,426	(1,166)	244	24,730	6,984
Net position - January 1	117,468	323,778	220,355	180,747	26,688	39,852	908,888	176,051
Net position - December 31	\$ 119,355	\$ 327,170	\$ 233,302	\$ 188,173	\$ 25,522	\$ 40,096	\$ 933,618	\$ 183,035

Change in net position - total enterprise funds \$ 24,730

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. (340)

Change in net position of business-type activities \$ 24,390

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, 2016

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Business-type Activities - Enterprise Funds						Total	Governmental
	Water					Community Planning and Economic Development		Internal
	Sanitary Sewer	Stormwater	Treatment and Distribution Services	Municipal Parking	Solid Waste and Recycling			Service Funds
Cash flows from operating activities:								
Cash received from customers	\$ 65,556	\$ 37,382	\$ 79,193	\$ 64,837	\$ 36,913	\$ 13,214	\$ 297,095	\$ 510
Intergovernmental receipts	-	682	-	-	-	-	682	-
Cash received from interfund activities	168	222	1,115	956	290	-	2,751	128,077
Payments to suppliers	(51,974)	(4,945)	(17,430)	(32,865)	(17,771)	(1,328)	(126,313)	(55,563)
Payments to employees	(5,220)	(8,928)	(19,098)	(4,321)	(11,922)	(130)	(49,619)	(40,795)
Payments for interfund activities	(6,443)	(14,151)	(13,154)	(5,382)	(4,998)	-	(44,128)	(11,078)
Other nonoperating revenues	45	74	613	47	131	-	910	3,675
Net cash provided (used) by operating activities	2,132	10,336	31,239	23,272	2,643	11,756	81,378	24,826
Cash flows from non-capital financing activities:								
Subsidies from federal and local grants	-	-	12	-	-	-	12	-
Transfers from other funds	-	-	1,126	690	619	268	2,703	6,846
Repayment of advances from other funds	-	-	-	-	-	-	-	(1,750)
Principal paid on bonds and notes	-	-	-	-	-	(8,475)	(8,475)	-
Interest paid on bonds and notes	-	-	-	-	-	(4,622)	(4,622)	-
Transfers to other funds	(1,594)	(110)	(273)	(7,793)	-	-	(9,770)	(326)
Advances to other funds	-	-	-	-	-	-	-	(3,495)
Intergovernmental	-	1,130	-	-	1,616	-	2,746	-
Net cash provided (used) by non-capital financing activities	(1,594)	1,020	865	(7,103)	2,235	(12,829)	(17,406)	1,275
Cash flows from capital and related financing activities:								
Bonds issued	21,263	-	11,784	-	-	-	33,047	-
Refunding bonds issued	-	-	11,512	17,968	-	-	29,480	-
Notes issued	-	-	-	6,300	-	-	6,300	-
Principal paid on bonds	(2,000)	(2,500)	(16,530)	(32,878)	-	-	(53,908)	(3,035)
Interest paid on bonds	(131)	(62)	(775)	(1,986)	-	-	(2,954)	(474)
Principal paid on notes	-	-	(4,350)	(1,375)	-	-	(5,725)	-
Interest paid on notes	-	-	(1,988)	(375)	-	-	(2,363)	-
Special assessments	-	-	734	554	-	-	1,288	-
Acquisition and construction of capital assets	(13,762)	(8,794)	(22,137)	(1,133)	(2,192)	-	(48,018)	(18,233)
Bond issuance costs	(20)	-	-	-	-	-	(20)	-
Proceeds from sale of capital assets	-	1	1,648	-	70	-	1,719	563
Net cash provided (used) by capital and related financing activities	5,350	(11,355)	(20,102)	(12,925)	(2,122)	-	(41,154)	(21,179)
Cash flows from investing activities:								
Purchase of investments	-	-	-	-	-	(17,547)	(17,547)	-
Sale of investments	-	-	-	-	-	18,970	18,970	-
Interest	-	-	-	-	-	189	189	-
Net cash provided (used) by investing activities	-	-	-	-	-	1,612	1,612	-
Net increase (decrease) in cash and cash equivalents	5,888	1	12,002	3,244	2,756	539	24,430	4,922
Cash and cash equivalents, beginning of year	12,422	35,862	30,084	13,957	22,568	820	115,713	144,239
Cash and cash equivalents, end of year	\$ 18,310	\$ 35,863	\$ 42,086	\$ 17,201	\$ 25,324	\$ 1,359	\$ 140,143	\$ 149,161
Reconciliation of operating income to net cash provided (used) by operating activities								
Operating income (loss)	\$ 3,451	\$ 2,335	\$ 11,670	\$ 15,622	\$ (3,739)	\$ 4,356	\$ 33,695	\$ (3,234)
Adjustment to reconcile change in net position to net cash provided (used) by operating activities:								
Depreciation	1,517	4,354	10,626	6,514	1,163	347	24,521	15,263
Accounts receivable	(1,185)	30	300	583	(19)	10	(281)	171
Intergovernmental receivable	-	(32)	-	(538)	5	-	(565)	(41)
Loans receivable	-	-	-	-	-	65	65	-
Special assessments receivable	7	69	202	-	(17)	-	261	-
Capital leases receivable	-	-	-	-	-	8,475	8,475	-
Inventories	-	-	171	-	646	-	817	963
Prepaid items	(3,221)	(169)	-	-	-	-	(3,390)	(869)
Deferred outflows - pensions	(3,168)	(5,216)	(10,538)	(2,506)	(6,337)	-	(27,765)	(19,142)
Salaries payable	30	(6)	86	37	29	1	177	169
Accounts payable	(474)	579	1,191	(510)	805	(60)	1,531	1,518
Intergovernmental payable	-	-	-	(13)	(261)	-	(274)	-
Deposits held for others	-	-	(34)	6	-	(1,244)	(1,272)	2
Unearned revenue	-	(87)	-	-	-	(193)	(280)	(4,431)
Compensated absences payable	28	33	19	17	36	(1)	132	102
Other postemployment benefits	7	(18)	(16)	(18)	10	-	(35)	(3)
Net pension liability	3,866	6,367	12,862	3,059	7,734	-	33,888	23,364
Unpaid claims payable	-	-	-	-	-	-	-	(105)
Deferred inflows - pensions	1,229	2,023	4,087	972	2,457	-	10,768	7,424
Other nonoperating revenues	45	74	613	47	131	-	910	3,675
Net cash provided (used) by operating activities	\$ 2,132	\$ 10,336	\$ 31,239	\$ 23,272	\$ 2,643	\$ 11,756	\$ 81,378	\$ 24,826
Non-cash investing, capital and financing activities:								
Capitalization of interest on construction in progress	\$ 105	\$ 38	\$ 239	\$ 51	\$ -	\$ -	\$ 433	\$ -
Capital contributions	-	-	-	-	-	-	-	28
Increase (decrease) in the value of investments reported at fair value	-	-	-	-	-	(38)	(38)	-
Loss on disposal of capital assets	-	-	-	-	-	-	-	(366)
Capital assets purchased on account	-	2,294	-	-	-	-	2,294	-
Sale of capital assets on account	-	-	-	-	-	-	-	48
Write off of federal subsidy receivable	-	-	694	-	-	-	694	-

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

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
December 31, 2016**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 1,271
Receivables:	
Accounts	299
Total assets	<u>\$ 1,570</u>
<u>LIABILITIES</u>	
Accounts payable	\$ 1,147
Intergovernmental payable	423
Total liabilities	<u>\$ 1,570</u>

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

**COMBINING STATEMENT OF NET POSITION
DISCRETE COMPONENT UNITS
December 31, 2016**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Minneapolis Park and Recreation Board	Municipal Building Commission	Meet Minneapolis	Minneapolis Telecommunications Network	Total Discrete Component Units
ASSETS					
Cash and cash equivalents	\$ 31,975	\$ 2,496	\$ 2,557	\$ 104	\$ 37,132
Receivables	15,183	-	806	16	16,005
Due from primary government	1,500	-	-	-	1,500
Due from other governmental agencies	-	1,320	-	-	1,320
Prepays and other assets	85	-	123	50	258
Inventories	34	-	-	-	34
Capital assets:					
Nondepreciable	132,557	13,729	-	-	146,286
Depreciable, net	197,678	8,320	1,353	167	207,518
Total assets	<u>\$ 379,012</u>	<u>\$ 25,865</u>	<u>\$ 4,839</u>	<u>\$ 337</u>	<u>\$ 410,053</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows - pensions	<u>\$ 67,879</u>	<u>\$ 4,783</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 72,662</u>
LIABILITIES					
Accrued salaries and benefits	\$ 1,385	\$ 122	\$ 557	\$ 19	\$ 2,083
Accounts payable	6,769	1,296	389	7	8,461
Interest payable	-	-	25	-	25
Unpaid claims payable	4,428	-	-	-	4,428
Loans payable to primary government	-	-	2,020	11	2,031
Fiscal agent liability	-	-	-	2	2
Unearned revenue	18	-	418	-	436
Compensated absences:					
Due within one year	911	155	-	-	1,066
Due beyond one year	3,831	59	-	-	3,890
Other postemployment benefits - due beyond one year	3,901	319	-	-	4,220
Net pension liability	110,032	9,061	-	-	119,093
Long-term portion of loan payable due to primary government	-	-	-	25	25
Long-term liabilities:					
Due within one year	2,260	-	188	13	2,461
Due beyond one year	2,139	-	814	24	2,977
Total liabilities	<u>\$ 135,674</u>	<u>\$ 11,012</u>	<u>\$ 4,411</u>	<u>\$ 101</u>	<u>\$ 151,198</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows - pensions	<u>\$ 9,384</u>	<u>\$ 1,478</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,862</u>
NET POSITION					
Net investment in capital assets	\$ 325,877	\$ 22,049	\$ 1,082	\$ 167	\$ 349,175
Restricted					
Capital improvements	144	-	101	-	245
Project and grant programs	7,287	-	-	-	7,287
Special trust	115	-	-	-	115
Special reserves	5,785	-	-	-	5,785
Unrestricted	(37,375)	(3,891)	(755)	69	(41,952)
Total net position	<u>\$ 301,833</u>	<u>\$ 18,158</u>	<u>\$ 428</u>	<u>\$ 236</u>	<u>\$ 320,655</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, 2016

CITY OF MINNEAPOLIS, MINNESOTA
(In Thousands)

FUNCTIONS/PROGRAMS	Program Revenues			Net (Expenses) Revenues and Changes in Net Position					Total Discrete Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Minneapolis Park and Recreation Board	Municipal Building Commission	Meet Minneapolis	Minneapolis Telecommunications Network	
Minneapolis Park and Recreation Board	\$ 122,253	\$ 24,592	\$ 5,587	\$ 21,262	\$ (70,812)	\$ -	\$ -	\$ -	\$ (70,812)
Municipal Building Commission	11,703	7,971	-	1,524	-	(2,208)	-	-	(2,208)
Meet Minneapolis	10,784	12,018	-	-	-	-	1,234	-	1,234
Minneapolis Telecommunications Network	609	557	-	-	-	-	-	(52)	(52)
Total discrete component unit activities	\$ 145,349	\$ 45,138	\$ 5,587	\$ 22,786	\$ (70,812)	\$ (2,208)	\$ 1,234	\$ (52)	\$ (71,838)
General Revenues:									
Taxes:									
General property tax and fiscal disparities									
					65,768	-	-	-	65,768
Local government aid - unrestricted									
					-	234	-	-	234
Grants and contributions not restricted to specific programs:									
					9,539	35	-	-	9,574
Unrestricted interest and investment earnings									
					22	-	-	-	22
Other									
					-	81	-	-	81
Gain on sale of capital assets									
					87	-	10	-	97
Total general revenues									
					75,416	350	10	-	75,776
Change in net position									
					4,604	(1,858)	1,244	(52)	3,938
Net position - January 1									
					297,229	20,016	(816)	288	316,717
Net position - December 31									
					\$ 301,833	\$ 18,158	\$ 428	\$ 236	\$ 320,655

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



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For the fiscal year ended December 31, 2016

(Dollar Amounts Expressed in Thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A – Reporting Entity

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

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

Blended Component Unit

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

▪ Board of Estimate and Taxation

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

Discretely Presented Component Units

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

▪ Minneapolis Park and Recreation Board

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

For the fiscal year ended December 31, 2016

(Dollar Amounts Expressed in Thousands)

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

maintaining parkland and parkways as well as planting and maintaining the City's boulevard trees. Also, the City has no operational responsibility over the Park Board. It is these criteria that result in the Park Board being reported as a discrete component unit. The Mayor recommends the tax levies and budget for the Park Board, and the City Council and Mayor approve the allocation of the state's local government aid for Park Board operations. All Park Board actions are submitted to the Mayor and a mayoral veto may be overridden by a vote of two thirds of the members of the Park Board. The Board of Estimate and Taxation approves the maximum property tax levy for the Park Board, and the full faith and credit of the City secures debt issued for Park Board projects. The City Finance Officer acts as Treasurer of the Park Board. Complete financial statements for the Park Board can be obtained from the Minneapolis Park and Recreation Board at 2117 West River Road, Minneapolis, Minnesota, 55411.

▪ Municipal Building Commission

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

▪ Meet Minneapolis

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

▪ Minneapolis Telecommunications Network

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

For the fiscal year ended December 31, 2016

(Dollar Amounts Expressed in Thousands)

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

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

Related Organizations

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

▪ Minnesota Sports Facilities Authority

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

▪ Minneapolis Public Housing Authority

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

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

For the fiscal year ended December 31, 2016

(Dollar Amounts Expressed in Thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**A – Reporting Entity (continued)****Joint Ventures**

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

▪ Minneapolis-Duluth/Superior Passenger Rail Alliance

The Minneapolis-Duluth/Superior Passenger Rail Alliance (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 Lake 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 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 Lake Counties Regional Railroad Authority at 111 Station 44 Road, Eveleth, MN 55734.

▪ Minneapolis/Saint Paul Housing Finance Board

The Minneapolis/Saint Paul Housing Finance Board was established in accordance with a joint powers agreement entered into between the Housing and Redevelopment Authority of the City of Saint Paul and the City of Minneapolis and accepted by both cities under State of Minnesota laws. The City of Minneapolis oversight responsibility of the Board is limited to its governing body's ability to appoint only three of the six members of the Board. The territorial jurisdiction of the Board extends beyond the corporate limits of the City of Minneapolis. The percentage share of the City in the Board's assets, liabilities and equity cannot be determined at fiscal year-end.

Complete financial statements for the Minneapolis/Saint Paul Housing Finance Board can be obtained from the City of Minneapolis CPED office at Suite 700, Crown Roller Mill, 105 Fifth Avenue South, Minneapolis, Minnesota 55401-2534.

▪ Minneapolis Youth Coordinating Board

The Minneapolis Youth Coordinating Board (YCB) was established in accordance with a joint powers agreement entered into between the Hennepin County Board of Commissioners, the Board of Directors of Special School District No. 1, the Park Board, the Mayor and the City Council under authority of State of Minnesota laws. The YCB, which numbers 10 in size, includes the Mayor, two members each from the Hennepin County Board of Commissioners and the Board of Directors of Special School District No. 1, two representatives from the City Council, one member from the Park Board, the Hennepin County Attorney, and a Judge assigned by the Chief Judge of the District Court. The percentage of each jurisdiction's share in the YCB’s assets, liabilities and equity cannot be determined at fiscal year-end. Complete financial statements for the YCB can be obtained from the Minneapolis Youth Coordinating Board at 330 2nd Avenue South, Room 540, Minneapolis, Minnesota 55401.

For the fiscal year ended December 31, 2016

(Dollar Amounts Expressed in Thousands)

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

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

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

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

▪ Mississippi Watershed Management Organization

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

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

▪ Shingle Creek Watershed Management Commission

The City is one of 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 Watershed 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.

For the fiscal year ended December 31, 2016

(Dollar Amounts Expressed in Thousands)

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

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

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

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

The *statement of net position* and *statement of activities* display information about the primary government (the City) and its component units using the economic resources measurement focus and the 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.

For the fiscal year ended December 31, 2016

(Dollar Amounts Expressed in Thousands)

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

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

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

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

Governmental Funds

All governmental funds are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Unearned revenue is reported in the governmental funds and government-wide financial statements in connection with resources that have been received but not earned. Tax revenues are recognized in the year for which the taxes are levied. Property tax levies are approved and certified to the County in December prior to the year collectible. The County acts as a collection agency. Such tax levies constitute a lien on the property on January 1st of the year collectible. Taxes are payable to the County in two installments by the fifteenth day of May and the fifteenth day of October. City property taxes are recognized as revenues when they become measurable and available to finance expenditures of the current period.

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

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

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

For the fiscal year ended December 31, 2016

(Dollar Amounts Expressed in Thousands)

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

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

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

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

The City reports the following major governmental funds:

▪ General Fund

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those accounted for in another fund. For the City, the General Fund includes such activities as 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.

For the fiscal year ended December 31, 2016

(Dollar Amounts Expressed in Thousands)

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

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

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

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred during the construction phase of capital assets against interest earned on invested proceeds over the same period.

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

Enterprise Funds

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

The City reports the following major enterprise funds:

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

For the fiscal year ended December 31, 2016

(Dollar Amounts Expressed in Thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B – Basis of Presentation

Enterprise Funds (continued)

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

Non-Major Funds

The City reports the following non-major governmental funds:

Special Revenue Funds:

Arena Reserve
 Board of Estimate and Taxation
 Convention Center
 HUD Consolidated Plan
 Self-Managed Special Service Districts
 Employee Retirement
 Grants – Federal
 Grants – Other
 Police
 Neighborhood and Community Relations
 Regulatory Services

Debt Service Funds:

Community Development Agency
 Development
 General Debt Service

Additionally, the City reports the following fund types:

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

For the fiscal year ended December 31, 2016

(Dollar Amounts Expressed in Thousands)

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

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

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

C – Budgets

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

The 2015 process for the 2016 budget involved the following:

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

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

March*Preliminary prior year-end budget status report*

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

March – April*Capital Improvement Budget Development*

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

For the fiscal year ended December 31, 2016

(Dollar Amounts Expressed in Thousands)

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

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

Capital Asset Request System (CARS) Plan and Budget Development

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

June – August*Mayor's Recommended Budget*

The 2016 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C – Budgets (continued)

December

City Council Budget Adoption

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

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

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

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

	Expenditure Budget at Beginning of Year	Changes During Year	Expenditure Budget at End of Year
General	\$ 421,837	\$ 4,679	\$ 426,516
CPED Special Revenue	35,392	23,436	58,828
Arena Reserve Special Revenue	8,154	7,931	16,085
Convention Center Special Revenue	46,457	4,839	51,296
HUD Consolidated Plan Special Revenue	15,272	8,751	24,023
Grants – Federal Special Revenue	11,290	10,777	22,067
Grants – Other Special Revenue	8,893	19,472	28,365
Police Special Revenue	2,147	1,533	3,680
Neighborhood and Community Relations Special Revenue	6,127	201	6,328
Total	<u>\$ 555,569</u>	<u>\$ 81,619</u>	<u>\$ 637,188</u>

For the fiscal year ended December 31, 2016

(Dollar Amounts Expressed in Thousands)

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

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

E – Deposits and Investments

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

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

Some funds, such as debt service funds, retain their monthly allocation of investment earnings while other funds, which are not required to retain their allocated interest, pass the interest on to either the City General Fund or to the Community Planning and Economic Development Special Revenue Fund. Also, periodically the City distributes investment earnings from the General Fund to various projects below the fund level, as may be required, on the basis of the calculated average daily cash balance of the project and the average yield of the City's general portfolio.

F – Inventories of Materials And Supplies And Prepaid Items

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

G – Receivables (continued)

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.

H – Capital Assets

Capital assets (including infrastructure) are recorded in the government-wide and proprietary fund financial statements at historical cost or at estimated historical cost if actual historical cost is not available. Infrastructure assets acquired prior to December 31, 1980 are included. Contributed capital assets are 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 is no longer using salvage values, and will depreciate assets to zero.

The estimated useful lives are as follows:

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

Major outlays for capital assets and improvements, 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.

For the fiscal year ended December 31, 2016

(Dollar Amounts Expressed in Thousands)

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

The City accrues compensated absences (vacation, sick leave, and compensatory time benefits) when vested. The current and non-current portions are recorded in the government-wide 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 the same basis as they are reported by PERA and TRA except that PERA's and TRA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Plan investments are reported at fair value. The City typically liquidates the net pension liability to the fund where employees' salaries were originally charged.

K – Interfund Transactions

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

L – Properties Held for Resale

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

For the fiscal year ended December 31, 2016

(Dollar Amounts Expressed in Thousands)

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

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.

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 five sources: taxes, special assessments, long-term 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, 2016, the City adopted new accounting guidance by implementing the provisions of GASB Statements No. 72 and 77. GASB Statement No. 72 – *Fair Value Measurement and Application* provides guidance

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

P – Change in Accounting Principle (continued)

for determining a fair value measurement for financial reporting purposes, and guidance on applying fair value to certain investments and disclosures related to all fair value measurements.

GASB Statement 77 – *Tax Abatement Disclosures* provides guidance for disclosing tax abatement agreements including a brief description of the agreement, the gross dollar amount of taxes abated during the period, and other commitments, if any, the government made related to the tax abatement agreement.

NOTE 2 – DEPOSITS AND INVESTMENTS

A – Deposits

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

Deposits, per book	\$ 37,842
Investments	804,021
Imprest cash held by City	<u>20</u>
Total	<u>\$ 841,883</u>
Primary Government:	
Cash and pooled investments	\$ 762,694
Cash in Agency Funds	1,271
Investments with trustees	<u>40,786</u>
Total primary government	<u>\$ 804,751</u>
Discretely Presented Component Units:	
Park and Recreation Board:	
Cash and cash equivalents	<u>31,975</u>
Municipal Building Commission:	
Cash and cash equivalents	<u>2,496</u>
Meet Minneapolis:	
Cash and cash equivalents	<u>2,557</u>
Minneapolis Telecommunications Network	
Cash and cash equivalents	<u>104</u>
Total discretely presented component units	<u>\$ 37,132</u>
Total reporting entity	<u>\$ 841,883</u>

For the fiscal year ended December 31, 2016

(Dollar Amounts Expressed in Thousands)

NOTE 2 – DEPOSITS AND INVESTMENTS

A – Deposits (continued)

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, 2016, totaled \$44,713.

Reconciliation of bank cash balances to book cash balance:	
Bank balance, per December 31, 2016 bank statement	\$ 44,713
Reconciling items and outstanding checks	<u>(6,871)</u>
Deposits, per book	<u>\$ 37,842</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, 2016, the City was not exposed to custodial credit risk since all deposits are either FDIC insured (where applicable) or are collateralized through securities pledged to the City of Minneapolis by the financial institution and held in safekeeping at the Federal Reserve Bank at 110% of deposit value.

B – Investments

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

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, 2016, 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.

For the fiscal year ended December 31, 2016

(Dollar Amounts Expressed in Thousands)

NOTE 2 – DEPOSITS AND INVESTMENTS

B – Investments (continued)

The following table presents the City of Minneapolis’ investment balances (excluding accrued earnings) at December 31, 2016, and information relating to interest rate risks:

Investment Type	Weighted Average Maturity (Years)	Carrying (Fair) Value
U.S. Treasury obligations	2.0	\$ 205,266
U.S. Federal agency obligations	1.7	257,318
U.S. Mortgage obligations	2.3	120,439
Municipal bonds	1.3	94,484
Commercial paper	0.2	16,314
Money market mutual funds	0.1	109,700
Negotiable certificates of deposit	0.1	500
Portfolio weighted average maturity	1.5	
Total investments		<u>\$ 804,021</u>
Deposits per book		37,842
Imprest cash		20
Total cash and investments		<u>\$ 841,883</u>

Credit Risk

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

“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 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.

For the fiscal year ended December 31, 2016

(Dollar Amounts Expressed in Thousands)

NOTE 2 – DEPOSITS AND INVESTMENTS

B – Investments (continued)

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

At December 31, 2016, 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+	\$ 205,266	Aaa	\$ 205,266
U.S. Federal agency obligations	AAA	\$ 10,819	Aaa	\$ 257,318
	AA+	246,499	Aa1	-
Total federal agency obligations		\$ 257,318		\$ 257,318
U.S. Mortgage obligations	AA+	\$ 120,439	Aaa	\$ 120,439
Municipal bonds				
	AAA	\$ 31,138	Aaa	\$ 28,175
	AA+	16,623	Aa1	25,257
	AA	16,415	Aa2	14,635
	AA-	11,677	Aa3	9,907
	A+	-	A1	189
	A-	-	A3	149
	Not rated	18,631	Not rated	16,172
Total municipal bonds		\$ 94,484		\$ 94,484
Commercial paper	A-1+	\$ 1,597	P-1	\$ 16,314
	A-1	14,717	P-1	-
Total commercial paper		\$ 16,314		\$ 16,314
Mutual funds	AAAmG	\$ 109,700	Aaa-mf	\$ 109,700
Negotiable certificates of deposit	FDIC Insured	\$ 500	FDIC Insured	\$ 500
Total		\$ 804,021		\$ 804,021

For the fiscal year ended December 31, 2016

(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, 2016.

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, 2016, the City had the following recurring fair value measurements:

	December 31, 2016	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	\$ 205,266	\$ -	\$ 205,266	\$ -
U.S. Federal agency obligations	257,318	43,082	210,275	3,961
U.S. Mortgage obligations	120,439	-	120,439	-
Municipal bonds	94,484	-	94,484	-
Commercial paper	16,314	-	16,314	-
Total investments by fair value level	\$ 693,821	\$ 43,082	\$ 646,778	\$ 3,961
Investments measured at net asset value (NAV)				
Government money market mutual funds	\$ 109,700			
Negotiable certificates of deposit	500			
Total investments measured at the NAV	\$ 110,200			
Total investments measured at fair value and NAV	\$ 804,021			

For the fiscal year ended December 31, 2016

(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.

Debt securities, namely U.S. Federal agency obligations consisting of U.S. stripped coupon investments, classified in Level 3 are valued using consensus data.

The City also holds \$109,700 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 \$500 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 their fund portfolio.

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For the fiscal year ended December 31, 2016

(Dollar Amounts Expressed in Thousands)

NOTE 3 – RECEIVABLES

A – Receivables Detail

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

	General Fund	Community Planning and Economic Development	Permanent Improvement	Special Assessment	Non-Major Governmental Funds	Internal Service Funds	Total Governmental
Governmental Activities							
Accounts	\$ 11,600	\$ 43	\$ 7,886	\$ -	\$ 1,325	\$ 195	\$ 21,049
Taxes	3,815	212	26	-	1,725	-	5,778
Special assessments	505	966	2,682	33,994	969	-	39,116
Intergovernmental	8,372	708	28,681	-	9,501	41	47,303
Loans	-	170,403	-	-	102,310	-	272,713
Loans due from component unit	-	11	-	-	2,020	-	2,031
Accrued interest	831	343	130	14	281	-	1,599
Gross receivables	25,123	172,686	39,405	34,008	118,131	236	389,589
Less: Allowance for uncollectibles	-	(144,571)	-	-	(79,880)	-	(224,451)
Total receivables (due within one year)	\$ 25,123	\$ 28,115	\$ 39,405	\$ 34,008	\$ 38,251	\$ 236	\$ 165,138
Long-term portion of loans due from component unit	\$ -	\$ 25	\$ -	\$ -	\$ -	\$ -	\$ 25

	Sanitary Sewer	Water Treatment and Distribution Services	Stormwater	Municipal Parking	Solid Waste and Recycling	Community Planning and Economic Development	Total Business-type
Business-type Activities							
Accounts	\$ 5,120	\$ 3,298	\$ 4,346	\$ 343	\$ 3,416	\$ 66	\$ 16,589
Special assessments	129	204	2,409	5,614	179	-	8,535
Intergovernmental	-	365	-	2,845	26	-	3,236
Loans	-	-	-	-	-	1,046	1,046
Accrued interest	-	-	-	-	-	308	308
Gross receivables	5,249	3,867	6,755	8,802	3,621	1,420	29,714
Less: Allowance for uncollectibles	-	-	-	-	-	(986)	(986)
Total receivables (due within one year)	\$ 5,249	\$ 3,867	\$ 6,755	\$ 8,802	\$ 3,621	\$ 434	\$ 28,728
Long-term portion of loans and notes receivable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 255	\$ 255

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.

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>
2017	\$ 7,691
2018	7,509
2019	7,371
2020	7,185
2021	6,323
2022-2026	31,119
2027-2031	27,255
2032-2036	23,783
2037-2040	<u>13,124</u>
Subtotal	131,360
Less: Interest over lease term	<u>(55,045)</u>
Total Principal	76,315
Less: Unexpended construction funds	<u>(5)</u>
Net Capitalized Leases and notes receivable	76,310
Less: Current Portion	<u>(3,375)</u>
Noncurrent Portion	<u><u>\$ 72,935</u></u>

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For the fiscal year ended December 31, 2016

(Dollar Amounts Expressed in Thousands)

NOTE 4 – CAPITAL ASSETS

A – Current Year Activity

Capital asset activity for the year ended December 31, 2016 was as follows:

	<u>Balance</u> <u>January 1, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>December 31, 2016</u>
Governmental Activities				
<i>Capital assets, not being depreciated</i>				
Land and easements	\$ 110,788	\$ -	\$ -	\$ 110,788
Construction in progress	198,314	158,127	(22,453)	333,988
	<u>309,102</u>	<u>158,127</u>	<u>(22,453)</u>	<u>444,776</u>
<i>Capital assets, being depreciated</i>				
Infrastructure	916,542	347	-	916,889
Buildings and structures	595,749	4,126	-	599,875
Public improvements	29,497	733	(28)	30,202
Machinery and equipment	139,654	12,842	(8,179)	144,317
Computer equipment	72,124	1,325	(24,688)	48,761
Software	52,692	14,987	(15,347)	52,332
Other capital outlay	51	-	-	51
	<u>1,806,309</u>	<u>34,360</u>	<u>(48,242)</u>	<u>1,792,427</u>
Less accumulated depreciation for:				
Infrastructure	(468,553)	(27,517)	-	(496,070)
Buildings and structures	(223,622)	(12,068)	-	(235,690)
Public improvements	(9,523)	(1,168)	20	(10,671)
Machinery and equipment	(91,862)	(9,585)	7,972	(93,475)
Computer equipment	(67,352)	(1,500)	24,527	(44,325)
Software	(33,723)	(5,244)	15,300	(23,667)
Other capital outlay	(51)	-	-	(51)
	<u>(894,686)</u>	<u>(57,082)</u>	<u>47,819</u>	<u>(903,949)</u>
Total capital assets, being depreciated, net	<u>911,623</u>	<u>(22,722)</u>	<u>(423)</u>	<u>888,478</u>
Governmental activities capital assets, net	<u>\$ 1,220,725</u>	<u>\$ 135,405</u>	<u>\$ (22,876)</u>	<u>\$ 1,333,254</u>

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 268
Public Safety	1,557
Public Works	28,343
Community Planning and Economic Development	11,651
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>15,263</u>
Total depreciation expense - governmental functions	<u>\$ 57,082</u>

For the fiscal year ended December 31, 2016

(Dollar Amounts Expressed in Thousands)

NOTE 4 - CAPITAL ASSETS

A – Current Year Activity (continued)

	<u>Balance January 1, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance December 31, 2016</u>
Business-type Activities				
<i>Capital assets, not being depreciated</i>				
Land and easements	\$ 128,382	\$ 2,520	\$ (23)	\$ 130,879
Construction in progress	51,484	48,820	(14,344)	85,960
Total capital assets, not being depreciated	<u>179,866</u>	<u>51,340</u>	<u>(14,367)</u>	<u>216,839</u>
<i>Capital assets, being depreciated</i>				
Buildings and structures	530,816	4,716	(9)	535,523
Public improvements	727,871	4,442	-	732,313
Machinery and equipment	62,050	4,417	(1,192)	65,275
Computer equipment	1,692	112	-	1,804
Software	2,842	22	-	2,864
Other capital outlay	34	-	-	34
Total capital assets, being depreciated	<u>1,325,305</u>	<u>13,709</u>	<u>(1,201)</u>	<u>1,337,813</u>
Less accumulated depreciation for:				
Buildings and structures	(223,717)	(11,646)	-	(235,363)
Public improvements	(254,532)	(8,943)	-	(263,475)
Machinery and equipment	(30,343)	(3,889)	1,192	(33,040)
Computer equipment	(1,527)	(40)	-	(1,567)
Software	(2,842)	(3)	-	(2,845)
Other capital outlay	(34)	-	-	(34)
Total accumulated depreciation	<u>(512,995)</u>	<u>(24,521)</u>	<u>1,192</u>	<u>(536,324)</u>
Total capital assets, being depreciated, net	<u>812,310</u>	<u>(10,812)</u>	<u>(9)</u>	<u>801,489</u>
Business-type activities capital assets, net	<u>\$ 992,176</u>	<u>\$ 40,528</u>	<u>\$ (14,376)</u>	<u>\$ 1,018,328</u>

Interest incurred during the construction phase of capital assets is capitalized. Total interest incurred for business-type activities during 2016 was \$3,643. Of this amount, \$432 was capitalized.

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

Sanitary Sewer	\$ 1,517
Stormwater	4,354
Water Treatment and Distribution Services	10,626
Municipal Parking	6,514
Solid Waste and Recycling	1,163
Community Planning and Economic Development	347
Total depreciation expense - business-type functions	<u>\$ 24,521</u>

For the fiscal year ended December 31, 2016

(Dollar Amounts Expressed in Thousands)

NOTE 4 - CAPITAL ASSETS (continued)

B – Capital Project Commitments

For the year ended December 31, 2016, the City of Minneapolis made Capital Project commitments for the following:

Property Services	\$ 25,387
Sewer Construction	23,500
Street Construction	50,426
Bridge Construction	3,090
Sidewalk Construction	3,830
Street Lighting	1,272
Traffic Signals	5,400
Bicycle Trails	1,850
Non-Departmental	11,153
Water	48,070
Total Capital Project Commitments	<u>\$ 173,978</u>

C – Discretely Presented Component Units

Activity for the discretely presented component units for the year ended December 31, 2016, was as follows:

	Balance			Balance	
Minneapolis Park and Recreation Board	January 1, 2016	Additions	Retirements	December 31, 2016	
Capital assets, not being depreciated	\$ 121,530	\$ 30,633	\$ (19,606)	\$ 132,557	
Capital assets, being depreciated, net	193,625	4,072	(19)	197,678	
	<u>\$ 315,155</u>	<u>\$ 34,705</u>	<u>\$ (19,625)</u>	<u>\$ 330,235</u>	

Depreciation expense charged \$ 13,516

	Balance			Balance	
Municipal Building Commission	January 1, 2016	Additions	Retirements	December 31, 2016	
Capital assets, not being depreciated	\$ 12,014	\$ 1,715	\$ -	\$ 13,729	
Capital assets, being depreciated, net	11,650	(3,330)	-	8,320	
	<u>\$ 23,664</u>	<u>\$ (1,615)</u>	<u>\$ -</u>	<u>\$ 22,049</u>	

Depreciation expense charged \$ 3,335

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.

For the fiscal year ended December 31, 2016

(Dollar Amounts Expressed in Thousands)

NOTE 5 – LONG-TERM DEBT (continued)**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.

2016 Bond and Note Sales

In 2016, the City of Minneapolis issued bonds and notes totaling \$160,877. Of this amount \$39,585 of bonds were issued to refund existing debt and \$121,292 of general obligation bonds and notes were issued to finance new capital improvements. Below are details of the 2016 debt issuances.

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 for the project to reimburse expenses on a monthly basis during construction. Upon completion, or no later than December 18, 2017, this note will be

For the fiscal year ended December 31, 2016

(Dollar Amounts Expressed in Thousands)

NOTE 5 – LONG-TERM DEBT (continued)

taken out with a general obligation fixed rate bond financing. The fixed rate bonds will be paid for with special assessments levied on benefitting property owners in a broad section of the downtown area. The special assessments will begin in 2017. The tax-exempt note is in variable rate mode and accrues interest based on the weekly SIFMA index plus a bank spread. Upon closing on December 18th, 2015, the City completed the first reimbursement draw for \$5,000. During 2016, the City completed additional draws of \$3,500 on this note.

In December 2015, the City also issued a \$18,700 Tax-Exempt General Obligation Note, Series 2015B to US Bank to finance a variety of capital construction projects such as streets, bridges, traffic control, park projects, and municipal building projects. The note was issued on December 18, 2015 and has a maximum three-year term. It is the City's intent to complete all draws within 24 months to reimburse project expenses on a monthly basis during construction. The tax-exempt note is in variable rate mode and accrues interest based on the weekly SIFMA index plus a bank spread. Upon closing on December 18th, 2015, the City completed the first reimbursement draw for \$15,000. During 2016, the City completed additional draws of \$3,700 and paid off \$18,000 on this note leaving a \$700 liability on the City's books as of December 31, 2016.

In December 2015, the City also issued a \$6,300 Tax-Exempt General Obligation Note, Series 2015C to US Bank. The proceeds of this note were received on January 19, 2016 and became a liability on this date and were used on this same day to refund the 2018 – 2021 callable maturities of the City's General Obligation Various Purpose Refunding Bonds, Series 2005B totaling \$6,240. A portion of the proceeds were used to pay the accrued interest on the callable maturities from December 1, 2015 to January 19, 2016 and to pay costs of issuing the note. The tax-exempt note is in variable rate mode and will accrue interest based on the weekly SIFMA index plus a bank spread. This note has a three-year term expiring on December 18, 2018 and may be extended. The note has maturities structured from 2018 – 2021 corresponding to the refunded bonds. Since this note is in variable rate mode, it is not possible to determine the refunding savings generated. The full \$6,300 is outstanding on the City's books as of December 31, 2016.

In March 2016, the City issued a \$74,000 Taxable General Obligation Sales Tax Note (Target Center Project), Series 2016 to Wells Fargo Bank, National Association to finance the City's share of the re-construction and upgrade of the Target Center Arena in downtown Minneapolis. The other funding partners include \$49,000 from the Minnesota Timberwolves Basketball Limited Partnership; a Minnesota limited partnership and \$5,900 from AEG Management, the manager of the facility. The note was issued on March 23, 2016 and will provide up to 364 days of drawdown flexibility for the project to reimburse a proportionate share of expenses on a monthly basis during construction. The City and the bank may agree to extend the drawdown facility but the note matures on March 23, 2018. The City intends to complete a general obligation fixed rate bond financing to take out the note sometime before the maturity date. The general obligation note and general obligation fixed rate bonds will be paid for with local sales tax revenue. During 2016, the City completed draws totaling \$27,982 on this note. The taxable note is in variable rate mode and accrues interest based on the weekly LIBOR index rate plus a bank spread. The interest rate, including the bank spread, at the inception of the note was 0.65%.

In October 2016, the City issued \$119,395 of General Obligation Improvement and Various Purpose Bonds, Series 2016. These bonds were issued for a variety of purposes including \$7,185 for special assessment projects related to street reconstruction and resurfacing, \$46,675 for a variety of capital infrastructure improvements, \$20,750 for sanitary sewer improvements, \$11,500 for water infrastructure improvements, \$28,845 to refund the General Obligation Various Purpose Bonds, Series 2009 dated May 21, 2009 and \$4,440 to refund the General Obligation Various Purpose Refunding Bonds, Series 2009B dated November 19, 2009. The bonds were dated October 20, 2016 and were issued with fixed interest rates at 2% and a final maturity date of December 1, 2026. Details of the refunding portions of this bond sale follow.

For the \$28,845 of refunding bonds associated with the General Obligation Various Purpose Bonds, Series 2009, there were two business purposes included. For the City's Parking Ramp operation, refunding bonds of \$17,600 were issued and generated a bond premium of \$368. These proceeds after paying an underwriter discount were used on December 1, 2016 to pay off \$17,950 of refunded bonds. The City realized aggregate debt service savings of \$1,595 and an economic gain of \$1,901 or 9.42% net present value savings on the refunded bonds debt service. For the City's Water Enterprise, refunding

For the fiscal year ended December 31, 2016

(Dollar Amounts Expressed in Thousands)

NOTE 5 – LONG-TERM DEBT (continued)

bonds of \$11,245 were issued and generated a bond premium of \$267. These proceeds after paying an underwriter discount were used on December 1, 2016 to pay off \$11,500 of refunded bonds. As a result of this portion of the refunding with a two year shorter maturity structure, the City realized aggregate debt service savings of \$2,819 and an economic gain of \$2,080 or 15.33% net present value savings on the refunded bonds debt service.

For the \$4,440 million of refunding bonds associated with the General Obligation Various Purpose Bonds, Series 2009B, the City received an \$85 bond premium. The proceeds after paying an underwriter discount were used on December 1, 2016 to pay off \$4,440 million of refunded bonds. The City realized aggregate debt service savings of \$592 and an economic gain of \$565 or 11.12% net present value savings on the refunded bonds debt service.

Minnesota Public Facilities Authority Notes

The City has entered into six general obligation notes with the Minnesota Public Facilities Authority (PFA) to finance the City's drinking water ultra-filtration project and new filter presses project. The notes are part of a federally sponsored below market financing program related to the Safe Drinking Water Act and the City saves 1.5% on interest costs by participating in the program. The interest rates on the six notes range from 1.00% - 2.83% and the final maturity dates range from 8/20/19 to 8/20/27. The City received proceeds totaling \$104,188 over the years and at December 31, 2016, the outstanding debt balance of the six general obligation notes in this program is \$71,520.

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, 2016, \$92,520 million 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, \$66,940 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, 2016

(Dollar Amounts Expressed in Thousands)

NOTE 5 - LONG-TERM DEBT (continued)

Long-term liabilities at December 31, 2016 (in thousands) are detailed below.

	<u>Balance 1/1/2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/2016</u>	<u>Due Within One Year</u>
Governmental Activities:					
<u>Bonds and Notes</u>					
Property Tax Supported GO Bonds	\$ 90,165	\$ 46,175	\$ (21,725)	\$ 114,615	\$ 52,965
Property Tax Supported GO Notes	15,000	3,700	(18,000)	700	700
Self-Supporting GO Bonds	190,775	-	(21,920)	168,855	22,590
Self-Supporting GO Notes	-	27,982	-	27,982	-
GO Improvement Bonds	34,293	12,125	(11,242)	35,176	7,801
GO Improvement Notes	5,000	3,500	-	8,500	1,000
Tax Increment GO Bonds	76,355	-	(13,675)	62,680	4,915
Tax Increment GO Notes	3,650	-	(440)	3,210	460
Tax Increment Revenue Bonds	22,710	-	(1,085)	21,625	1,320
Tax Increment Revenue Notes	13,695	-	(9,580)	4,115	410
Internal Service Fund Related GO Bonds	<u>16,005</u>	<u>-</u>	<u>(3,035)</u>	<u>12,970</u>	<u>3,160</u>
Total Governmental Bonds and Notes	<u>467,648</u>	<u>93,482</u>	<u>(100,702)</u>	<u>460,428</u>	<u>95,321</u>
<u>Other Long-term Liabilities</u>					
Unamortized Premium (Discount)	<u>6,114</u>	<u>920</u>	<u>(1,814)</u>	<u>5,220</u>	<u>-</u>
Total Long-term Liabilities Governmental	<u>473,762</u>	<u>94,402</u>	<u>(102,516)</u>	<u>465,648</u>	<u>95,321</u>
Business-type Activities:					
<u>Bonds and Notes</u>					
Sanitary Sewer Fund GO Bonds	5,800	20,750	(2,000)	24,550	2,700
Stormwater Fund GO Bonds	2,500	-	(2,500)	-	-
Water Treatment and Distribution Services Fund GO Bonds	21,475	22,745	(16,530)	27,690	6,235
Water Treatment and Distribution Services Fund GO Notes	75,870	-	(4,350)	71,520	6,530
Municipal Parking Fund GO Bonds	67,487	17,600	(32,878)	52,209	4,389
Municipal Parking Fund GO Notes	38,545	6,300	(1,375)	43,470	1,475
CPED Related Non GO Fund General Agency Reserve Fund System	<u>84,790</u>	<u>-</u>	<u>(8,475)</u>	<u>76,315</u>	<u>3,380</u>
Total Business-type Bonds and Notes	<u>296,467</u>	<u>67,395</u>	<u>(68,108)</u>	<u>295,754</u>	<u>24,709</u>
<u>Other Long-term Liabilities</u>					
Unamortized Premium (Discount)	<u>2,448</u>	<u>1,433</u>	<u>(1,683)</u>	<u>2,198</u>	<u>-</u>
Total Long-term Liabilities Business-type	<u>298,915</u>	<u>68,828</u>	<u>(69,791)</u>	<u>297,952</u>	<u>24,709</u>
Total Long-term Liabilities	<u>\$ 772,677</u>	<u>\$ 163,230</u>	<u>\$ (172,307)</u>	<u>\$ 763,600</u>	<u>\$ 120,030</u>

For the fiscal year ended December 31, 2016

(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, 2016, 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
2017	\$ 89,591	\$ 12,650	\$ 2,570	\$ 1,416
2018	58,825	10,581	6,925	1,330
2019	61,505	8,992	6,985	1,113
2020	43,640	7,222	7,045	893
2021	14,510	5,700	7,105	671
2022 - 2026	70,365	20,446	13,877	661
2027 - 2031	18,890	12,223	-	-
2032 - 2036	13,420	9,017	-	-
2037 - 2041	18,070	5,478	-	-
2042 - 2044	14,135	1,010	-	-
	<u>\$ 402,951</u>	<u>\$ 93,319</u>	<u>\$ 44,507</u>	<u>\$ 6,084</u>

Year Ending December 31:	Total Government			
	Internal Service Fund Bonds		Activity Bonds & Notes	
	Principal	Interest	Principal	Interest
2017	\$ 3,160	\$ 386	\$ 95,321	\$ 14,452
2018	9,810	294	75,560	12,205
2019	-	-	68,490	10,105
2020	-	-	50,685	8,115
2021	-	-	21,615	6,371
2022 - 2026	-	-	84,242	21,107
2027 - 2031	-	-	18,890	12,223
2032 - 2036	-	-	13,420	9,017
2037 - 2041	-	-	18,070	5,478
2042 - 2044	-	-	14,135	1,010
	<u>\$ 12,970</u>	<u>\$ 680</u>	<u>\$ 460,428</u>	<u>\$ 100,083</u>

For the fiscal year ended December 31, 2016

(Dollar Amounts Expressed in Thousands)

NOTE 5 – LONG-TERM DEBT (continued)

Amortization of Outstanding Business-type Activities City Debt

As of December 31, 2016, 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
2017	\$ 16,704	\$ 6,804	\$ 8,005	\$ 3,186	\$ 24,709	\$ 9,990
2018	12,680	6,142	11,050	2,980	23,730	9,122
2019	14,130	5,794	11,300	2,684	25,430	8,478
2020	13,885	5,404	11,840	2,383	25,725	7,787
2021	13,795	5,015	10,500	2,062	24,295	7,077
2022 - 2026	64,635	18,886	34,945	7,100	99,580	25,986
2027 - 2031	15,945	11,310	21,230	2,398	37,175	13,708
2032 - 2036	17,425	6,358	6,120	274	23,545	6,632
2037 - 2040	11,565	1,559	-	-	11,565	1,559
	<u>\$ 180,764</u>	<u>\$ 67,272</u>	<u>\$ 114,990</u>	<u>\$ 23,067</u>	<u>\$ 295,754</u>	<u>\$ 90,339</u>

Discretely Presented Component

Activity for the Minneapolis Park and Recreation Board for the year ended December 31, 2016, was as follows:

Year Ending December 31:	Principal	Interest
2017	2,220	167
2018	1,941	37
2019	101	7
2020	64	4
2021	33	1
Total	<u>\$ 4,359</u>	<u>\$ 216</u>

	Balance January 1, 2016	Additions	Retirements	Balance December 31, 2016	Amounts Due Within One Year
Notes payable	\$ 2,323	\$ 2,100	\$ (170)	\$ 4,253	\$ 2,220
Contracts Payable	-	106	-	106	-
Total	<u>\$ 2,323</u>	<u>\$ 2,206</u>	<u>\$ (170)</u>	<u>\$ 4,699</u>	<u>\$ 2,220</u>

For the fiscal year ended December 31, 2016

(Dollar Amounts Expressed in Thousands)

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

As of December 31, 2016, outstanding industrial, commercial, and housing revenue bonds and notes approximated \$2,140 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	\$ 1,382	\$ -	\$ 11	\$ -	\$ 657	\$ 2,050
Special assessments	375	966	2,649	34,360	834	39,184
Intergovernmental	-	-	26,122	-	-	26,122
Loans receivable	-	25,868	-	-	22,430	48,298
Interest	241	100	38	4	80	463
Other unavailable revenue	-	175	-	-	-	175
Total Deferred inflows of resources	<u>\$ 1,998</u>	<u>\$ 27,109</u>	<u>\$ 28,820</u>	<u>\$ 34,364</u>	<u>\$ 24,001</u>	<u>\$ 116,292</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>
2017	\$ 4,493
2018	3,956
2019	2,963
2020	2,411
2021	2,657
2022-2026	10,114
2027-2031	10,114
2032-2036	3,420
2037-2041	61
Total	<u>\$ 40,189</u>

For the fiscal year ended December 31, 2016

(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 2016 the lease expense on these leases totaled \$256. Application of the straight-line basis to the future minimum lease expenditures of \$1,813 over the lease terms results in a total annual lease amount of \$417.

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

<u>Year Ending December 31</u>	Governmental Activities Amount
2017	\$ 393
2018	405
2019	296
2020	133
2021	138
2022-2024	448
Total	<u>\$ 1,813</u>

NOTE 9 – INTERFUND TRANSACTIONS

A – Interfund Receivables/Payables

The composition of interfund balances as of December 31, 2016 are as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	Amount
Non-major Governmental Funds	Non-major Governmental Funds	\$ 5,032

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

Advances to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	Amount
General Fund	Permanent Improvement Fund	\$ 1,250
CPED Special Revenue Fund	Permanent Improvement Fund	2,750
Internal Service Funds	Non-major Governmental Funds	3,495
	Total	<u>\$ 7,495</u>

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

For the fiscal year ended December 31, 2016

(Dollar Amounts Expressed in Thousands)

NOTE 9 – INTERFUND TRANSACTIONS (continued)

B – 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	\$ 3,919
	Stormwater Fund	<u>110</u>
		<u>4,029</u>
CPED Special Revenue Fund	Non-major Governmental Funds	<u>1,104</u>
		<u>1,104</u>
Permanent Improvement Fund	General Fund	<u>500</u>
		<u>500</u>
Non-Major Governmental Funds	General Fund	50,053
	Non-major Governmental Funds	24,432
	CPED Special Revenue Fund	24,126
	Permanent Improvement Fund	2,145
	Water Treatment and Distribution Services Fund	273
	Sanitary Sewer Fund	493
	Municipal Parking Fund	<u>3,728</u>
		<u>105,250</u>
	Total Governmental Funds	<u>\$ 110,883</u>
Proprietary Funds:		
Business-type Activities		
Water Treatment and Distribution Services Fund	General Fund	\$ 25
	Sanitary Sewer Fund	<u>1,101</u>
		<u>1,126</u>
Municipal Parking Fund	CPED Special Revenue Fund	<u>690</u>
		<u>690</u>
Solid Waste and Recycling Fund	General Fund	473
	Municipal Parking Fund	<u>146</u>
		<u>619</u>
CPED Enterprise Fund	CPED Special Revenue Fund	<u>268</u>
		<u>268</u>
	Total Business-type Activities	<u>\$ 2,703</u>
Governmental Activities		
Internal Service Funds	General Fund	\$ 5,111
	Permanent Improvement Fund	1,409
	Internal Service Funds	<u>326</u>
		<u>6,846</u>
	Total Governmental Activities	<u>\$ 6,846</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, 2016

(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, 2016

(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>						
Properties held for resale	\$ -	\$ 33,473	\$ -	\$ -	\$ -	\$ 33,473
Advances to other funds	1,250	-	-	-	-	1,250
Prepaid items	11	-	-	-	281	292
Total nonspendable	<u>1,261</u>	<u>33,473</u>	<u>-</u>	<u>-</u>	<u>281</u>	<u>35,015</u>
<u>Restricted for</u>						
Debt service:						
Community development	-	-	-	-	2,906	2,906
General debt service	-	-	-	-	30,969	30,969
Special assessment	-	-	-	7,726	-	7,726
Community and economic development	-	130,038	-	-	-	130,038
Law enforcement:						
Gambling compliance	-	-	-	-	299	299
Forfeitures	-	-	-	-	1,380	1,380
Grants	-	-	-	-	2,378	2,378
Properties held for resale	-	-	-	-	8,853	8,853
Capital improvements	-	-	30,594	-	-	30,594
Total restricted	<u>-</u>	<u>130,038</u>	<u>30,594</u>	<u>7,726</u>	<u>46,785</u>	<u>215,143</u>
<u>Assigned to</u>						
General government	-	-	-	-	508	508
Grants	-	-	-	-	225	225
Public safety:						
Police	-	-	-	-	760	760
Compliance and regulation	-	-	-	-	4,606	4,606
Community & economic development	-	38,618	-	-	74,284	112,902
Neighborhood & community relations	-	-	-	-	3,716	3,716
Pension obligations	-	-	-	-	26,643	26,643
Capital improvements	10,000	-	-	-	-	10,000
Total assigned	<u>10,000</u>	<u>38,618</u>	<u>-</u>	<u>-</u>	<u>110,742</u>	<u>159,360</u>
<u>Unassigned</u>	<u>96,236</u>	<u>-</u>	<u>(20,371)</u>	<u>-</u>	<u>(4,824)</u>	<u>71,041</u>
Total fund balances	<u>\$ 107,497</u>	<u>\$ 202,129</u>	<u>\$ 10,223</u>	<u>\$ 7,726</u>	<u>\$ 152,984</u>	<u>\$ 480,559</u>

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For the fiscal year ended December 31, 2016

(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, 2016, the Governmental Activities restricted net position is as follows:

<u>Purpose</u>	<u>Amount</u>
Debt service:	
Community development	\$ 2,906
General debt service	30,969
Special assessment	7,726
Community and economic development	130,038
Law enforcement:	
Gambling compliance	299
Forfeitures	1,380
Grants	2,378
Properties held for resale	8,853
Capital improvements	30,594
Total restricted net position	<u>\$ 215,143</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, 2016, the Business-type component of restricted net position is as follows:

<u>Purpose</u>	<u>Amount</u>
Debt service	<u>\$ 35,336</u>

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For the fiscal year ended December 31, 2016

(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 post retirement 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, 2016

(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 595 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, 2016

(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 2016. 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 2016. The City, Park Board, and MBC contributions to the GERF for the year ended December 31, 2016, were \$30,921, \$5,538, and \$527, respectively. The employer's contributions were equal to the required contribution as set by state statute.

2. PEPFF Contributions

Plan members were required to contribute 10.80 percent of their annual covered salary in calendar year 2016. Employers were required to contribute 16.20 percent of pay for PEPFF members in calendar year 2016. Contributions to the PEPFF for the year ended December 31, 2016, were \$31,460 for the City and \$498 for the Park Board. Employer contributions were equal to the required contributions as set by state statute.

3. TRA Contributions

The City's contributions to the TRA for the year ended December 31, 2016, were \$2,250. The City's contributions were equal to the required contributions as set by state statute.

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

At December 31, 2016, the City, Park Board, and MBC reported a liability of \$532,790, \$97,832, and \$9,061 respectively for the proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the City's proportionate share was 6.5619 percent, which was a decrease of 0.2846 percent from its proportion measured as of June 30, 2015. At June 30, 2016, the Park Board's proportionate share was 1.2049 percent, which was an increase of 0.0038 percent from its proportion measured as of June 30, 2015. At June 30, 2016, MBC's proportionate share was 0.1116 percent, which was an increase of 0.0246 percent from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the City, Park Board, and MBC recognized pension expense of \$90,783, \$22,856, and \$733, respectively for the proportionate share of the GERF's pension expense.

NOTE 13 – DEFINED BENEFIT PENSION PLANS

D – Pension Costs

1. GERS Pension Costs (continued)

The City, Park Board, and MBC also recognized \$2,075, \$381, and \$35, respectively as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota’s contribution to the General Employees Retirement Plan, which qualifies as a special funding situation. Legislation requires the State of Minnesota to contribute \$6 million to the General Employees Retirement Plan each year, starting September 15, 2015, through September 15, 2031.

	<u>City</u>	<u>Park Board</u>	<u>MBC</u>
Proportionate share of the net pension liability	\$ 532,790	\$ 97,832	\$ 9,061
State of Minnesota's proportionate share of the net pension liability associated with the entity	<u>6,959</u>	<u>1,278</u>	<u>118</u>
Total	<u>\$ 539,749</u>	<u>\$ 99,110</u>	<u>\$ 9,179</u>

At December 31, 2016, the City, Park Board, and MBC reported proportionate shares of the GERS’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	\$ -	\$ -	\$ -	\$ 43,777	\$ 7,941	\$ 693
Changes in actuarial assumptions	104,321	19,155	1,774	-	-	-
Difference between projected and actual investment earnings	102,173	18,555	1,630	-	-	-
Changes in proportion	125,577	17,026	956	41,346	-	785
Contributions paid to PERA subsequent to the measurement date	<u>24,351</u>	<u>4,212</u>	<u>423</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 356,422</u>	<u>\$ 58,948</u>	<u>\$ 4,783</u>	<u>\$ 85,123</u>	<u>\$ 7,941</u>	<u>\$ 1,478</u>

For the fiscal year ended December 31, 2016

(Dollar Amounts Expressed in Thousands)

NOTE 13 – DEFINED BENEFIT PENSION PLANS

D – Pension Costs

1. GERS 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 \$24,351 for the City, \$4,212 for the Park Board, and \$423 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
2017	\$ 89,795	\$ 16,885	\$ 695
2018	89,795	16,885	695
2019	48,112	9,492	1,164
2020	19,246	3,533	328

2. PEPFF Pension Costs

At December 31, 2016, the City and Park Board reported a liability of \$796,093 and \$12,200, respectively for the proportionate share of the PEPFF’s net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA’s participating employers. At June 30, 2016, the City’s proportion share was 19.837 percent, which was an increase of 0.415 percent from its proportion measured as of June 30, 2015. At June 30, 2016, the Park Board’s proportion share was 0.304 percent, which was a decrease of 0.004 percent from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the City and Park Board recognized pension expense of \$104,139 and \$2,126 respectively for the proportionate share of the PEPFF’s pension expense.

The City and Park Board also recognized \$1,785 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 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.

For the fiscal year ended December 31, 2016

(Dollar Amounts Expressed in Thousands)

NOTE 13 – DEFINED BENEFIT PENSION PLANS

D – Pension Costs

2. PEPFF Pension Costs (continued)

At December 31, 2016, 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	\$ -	\$ -	\$ 90,715	\$ 1,405
Changes in actuarial assumptions	438,125	6,714	-	38
Difference between projected and actual investment earnings	120,874	1,868	-	-
Changes in proportion	3,929	79	3,154	-
Contributions paid to PERA subsequent to the measurement date	23,007	270	-	-
Total	\$ 585,935	\$ 8,931	\$ 93,869	\$ 1,443

Contributions subsequent to the measurement date are shown as deferred outflows in the above table and will be recognized as a reduction to net pension liability for the year ended December 31, 2016. These contributions total \$23,007 for the City and \$270 for the Park Board. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:	Pension Expense Amount	
	City	Park Board
2017	\$ 100,669	\$ 1,556
2018	100,669	1,556
2019	100,669	1,557
2020	91,057	1,404
2021	75,995	1,145

For the fiscal year ended December 31, 2016

(Dollar Amounts Expressed in Thousands)

NOTE 13 – DEFINED BENEFIT PENSION PLANS

D – Pension Costs (continued)

3. TRA Pension Costs

At December 31, 2016, the City reported a liability of \$137,557 for the proportionate share of the TRA’s net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Each employer’s proportion of the net pension liability was based on the employer’s contributions received by TRA during the measurement period for employer payroll paid dates from July 1, 2015, through June 30, 2016, relative to the total employer contributions received from all of TRA’s participating employers. At June 30, 2016, the City’s proportionate share was 0.5767 percent, which was a decrease of 0.0144 percent from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the City recognized pension expense of \$18,833 for its proportionate share of the TRA’s pension expense.

At December 31, 2016, the City reported proportionate shares of the TRA’s deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experiences	\$ 27	\$ 4
Changes in actuarial assumptions	78,494	-
Difference between projected and actual investment earnings	10,195	
Changes in proportion	-	3,260
	<hr/>	<hr/>
Total	<u>\$ 88,716</u>	<u>\$ 3,264</u>

The City has a statutory obligation to contribute to the TRA as a non-employer contributing agency. There were no contributions subsequent to the measurement date 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:

Year Ended December 31:	Pension Expense Amount
2017	\$ 17,644
2018	17,644
2019	17,644
2020	17,414
2021	15,106

The City of Minneapolis recognized \$179 as revenue for its proportionate share of the State of Minnesota’s on behalf contribution for the Teachers Retirement Plan. Legislation requires the State of Minnesota to make contributions each year.

For the fiscal year ended December 31, 2016

(Dollar Amounts Expressed in Thousands)

NOTE 13 – DEFINED BENEFIT PENSION PLANS (continued)

E – Actuarial Assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the individual entry age normal actuarial cost method and the following actuarial assumptions:

Assumption	GERF/PEPFF	TRA
Inflation	2.50% per year	2.75%
Active Member Payroll Growth	3.25% per year	3.50% based on years of service
Investment Rate of Return	7.50%	4.66% based on Single Equivalent Interest Rate calculation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants in the General Employees Retirement Plan were based on RP-2014 tables, while Public Employees Police and Fire Plan were based on RP-2000 tables for males or females, as appropriate, with slight adjustments. For the General Employees Retirement Plan and the Public Employees Police and Fire Plan, cost of living benefit increases for retirees are assumed to be 1.0 percent. Cost of living increases for TRA are 2.0 percent.

Actuarial assumptions used in the June 30, 2016, valuation were based on the results of actuarial experience studies. The experience study in the GERF was for the period 2008 through 2015. The experience study for PEPFF was for the period 2004 through 2009. The experience study for TRA was for the period of July 1, 2004, to June 30, 2008, and a limited scope experience study dated August 29, 2014.

On August 16, 2016, an updated experience study was done for PERA’s Public Employees Police and Fire Plan for the period 2011 through 2015, which would result in a larger pension liability. However, PERA will implement the changes in assumptions for its June 30, 2017, estimate of pension liability.

The long-term expected rate of return on pension plan investments is 7.5 percent for PERA, a reduction of the 7.9 percent used in 2015, and 8.00 percent for TRA. The State Board of Investment, which manages the investments of PERA and TRA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

F – Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent for PERA and 4.66 percent for TRA. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current and active and inactive employees.

For the fiscal year ended December 31, 2016

(Dollar Amounts Expressed in Thousands)

NOTE 13 – DEFINED BENEFIT PENSION PLANS**F – Discount Rate (continued)**

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 Public Employees Police and Fire Plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2056. Beginning in fiscal year ended June 30, 2057, when projected benefit payments exceed the Plan's projected fiduciary net position, benefit payments were discounted at the municipal bond rate of 2.85 percent based on an index of 20-year general obligation bonds with an average AA credit rating at the measurement date. An equivalent single discount rate of 5.60 percent for the Public Employees Police and Fire Plan was determined that produced approximately the same present value of the projected benefits when applied to all years of projected benefits as the present value of projected benefits using 7.50 percent applied to all years of projected benefits through the point of asset depletion and 2.85 percent thereafter.

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 2052. The long-term expected rate of return of 8.00 percent was applied to periods before 2052 and the Municipal Bond Index Rate of 3.01 percent was applied to period on and after 2052, resulting in a Single Equivalent Interest Rate (discount rate) of 4.66 percent.

G – Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred in 2016:

General Employees Retirement Plan

- 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.
- 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

- 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.

NOTE 13 – DEFINED BENEFIT PENSION PLANS (continued)

G – Changes in Actuarial Assumptions (continued)

Teacher Retirement Association Fund

- 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.

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	756,719	532,790	348,333
Park Board	138,950	97,832	63,962
MBC	12,870	9,061	5,924
PEPFF Discount Rate	4.6%	5.6%	6.6%
City	1,114,425	796,093	535,992
Park Board	17,078	12,200	8,214
TRA Discount Rate	3.66%	4.66%	5.66%
City	177,207	137,557	105,262

I – Pension Plan Fiduciary Net Position

Detailed information about PERA’s fiduciary net position is available in a separately issued PERA financial report. That report may be obtained on the Internet at www.mnpera.org.

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.

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.

For the fiscal year ended December 31, 2016

(Dollar Amounts Expressed in Thousands)

NOTE 14 – DEFINED CONTRIBUTION PLAN – CPED**A – Plan Description (continued)**

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, 2016, was \$2,042 and the CPED's total payroll was \$19,292.

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 \$113 and \$104 respectively to the plan during the year, which amounts represented 5.53 percent and 5.1 percent respectively of the covered payroll.

NOTE 15 – POSTEMPLOYMENT BENEFITS PLAN**A – Plan Description**

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

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

B – Funding Policy

Retirees and their spouses contribute to the healthcare plan at the same rate as City employees. This results in the retirees receiving an implicit rate subsidy. Contribution requirements are established by the City, based on the contract terms with Medica and Delta Dental. The required contributions are based on projected pay-as-you-go financing requirements. For fiscal year 2016, the City contributed \$2,115 to the plan. As of January 1, 2015, the most recent actuarial valuation date, there were approximately 347 retirees receiving health benefits from the City's health plan.

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.

For the fiscal year ended December 31, 2016

(Dollar Amounts Expressed in Thousands)

NOTE 15 – POSTEMPLOYMENT BENEFITS PLAN

C – Annual OPEB Cost and Net OPEB Obligation (continued)

The following table shows the components of the City’s annual OPEB cost of the year, the amount actually contributed to the plan, and changes in the City’s net OPEB obligation to the plan.

Annual required contribution	\$ 3,297
Interest on net OPEB obligation	1,105
Adjustment to annual required contribution	<u>(1,356)</u>
Annual OPEB cost (expense)	3,046
Contributions made	<u>2,115</u>
Increase in net OPEB obligation	931
Net OPEB obligation – beginning of year	<u>36,817</u>
Net OPEB obligation – end of year	<u>\$ 37,748</u>

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016, 2015, and 2014 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage Of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2016	\$ 3,046	69.44%	\$37,748
12/31/2015	\$ 2,962	73.19%	\$36,817
12/31/2014	\$12,018	42.57%	\$36,023

D – Funded Status and Funding Progress

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

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

For the fiscal year ended December 31, 2016

(Dollar Amounts Expressed in Thousands)

NOTE 15 – POSTEMPLOYMENT BENEFITS PLAN (continued)

E – Actuarial Methods and Assumptions

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

In the January 1, 2015, actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 3.0 percent discount rate, which is based on a blend of the long-term expected return on (1) plan assets to the extent they are projected to be sufficient to pay plan benefits, and (2) employer general assets to the extent that projected plan assets are insufficient to pay plan benefits. The City currently does not plan to prefund for this benefit. At the actuarial valuation date, the annual healthcare cost trend rate was calculated to be 7.2 percent initially, reduced incrementally to an ultimate rate of 5.0 percent after 7 years. Both rates included a 2.75 percent inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The original amortization period is 30 years, as of January 1, 2015, 30 years remain.

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

	Balance 1/1/2016	Additions	Retirements	Balance 12/31/2016
Other postemployment benefits payable:				
Governmental activities	\$ 35,340	\$ 966	\$ -	\$ 36,306
Business-type activities	1,477	-	(35)	1,442
Total	<u>\$ 36,817</u>	<u>\$ 966</u>	<u>\$ (35)</u>	<u>\$ 37,748</u>

Discretely Presented Component Units

Activity for the discretely presented component units for the year ended December 31, 2016, was as follows:

	Balance 1/1/2016	Additions	Retirements	Balance 12/31/2016
Other postemployment benefits payable:				
Minneapolis Park and Recreation Board	\$ 3,921	\$ 168	\$ (188)	\$ 3,901
Municipal Building Commission	336	94	(111)	319
Total	<u>\$ 4,257</u>	<u>\$ 262</u>	<u>\$ (299)</u>	<u>\$ 4,220</u>

For the fiscal year ended December 31, 2016

(Dollar Amounts Expressed in Thousands)

NOTE 16 – VACATION, SEVERANCE, SICK AND COMPENSATORY TIME PAY

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

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

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

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

Primary Government

Activity for the primary government for the year ended December 31, 2016, was as follows:

	<u>Balance 1/1/2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/2016</u>	<u>Amounts Due Within One Year</u>
Compensated absences payable:					
Governmental activities	\$ 35,246	\$ 22,311	\$ (20,991)	\$ 36,566	\$ 19,716
Business-type activities	2,985	2,778	(2,645)	3,118	2,316
Total	<u>\$ 38,231</u>	<u>\$ 25,089</u>	<u>\$ (23,636)</u>	<u>\$ 39,684</u>	<u>\$ 22,032</u>

Discretely Presented Component Units

Activity for the discretely presented component units for the year ended December 31, 2016, was as follows:

	<u>Balance 1/1/2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/2016</u>	<u>Amounts Due Within One Year</u>
Compensated absences payable:					
Minneapolis Park and Recreation Board	\$ 4,494	\$ 2,852	\$ (2,604)	\$ 4,742	\$ 911
Municipal Building Commission	212	195	(193)	214	155
Total	<u>\$ 4,706</u>	<u>\$ 3,047</u>	<u>\$ (2,797)</u>	<u>\$ 4,956</u>	<u>\$ 1,066</u>

For the fiscal year ended December 31, 2016

(Dollar Amounts Expressed in Thousands)

NOTE 17 – RISK MANAGEMENT AND CLAIMS

The City is self-insured and exposed to a variety of risks related to liability claims; property, personal injury and accidents. The City is self-insured for workers' compensation, general liability, and re-employment. Liability claims under \$25 and unrepresented are managed by Risk Management and Claims. Liability claims that are represented and over \$25 are managed by the City Attorneys' Office. The City, CPED and the BET are self-insured for general liability. The workers' compensation program includes the BET and all City departments. The Park Board and MBC maintain their own workers' compensation and liability programs. The claims liability of \$51,868 reported in the Self-Insurance Internal Service Fund at December 31, 2016, 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, 2016 is \$51,868, a decrease of \$105 from the liability amount of \$51,973 at December 31, 2015.

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 2015 and 2016 are:

	<u>2015</u>	<u>2016</u>
Liability balance – January 1	\$ 49,851	\$ 51,973
Current year claims and changes in estimates	11,595	11,543
Claim payments	<u>(9,473)</u>	<u>(11,648)</u>
Liability balance – December 31	<u>\$ 51,973</u>	<u>\$ 51,868</u>

NOTE 18 – CLEANUP OF HAZARDOUS MATERIALS

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

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

NOTE 19 – 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, 2016 as shown below:

<u>Tax Abatement Program</u>	<u>Taxes Abated</u>
Tax Increment Financing	\$ 8,599

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 two 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, 2016.

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 a General Obligation Sales Tax Note (Target Center Project), Series 2016 with Wells Fargo Bank, National Association. The Series 2016 note is a taxable variable rate draw facility with total capacity of \$74,000 and total draws completed of \$40,000. This facility is being used as short-term financing for renovation of the Target Center Arena in downtown Minneapolis where the Minnesota Timberwolves and Minnesota Lynx play. The City received net proceeds of \$41,146 including a \$1,427 bond premium offset by a \$195 underwriter discount. On May 17, 2017, the City used \$40,000 of proceeds to redeem a like amount of the variable rate taxable note with Wells Fargo Bank. The balance of the proceeds will be used to pay capitalized interest and costs of issuing the bonds. The refunding bonds were issued in fixed rate mode and had interest rates ranging from 3.25% to 4.25% and a final maturity date of December 1, 2035. 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 City will continue to draw on the remaining \$34,000 of loan capacity as the arena renovation project continues through 2017.

For the fiscal year ended December 31, 2016

(Dollar Amounts Expressed in Thousands)

NOTE 21 – SUBSEQUENT EVENTS (continued)

In May 2017, the City also issued \$37,875 of General Obligation Improvement and Various Purpose Bonds, Series 2017. The City received net proceeds of \$40,072 including a bond premium of \$2,324 offset by a \$127 underwriter discount. The proceeds were used for three separate purposes including \$9,355 for a variety of special assessment backed capital projects, \$13,645 for levy backed capital infrastructure projects and \$17,000 for refunding a portion of the City's General Obligation Note, Series 2015A which is also backed by special assessments. The remaining proceeds were used to cover cost of issuance. The bonds were issued in fixed rate mode and had interest rates ranging from 3.00% to 4.00% and a final maturity date of December 1, 2027.

On May 17, 2017, the City used \$17,000 of proceeds to redeem a like amount of the variable rate tax exempt note, Series 2015A with US Bank. The Series 2015A note is a draw facility with total capacity of \$25,000 and total draws completed of \$17,000. This facility is being used as short-term financing for a portion of the expenses associated with reconstruction of the one mile long Nicollet Mall which is the premier street in downtown Minneapolis. 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 City will continue to draw on the remaining \$8,000 of loan capacity as the Nicollet Mall reconstruction project continues through 2017.



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**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended December 31, 2016**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES:				
Taxes	\$ 268,025	\$ 269,531	\$ 274,925	\$ 5,394
Licenses and permits	43,411	43,411	47,030	3,619
Intergovernmental revenues	83,373	83,373	85,212	1,839
Charges for services and sales	47,417	47,630	48,813	1,183
Fines and forfeits	7,313	7,313	6,313	(1,000)
Special assessments	3,348	3,348	3,450	102
Investment earnings	2,200	2,200	3,460	1,260
Miscellaneous revenues	5,110	3,604	3,473	(131)
Total revenues	<u>460,197</u>	<u>460,410</u>	<u>472,676</u>	<u>12,266</u>
CURRENT EXPENDITURES:				
Current:				
General government:				
Mayor	1,988	2,059	2,059	-
Council & Clerk	8,124	8,192	7,686	506
Assessor	5,027	5,162	5,162	-
Attorney	9,576	9,576	9,396	180
Civil rights	3,310	3,560	3,387	173
Clerk - Elections	1,781	3,785	4,278	(493)
Coordinator	4,271	4,333	3,972	361
Coordinator - 311	3,773	3,885	3,802	83
Coordinator - Communications	2,237	2,245	2,192	53
Coordinator - Finance	21,577	21,442	22,804	(1,362)
Coordinator - Human resources	6,692	6,752	6,566	186
Coordinator - Intergovernmental relations	1,541	1,541	1,437	104
Internal audit	592	617	612	5
Contingency	4,000	400	-	400
Total general government	<u>74,489</u>	<u>73,549</u>	<u>73,353</u>	<u>196</u>
Public safety:				
Regulatory services	18,717	19,722	18,380	1,342
Coordinator - 911	9,212	9,432	9,067	365
Coordinator - Emergency management	813	813	804	9
Fire	62,324	62,357	62,648	(291)
Police	152,773	154,483	154,244	239
Total public safety	<u>243,839</u>	<u>246,807</u>	<u>245,143</u>	<u>1,664</u>
Public works:				
Administration	3,283	3,533	3,466	67
Engineering design	2,005	2,005	2,024	(19)
Field services	32,572	32,572	32,810	(238)
Transportation and special projects	19,171	19,351	18,611	740
Total public works	<u>57,031</u>	<u>57,461</u>	<u>56,911</u>	<u>550</u>
Culture and recreation - Library	<u>1,560</u>	<u>1,560</u>	<u>1,560</u>	<u>-</u>
Health and welfare - Health and family support	<u>8,914</u>	<u>9,064</u>	<u>9,062</u>	<u>2</u>
Community planning & economic development:				
Community planning & economic development	35,784	37,690	32,648	5,042
Coordinator - Neighborhood & community relations	220	385	360	25
Total community planning & economic development	<u>36,004</u>	<u>38,075</u>	<u>33,008</u>	<u>5,067</u>
Total expenditures	<u>421,837</u>	<u>426,516</u>	<u>419,037</u>	<u>7,479</u>
Excess (deficiency) of revenues over (under) expenditures	<u>38,360</u>	<u>33,894</u>	<u>53,639</u>	<u>19,745</u>
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	4,029	4,029	4,029	-
Transfers to other funds	(66,412)	(66,162)	(56,162)	10,000
Total other financing sources (uses)	<u>(62,383)</u>	<u>(62,133)</u>	<u>(52,133)</u>	<u>10,000</u>
Net change in fund balance	(24,023)	(28,239)	1,506	29,745
Fund balance - January 1	<u>105,991</u>	<u>105,991</u>	<u>105,991</u>	<u>-</u>
Fund balance - December 31	<u>\$ 81,968</u>	<u>\$ 77,752</u>	<u>\$ 107,497</u>	<u>\$ 29,745</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, 2016**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES:				
Taxes	\$ 40,950	\$ 40,950	\$ 48,182	\$ 7,232
Intergovernmental revenues	-	-	1	1
Charges for services and sales	180	180	1,556	1,376
Special assessments	-	-	118	118
Investment earnings	497	497	2,889	2,392
Miscellaneous revenues	8,663	8,663	8,313	(350)
Total revenues	<u>50,290</u>	<u>50,290</u>	<u>61,059</u>	<u>10,769</u>
EXPENDITURES:				
Current:				
Community planning & economic development	<u>35,392</u>	<u>58,828</u>	<u>36,136</u>	<u>22,692</u>
Excess (deficiency) of revenues over (under) expenditures	<u>14,898</u>	<u>(8,538)</u>	<u>24,923</u>	<u>33,461</u>
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	2,559	2,559	1,104	(1,455)
Transfers to other funds	<u>(21,748)</u>	<u>(27,372)</u>	<u>(25,084)</u>	<u>2,288</u>
Total other financing sources (uses)	<u>(19,189)</u>	<u>(24,813)</u>	<u>(23,980)</u>	<u>833</u>
Net change in fund balance	(4,291)	(33,351)	943	34,294
Fund balance - January 1	<u>201,186</u>	<u>201,186</u>	<u>201,186</u>	<u>-</u>
Fund balance - December 31	<u>\$ 196,895</u>	<u>\$ 167,835</u>	<u>\$ 202,129</u>	<u>\$ 34,294</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, 2016 (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%

**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%

* 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, 2016

(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*)

Fiscal Year Ending	Employer's Proportion (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net 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 and the State's Related 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%

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

Fiscal Year Ending	Employer's Proportion (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with Municipal Building Commission (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Related 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%

* 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."

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, 2016

(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%

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

Fiscal Year Ending	Employer's Proportion (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net 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	19.422%	\$ 220,680	\$ 101,015	218.5%	86.6%
June 30, 2016	19.837%	796,093	106,039	750.8%	63.9%

* 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.

DEFINED BENEFIT PENSION PLANS

CITY OF MINNEAPOLIS, MINNESOTA

For the Fiscal Year Ended December 31, 2016

(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

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

Fiscal Year Ending	Employer's Proportion (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Liability (Asset) (a)	Employer's Covered Payroll** (b)	Employer's Proportionate of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a/b)	Plan Fiduciary Net Position of the Total Pension Liability
June 30, 2015	0.5911%	\$ 36,365	\$ -	N/A	76.8%
June 30, 2016	0.5767%	137,557	-	N/A	44.9%

* 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."

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

NOTE 1 – BUDGETS

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

NOTE 2 – 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, 2016.

	Final Budgeted			
General Fund:	Amounts	Actual	Variance	
Coordinator	\$ 50,828	\$ 51,004	\$ (176)	
Fire	62,357	62,648	(291)	

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 in 2016:

General Employees Retirement Plan

- 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.
- 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

- 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.

For the Fiscal Year Ended December 31, 2016

(Dollar Amounts Expressed in Thousands)

NOTE 3 – DEFINED BENEFIT PENSION PLANS

A – Changes in Actuarial Assumptions (continued)

Teacher Retirement Association Fund

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

B – Plan Changes Affecting Actuarial Accrued Liability

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

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

Non-Major Special Revenue Funds

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

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

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

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

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

Grants – Federal – This fund is used to account for all federal grants, except for those included in the HUD Consolidated Plan Special Revenue Fund, Permanent Improvement Capital Projects Fund, Police Special Revenue Fund, Enterprise and Internal Service Funds.

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

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

Neighborhood and Community Relations – This fund is used to account for the tax increment financing funded expenditures of the Neighborhood 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 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 College of St. Thomas District and the Section 108 HUD note for the Midtown Exchange.

Internal Service Funds

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

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

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

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

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

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

Agency Funds

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

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, 2016**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

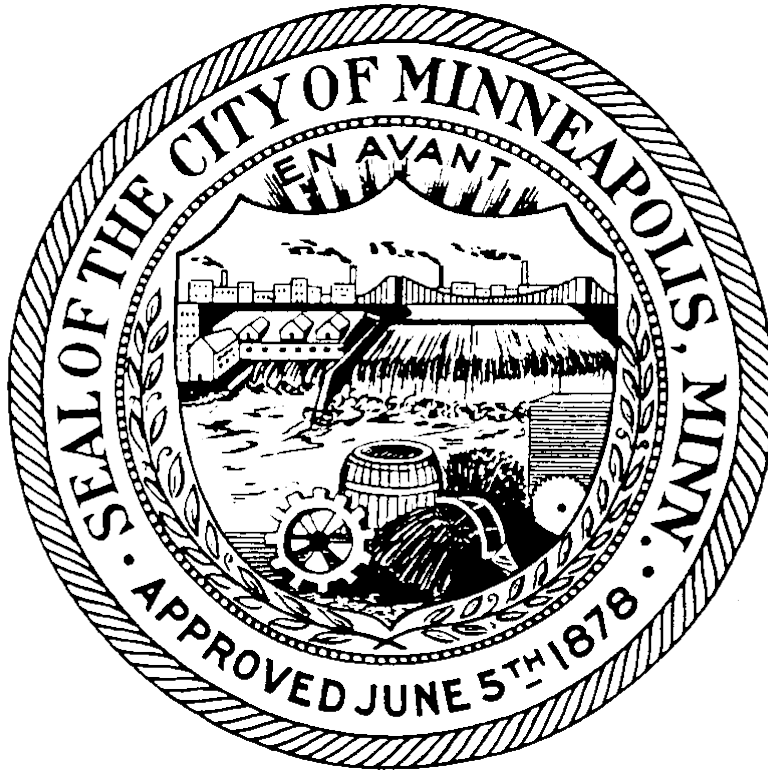
	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Total Non-Major Governmental</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 120,237	\$ 29,168	\$ 149,405
Investments with trustees	-	2,691	2,691
Receivables:			
Accounts	1,325	-	1,325
Taxes	623	1,102	1,725
Special assessments	969	-	969
Intergovernmental	9,501	-	9,501
Loans - net	22,430	-	22,430
Loans due from component unit	2,020	-	2,020
Accrued interest	222	59	281
Due from other funds	3,700	1,332	5,032
Prepaid items	281	-	281
Properties held for resale	8,853	-	8,853
	<hr/>	<hr/>	<hr/>
Total assets	\$ 170,161	\$ 34,352	\$ 204,513
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u>			
Liabilities:			
Salaries payable	\$ 820	\$ -	\$ 820
Accounts payable	11,931	3	11,934
Intergovernmental payable	2	-	2
Due to other funds	3,700	1,332	5,032
Deposits held for others	2,026	-	2,026
Advances from other funds	-	3,495	3,495
Unearned revenue	4,219	-	4,219
	<hr/>	<hr/>	<hr/>
Total liabilities	22,698	4,830	27,528
	<hr/>	<hr/>	<hr/>
Deferred inflows of resources:			
Unavailable revenue	23,530	471	24,001
	<hr/>	<hr/>	<hr/>
Fund balances:			
Nonspendable	281	-	281
Restricted	12,910	33,875	46,785
Assigned	110,742	-	110,742
Unassigned	-	(4,824)	(4,824)
	<hr/>	<hr/>	<hr/>
Total fund balances	123,933	29,051	152,984
	<hr/>	<hr/>	<hr/>
Total liabilities, deferred inflows of resources, and fund balances	\$ 170,161	\$ 34,352	\$ 204,513
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NON-MAJOR FUNDS
For the Fiscal Year Ended December 31, 2016**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Total Non-Major Governmental</u>
REVENUES:			
Taxes	\$ 31,764	\$ 47,346	\$ 79,110
Licenses and permits	1,119	-	1,119
Intergovernmental revenues	59,994	3,776	63,770
Charges for services and sales	10,604	-	10,604
Fines and forfeits	392	-	392
Special assessments	9,733	-	9,733
Investment earnings	1,089	225	1,314
Miscellaneous revenues	20,467	1,331	21,798
Total revenues	<u>135,162</u>	<u>52,678</u>	<u>187,840</u>
EXPENDITURES:			
Current:			
General government	32,859	-	32,859
Public safety	23,877	-	23,877
Public works	67	-	67
Health and welfare	12,643	-	12,643
Community planning & economic development	105,714	-	105,714
Intergovernmental:			
Public safety	154	-	154
Debt Service:			
Principal retirement	-	77,225	77,225
Interest and fiscal charges	-	12,712	12,712
Total expenditures	<u>175,314</u>	<u>89,937</u>	<u>265,251</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(40,152)</u>	<u>(37,259)</u>	<u>(77,411)</u>
OTHER FINANCING SOURCES (USES):			
Transfers from other funds	60,048	45,202	105,250
Transfers to other funds	(24,431)	(1,105)	(25,536)
Total other financing sources (uses)	<u>35,617</u>	<u>44,097</u>	<u>79,714</u>
Net change in fund balances	(4,535)	6,838	2,303
Fund balances - January 1	<u>128,468</u>	<u>22,213</u>	<u>150,681</u>
Fund balances - December 31	<u>\$ 123,933</u>	<u>\$ 29,051</u>	<u>\$ 152,984</u>



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**SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
NON-MAJOR FUNDS
December 31, 2016**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	<u>Arena Reserve</u>	<u>Board of Estimate and Taxation</u>	<u>Convention Center</u>	<u>HUD Consolidated Plan</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 15,210	\$ 255	\$ 65,535	\$ 322
Receivables:				
Accounts	-	-	452	196
Taxes	-	4	-	-
Special assessments	-	-	-	-
Intergovernmental	-	-	-	1,483
Loans - net	-	-	-	22,430
Loans due from component unit	-	-	2,020	-
Accrued interest	31	-	133	-
Due from other funds	-	-	-	-
Prepaid Items	-	-	281	-
Properties held for resale	-	-	-	6,544
Total assets	<u>\$ 15,241</u>	<u>\$ 259</u>	<u>\$ 68,421</u>	<u>\$ 30,975</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u>				
Liabilities:				
Salaries payable	\$ 6	\$ 7	\$ 337	\$ 59
Accounts payable	4,138	8	2,546	942
Intergovernmental payable	-	-	-	-
Due to other funds	-	-	-	1,000
Deposits held for others	-	-	2,022	-
Unearned revenue	-	-	-	-
Total liabilities	<u>4,144</u>	<u>15</u>	<u>4,905</u>	<u>2,001</u>
Deferred inflows of resources:				
Unavailable revenue	<u>9</u>	<u>1</u>	<u>39</u>	<u>22,430</u>
Fund balances:				
Nonspendable	-	-	281	-
Restricted	-	-	-	6,544
Assigned	<u>11,088</u>	<u>243</u>	<u>63,196</u>	<u>-</u>
Total fund balances	<u>11,088</u>	<u>243</u>	<u>63,477</u>	<u>6,544</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 15,241</u>	<u>\$ 259</u>	<u>\$ 68,421</u>	<u>\$ 30,975</u>

**SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
NON-MAJOR FUNDS
December 31, 2016**

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

(In Thousands)

Self-Managed Special Service Districts	Employee Retirement	Grants- Federal	Grants- Other	Police	Neighborhood & Community Relations	Regulatory Services	Total
\$ 467	\$ 26,192	\$ 569	\$ 865	\$ 2,106	\$ 4,029	\$ 4,687	\$ 120,237
-	-	-	113	564	-	-	1,325
-	619	-	-	-	-	-	623
15	-	-	-	-	-	954	969
-	-	4,134	3,871	-	-	13	9,501
-	-	-	-	-	-	-	22,430
-	-	-	-	-	-	-	2,020
1	49	-	-	-	-	8	222
-	-	-	3,700	-	-	-	3,700
-	-	-	-	-	-	-	281
-	-	1,109	1,200	-	-	-	8,853
<u>\$ 483</u>	<u>\$ 26,860</u>	<u>\$ 5,812</u>	<u>\$ 9,749</u>	<u>\$ 2,670</u>	<u>\$ 4,029</u>	<u>\$ 5,662</u>	<u>\$ 170,161</u>
\$ -	\$ -	\$ 105	\$ 117	\$ 46	\$ 47	\$ 96	\$ 820
9	-	961	2,790	150	266	121	11,931
-	2	-	-	-	-	-	2
-	-	2,700	-	-	-	-	3,700
-	-	-	-	-	-	4	2,026
208	-	712	3,264	35	-	-	4,219
<u>217</u>	<u>2</u>	<u>4,478</u>	<u>6,171</u>	<u>231</u>	<u>313</u>	<u>221</u>	<u>22,698</u>
<u>1</u>	<u>215</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>835</u>	<u>23,530</u>
-	-	-	-	-	-	-	281
-	-	1,109	3,578	1,679	-	-	12,910
265	26,643	225	-	760	3,716	4,606	110,742
<u>265</u>	<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>\$ 483</u>	<u>\$ 26,860</u>	<u>\$ 5,812</u>	<u>\$ 9,749</u>	<u>\$ 2,670</u>	<u>\$ 4,029</u>	<u>\$ 5,662</u>	<u>\$ 170,161</u>

**SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NON-MAJOR FUNDS
For the Fiscal Year Ended December 31, 2016**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Arena Reserve	Board of Estimate and Taxation	Convention Center	HUD Consolidated Plan
REVENUES:				
Taxes	\$ 1,694	\$ 170	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental revenues	-	-	-	19,153
Charges for services and sales	-	-	6,920	1,455
Fines and forfeits	-	-	-	-
Special assessments	-	-	-	11
Investment earnings	31	-	738	136
Miscellaneous revenues	1,350	-	11,479	1,354
Total revenues	<u>3,075</u>	<u>170</u>	<u>19,137</u>	<u>22,109</u>
EXPENDITURES:				
Current:				
General government	-	207	-	1,904
Public safety	-	-	-	895
Public works	-	-	-	-
Health and welfare	-	-	-	914
Community planning & economic development	10,936	-	48,465	18,362
Intergovernmental:				
Public safety	-	-	-	-
Total expenditures	<u>10,936</u>	<u>207</u>	<u>48,465</u>	<u>22,075</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(7,861)</u>	<u>(37)</u>	<u>(29,328)</u>	<u>34</u>
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	3,728	4	50,050	139
Transfers to other funds	-	-	(24,431)	-
Total other financing sources (uses)	<u>3,728</u>	<u>4</u>	<u>25,619</u>	<u>139</u>
Net change in fund balances	(4,133)	(33)	(3,709)	173
Fund balances - January 1	<u>15,221</u>	<u>276</u>	<u>67,186</u>	<u>6,371</u>
Fund balances - December 31	<u>\$ 11,088</u>	<u>\$ 243</u>	<u>\$ 63,477</u>	<u>\$ 6,544</u>

**SPECIAL REVENUE FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NON-MAJOR FUNDS
 For the Fiscal Year Ended December 31, 2016**

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

(In Thousands)

Self-Managed Special Service Districts	Employee Retirement	Grants- Federal	Grants- Other	Police	Neighborhood & Community Relations	Regulatory Services	Total
\$ -	\$ 29,688	\$ -	\$ -	\$ 212	\$ -	\$ -	\$ 31,764
-	-	-	-	974	-	145	1,119
-	4,774	13,888	22,111	68	-	-	59,994
-	-	126	942	1,101	-	60	10,604
-	-	-	-	338	-	54	392
6,119	-	-	-	-	-	3,603	9,733
(6)	153	-	2	3	-	32	1,089
-	4,762	174	1,342	-	6	-	20,467
<u>6,113</u>	<u>39,377</u>	<u>14,188</u>	<u>24,397</u>	<u>2,696</u>	<u>6</u>	<u>3,894</u>	<u>135,162</u>
6,100	23,310	427	911	-	-	-	32,859
-	13,648	2,990	883	1,906	-	3,555	23,877
-	-	19	48	-	-	-	67
-	-	6,701	5,028	-	-	-	12,643
-	-	3,914	17,456	-	6,327	254	105,714
-	-	154	-	-	-	-	154
<u>6,100</u>	<u>36,958</u>	<u>14,205</u>	<u>24,326</u>	<u>1,906</u>	<u>6,327</u>	<u>3,809</u>	<u>175,314</u>
<u>13</u>	<u>2,419</u>	<u>(17)</u>	<u>71</u>	<u>790</u>	<u>(6,321)</u>	<u>85</u>	<u>(40,152)</u>
-	-	-	-	-	6,127	-	60,048
-	-	-	-	-	-	-	(24,431)
-	-	-	-	-	6,127	-	35,617
13	2,419	(17)	71	790	(194)	85	(4,535)
252	24,224	1,351	3,507	1,649	3,910	4,521	128,468
<u>\$ 265</u>	<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>

**ARENA RESERVE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended December 31, 2016**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES:				
Taxes	\$ 1,394	\$ 1,394	\$ 1,694	\$ 300
Investment earnings	34	34	31	(3)
Miscellaneous revenues	1,350	1,350	1,350	-
Total revenues	<u>2,778</u>	<u>2,778</u>	<u>3,075</u>	<u>297</u>
EXPENDITURES:				
Current:				
Community planning & economic development	<u>8,154</u>	<u>16,085</u>	<u>10,936</u>	<u>5,149</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,376)</u>	<u>(13,307)</u>	<u>(7,861)</u>	<u>5,446</u>
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	<u>3,728</u>	<u>3,728</u>	<u>3,728</u>	<u>-</u>
Net change in fund balance	(1,648)	(9,579)	(4,133)	5,446
Fund balance - January 1	<u>15,221</u>	<u>15,221</u>	<u>15,221</u>	<u>-</u>
Fund balance - December 31	<u>\$ 13,573</u>	<u>\$ 5,642</u>	<u>\$ 11,088</u>	<u>\$ 5,446</u>

**BOARD OF ESTIMATE AND TAXATION SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended December 31, 2016**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Budgeted Amount		Actual	Variance
	Original	Final		
REVENUES:				
Taxes	\$ 170	\$ 170	\$ 170	\$ -
EXPENDITURES:				
Current:				
General government	214	214	207	7
Excess (deficiency) of revenues over (under) expenditures	(44)	(44)	(37)	7
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	4	4	4	-
Net change in fund balance	(40)	(40)	(33)	7
Fund balance - January 1	276	276	276	-
Fund balance - December 31	\$ 236	\$ 236	\$ 243	\$ 7

**CONVENTION CENTER SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended December 31, 2016**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Budgeted Amount		Actual	Variance
	Original	Final		
REVENUES:				
Charges for services and sales	\$ 6,000	\$ 6,000	\$ 6,920	\$ 920
Investment earnings	297	297	738	441
Miscellaneous revenues	10,697	10,697	11,479	782
Total revenues	<u>16,994</u>	<u>16,994</u>	<u>19,137</u>	<u>2,143</u>
EXPENDITURES:				
Current:				
Community planning & economic development	<u>46,457</u>	<u>51,296</u>	<u>48,465</u>	<u>2,831</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(29,463)</u>	<u>(34,302)</u>	<u>(29,328)</u>	<u>4,974</u>
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	50,050	50,050	50,050	-
Transfers to other funds	<u>(24,612)</u>	<u>(24,612)</u>	<u>(24,431)</u>	<u>181</u>
Total other financing sources (uses)	<u>25,438</u>	<u>25,438</u>	<u>25,619</u>	<u>181</u>
Net change in fund balance	(4,025)	(8,864)	(3,709)	5,155
Fund balance - January 1	<u>67,186</u>	<u>67,186</u>	<u>67,186</u>	<u>-</u>
Fund balance - December 31	<u>\$ 63,161</u>	<u>\$ 58,322</u>	<u>\$ 63,477</u>	<u>\$ 5,155</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, 2016**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES:				
Intergovernmental revenues	\$ 12,241	\$ 19,518	\$ 19,153	\$ (365)
Charges for services and sales	-	-	1,455	1,455
Special assessments	-	-	11	11
Investment earnings	-	-	136	136
Miscellaneous revenues	2,781	4,505	1,354	(3,151)
Total revenues	<u>15,022</u>	<u>24,023</u>	<u>22,109</u>	<u>(1,914)</u>
EXPENDITURES:				
Current:				
General government	1,563	2,834	1,904	930
Public safety	816	1,244	895	349
Health and welfare	838	914	914	-
Community planning & economic development	12,055	19,031	18,362	669
Total expenditures	<u>15,272</u>	<u>24,023</u>	<u>22,075</u>	<u>1,948</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(250)</u>	<u>-</u>	<u>34</u>	<u>34</u>
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	<u>-</u>	<u>139</u>	<u>139</u>	<u>-</u>
Net change in fund balance	(250)	139	173	34
Fund balance - January 1	<u>6,371</u>	<u>6,371</u>	<u>6,371</u>	<u>-</u>
Fund balance - December 31	<u>\$ 6,121</u>	<u>\$ 6,510</u>	<u>\$ 6,544</u>	<u>\$ 34</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, 2016**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES:				
Special assessments	\$ 6,204	\$ 6,204	\$ 6,119	\$ (85)
Investment earnings	-	-	(6)	(6)
Total revenues	<u>6,204</u>	<u>6,204</u>	<u>6,113</u>	<u>(91)</u>
EXPENDITURES:				
Current:				
General government	<u>6,204</u>	<u>6,204</u>	<u>6,100</u>	<u>104</u>
Net change in fund balance	-	-	13	13
Fund balance - January 1	<u>252</u>	<u>252</u>	<u>252</u>	<u>-</u>
Fund balance - December 31	<u>\$ 252</u>	<u>\$ 252</u>	<u>\$ 265</u>	<u>\$ 13</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, 2016**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES:				
Taxes	\$ 29,014	\$ 29,014	\$ 29,688	\$ 674
Intergovernmental revenues	4,857	4,857	4,774	(83)
Investment earnings	-	-	153	153
Miscellaneous revenues	4,803	4,803	4,762	(41)
Total revenues	<u>38,674</u>	<u>38,674</u>	<u>39,377</u>	<u>703</u>
EXPENDITURES:				
Current:				
General government	24,497	24,497	23,310	1,187
Public safety	14,177	14,177	13,648	529
Total expenditures	<u>38,674</u>	<u>38,674</u>	<u>36,958</u>	<u>1,716</u>
Net change in fund balance	-	-	2,419	2,419
Fund balance - January 1	<u>24,224</u>	<u>24,224</u>	<u>24,224</u>	-
Fund balance - December 31	<u>\$ 24,224</u>	<u>\$ 24,224</u>	<u>\$ 26,643</u>	<u>\$ 2,419</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, 2016**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES:				
Intergovernmental revenues	\$ 11,290	\$ 20,754	\$ 13,888	\$ (6,866)
Charges for services and sales	-	-	126	126
Miscellaneous revenues	-	-	174	174
Total revenues	<u>11,290</u>	<u>20,754</u>	<u>14,188</u>	<u>(6,566)</u>
EXPENDITURES:				
Current:				
General government	377	1,873	427	1,446
Public safety	2,840	5,526	2,990	2,536
Public works	-	253	19	234
Health and welfare	5,226	9,314	6,701	2,613
Community planning & economic development	2,847	4,947	3,914	1,033
Intergovernmental:				
Public safety	-	154	154	-
Total expenditures	<u>11,290</u>	<u>22,067</u>	<u>14,205</u>	<u>7,862</u>
Net change in fund balance	-	(1,313)	(17)	1,296
Fund balance - January 1	<u>1,351</u>	<u>1,351</u>	<u>1,351</u>	-
Fund balance - December 31	<u>\$ 1,351</u>	<u>\$ 38</u>	<u>\$ 1,334</u>	<u>\$ 1,296</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, 2016**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES:				
Intergovernmental revenues	\$ 6,956	\$ 24,684	\$ 22,111	\$ (2,573)
Charges for services and sales	814	816	942	126
Investment earnings	-	-	2	2
Miscellaneous revenues	1,123	2,784	1,342	(1,442)
Total revenues	<u>8,893</u>	<u>28,284</u>	<u>24,397</u>	<u>(3,887)</u>
EXPENDITURES:				
Current:				
General government	1,131	2,135	911	1,224
Public safety	895	1,680	883	797
Public works	-	50	48	2
Health and welfare	5,022	7,023	5,028	1,995
Community planning & economic development	1,845	17,477	17,456	21
Total expenditures	<u>8,893</u>	<u>28,365</u>	<u>24,326</u>	<u>4,039</u>
Net change in fund balance	-	(81)	71	152
Fund balance - January 1	<u>3,507</u>	<u>3,507</u>	<u>3,507</u>	-
Fund balance - December 31	<u>\$ 3,507</u>	<u>\$ 3,426</u>	<u>\$ 3,578</u>	<u>\$ 152</u>

**POLICE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended December 31, 2016**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES:				
Taxes	\$ 182	\$ 182	\$ 212	\$ 30
Licenses and permits	1,565	3,098	974	(2,124)
Intergovernmental revenues	-	-	68	68
Charges for services and sales	-	-	1,101	1,101
Fines and forfeits	400	400	338	(62)
Investment earnings	-	-	3	3
Total revenues	<u>2,147</u>	<u>3,680</u>	<u>2,696</u>	<u>(984)</u>
EXPENDITURES:				
Current:				
Public safety	<u>2,147</u>	<u>3,680</u>	<u>1,906</u>	<u>1,774</u>
Net change in fund balance	-	-	790	790
Fund balance - January 1	<u>1,649</u>	<u>1,649</u>	<u>1,649</u>	-
Fund balance - December 31	<u>\$ 1,649</u>	<u>\$ 1,649</u>	<u>\$ 2,439</u>	<u>\$ 790</u>

**NEIGHBORHOOD AND COMMUNITY RELATIONS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended December 31, 2016**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES:				
Miscellaneous revenues	\$ -	\$ -	\$ 6	\$ 6
EXPENDITURES:				
Current:				
Community planning & economic development	6,127	6,328	6,327	1
Excess (deficiency) of revenues over (under) expenditures	(6,127)	(6,328)	(6,321)	7
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	6,127	6,127	6,127	-
Net change in fund balance	-	(201)	(194)	7
Fund balance - January 1	3,910	3,910	3,910	-
Fund balance - December 31	\$ 3,910	\$ 3,709	\$ 3,716	\$ 7

**REGULATORY SERVICES SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended December 31, 2016**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES:				
Licenses and permits	\$ -	\$ -	\$ 145	\$ 145
Charges for services and sales	96	96	60	(36)
Fines and forfeits	3	3	54	51
Special assessments	2,984	2,984	3,603	619
Investment earnings	-	-	32	32
Total revenues	<u>3,083</u>	<u>3,083</u>	<u>3,894</u>	<u>811</u>
EXPENDITURES:				
Current:				
Public safety	4,886	4,886	3,555	1,331
Community planning & economic development	217	217	254	(37)
Total expenditures	<u>5,103</u>	<u>5,103</u>	<u>3,809</u>	<u>1,294</u>
Net change in fund balance	(2,020)	(2,020)	85	2,105
Fund balance - January 1	<u>4,521</u>	<u>4,521</u>	<u>4,521</u>	<u>-</u>
Fund balance - December 31	<u>\$ 2,501</u>	<u>\$ 2,501</u>	<u>\$ 4,606</u>	<u>\$ 2,105</u>

DEBT SERVICE FUNDS
 COMBINING BALANCE SHEET
 NON-MAJOR FUNDS
 DECEMBER 31, 2016

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	\$ 213	\$ 5	\$ 28,950	\$ 29,168
Investments with trustees	2,691	-	-	2,691
Receivables:				
Taxes	-	-	1,102	1,102
Accrued interest	3	-	56	59
Due from other funds	-	-	1,332	1,332
Total assets	<u>\$ 2,907</u>	<u>\$ 5</u>	<u>\$ 31,440</u>	<u>\$ 34,352</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ -	\$ 2	\$ 1	\$ 3
Due to other funds	-	1,332	-	1,332
Advance from other funds	-	3,495	-	3,495
Total liabilities	<u>-</u>	<u>4,829</u>	<u>1</u>	<u>4,830</u>
Deferred Inflows of Resources:				
Unavailable revenue	1	-	470	471
Fund balances:				
Restricted	2,906	-	30,969	33,875
Unassigned	-	(4,824)	-	(4,824)
Total fund balances:	<u>2,906</u>	<u>(4,824)</u>	<u>30,969</u>	<u>29,051</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,907</u>	<u>\$ 5</u>	<u>\$ 31,440</u>	<u>\$ 34,352</u>

DEBT SERVICE FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NON-MAJOR FUNDS
 For the Fiscal Year Ended December 31, 2016

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Community Development Agency	Development	General Debt Service	Total
REVENUES:				
Taxes	\$ -	\$ -	\$ 47,346	\$ 47,346
Intergovernmental revenues	-	-	3,776	3,776
Investment earnings	9	-	216	225
Miscellaneous revenues	-	181	1,150	1,331
Total revenues	<u>9</u>	<u>181</u>	<u>52,488</u>	<u>52,678</u>
EXPENDITURES:				
Debt Service:				
Principal retirement	1,085	35,265	40,875	77,225
Interest and fiscal charges	990	9,271	2,451	12,712
Total expenditures	<u>2,075</u>	<u>44,536</u>	<u>43,326</u>	<u>89,937</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,066)</u>	<u>(44,355)</u>	<u>9,162</u>	<u>(37,259)</u>
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	3,682	39,522	1,998	45,202
Transfers to other funds	(1,104)	-	(1)	(1,105)
Total other financing sources (uses)	<u>2,578</u>	<u>39,522</u>	<u>1,997</u>	<u>44,097</u>
Net change in fund balances	512	(4,833)	11,159	6,838
Fund balances - January 1	<u>2,394</u>	<u>9</u>	<u>19,810</u>	<u>22,213</u>
Fund balances - December 31	<u>\$ 2,906</u>	<u>\$ (4,824)</u>	<u>\$ 30,969</u>	<u>\$ 29,051</u>

**INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
December 31, 2016**

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	\$ 1,545	\$ 30,868	\$ 8,604	\$ 26,913	\$ 1,218	\$ 80,013	\$ 149,161
Receivables:							
Accounts	13	-	78	62	-	42	195
Intergovernmental	-	-	-	41	-	-	41
Inventories	-	-	13	1,189	4,796	-	5,998
Properties held for resale	-	-	-	-	-	433	433
Prepaid items	-	1,610	-	-	-	-	1,610
Total current assets	<u>1,558</u>	<u>32,478</u>	<u>8,695</u>	<u>28,205</u>	<u>6,014</u>	<u>80,488</u>	<u>157,438</u>
Long-term assets:							
Advances to other funds	-	-	-	-	-	3,495	3,495
Capital assets:							
Non-depreciable:							
Land and easements	-	-	20,821	2,186	-	-	23,007
Construction in progress	-	10,941	82	1,997	-	-	13,020
Depreciable:							
Buildings and structures	-	-	25,588	30,062	-	-	55,650
Less accumulated depreciation	-	-	(21,777)	(10,292)	-	-	(32,069)
Public improvements	-	-	7,937	1,704	-	-	9,641
Less accumulated depreciation	-	-	(3,740)	(514)	-	-	(4,254)
Machinery and equipment	463	1,277	12,706	87,496	107	-	102,049
Less accumulated depreciation	(296)	(414)	(10,570)	(52,915)	(107)	-	(64,302)
Computer equipment	61	47,004	162	-	7	-	47,234
Less accumulated depreciation	(61)	(42,650)	(162)	-	(7)	-	(42,880)
Software	-	51,772	8	-	9	-	51,789
Less accumulated depreciation	-	(23,106)	(8)	-	(9)	-	(23,123)
Other capital outlay	15	-	21	-	15	-	51
Less accumulated depreciation	(15)	-	(21)	-	(15)	-	(51)
Total long - term assets	<u>167</u>	<u>44,824</u>	<u>31,047</u>	<u>59,724</u>	<u>-</u>	<u>3,495</u>	<u>139,257</u>
Total assets	<u>\$ 1,725</u>	<u>\$ 77,302</u>	<u>\$ 39,742</u>	<u>\$ 87,929</u>	<u>\$ 6,014</u>	<u>\$ 83,983</u>	<u>\$ 296,695</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>							
Deferred outflows - pensions	<u>\$ 1,719</u>	<u>\$ 14,136</u>	<u>\$ 8,259</u>	<u>\$ 9,440</u>	<u>\$ 1,270</u>	<u>\$ 11,507</u>	<u>\$ 46,331</u>
<u>LIABILITIES</u>							
Current liabilities:							
Salaries payable	\$ 29	\$ 309	\$ 179	\$ 229	\$ 24	\$ 177	\$ 947
Accounts payable	38	3,596	1,336	1,412	338	1,629	8,349
Deposits held for others	-	-	-	-	-	2	2
Interest payable	-	-	4	28	-	-	32
Unearned revenue	-	2,524	-	-	-	-	2,524
Bonds payable - current portion	-	-	820	2,340	-	-	3,160
Compensated absences payable - current portion	54	452	301	293	40	332	1,472
Unpaid claims payable - current portion	-	-	-	-	-	11,543	11,543
Total current liabilities	<u>121</u>	<u>6,881</u>	<u>2,640</u>	<u>4,302</u>	<u>402</u>	<u>13,683</u>	<u>28,029</u>
Long-term liabilities:							
Bonds payable	-	-	889	9,192	-	-	10,081
Compensated absences payable	19	157	104	102	14	115	511
Other postemployment benefits	22	142	126	289	27	154	760
Net pension liability	2,568	20,930	12,388	14,093	1,892	17,301	69,172
Unpaid claims payable	-	-	-	-	-	40,325	40,325
Total long - term liabilities	<u>2,609</u>	<u>21,229</u>	<u>13,507</u>	<u>23,676</u>	<u>1,933</u>	<u>57,895</u>	<u>120,849</u>
Total liabilities	<u>\$ 2,730</u>	<u>\$ 28,110</u>	<u>\$ 16,147</u>	<u>\$ 27,978</u>	<u>\$ 2,335</u>	<u>\$ 71,578</u>	<u>\$ 148,878</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>							
Deferred inflows - pensions	<u>\$ 412</u>	<u>\$ 3,486</u>	<u>\$ 1,950</u>	<u>\$ 2,264</u>	<u>\$ 307</u>	<u>\$ 2,694</u>	<u>\$ 11,113</u>
<u>NET POSITION</u>							
Net investment in capital assets	\$ 167	\$ 44,824	\$ 29,338	\$ 48,176	\$ -	\$ -	\$ 122,505
Unrestricted	135	15,018	566	18,951	4,642	21,218	60,530
Total net position	<u>\$ 302</u>	<u>\$ 59,842</u>	<u>\$ 29,904</u>	<u>\$ 67,127</u>	<u>\$ 4,642</u>	<u>\$ 21,218</u>	<u>\$ 183,035</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, 2016

(In Thousands)

	Engineering Materials and Testing	Inter- governmental Services	Property Services	Equipment Services	Public Works Stores	Self- Insurance	Total
Operating revenues:							
Charges for services and sales	\$ 1,836	\$ 41,707	\$ 4,438	\$ 13,860	\$ 1,785	\$ 30,355	\$ 93,981
Fines and forfeits	-	-	-	-	-	24	24
Rents and commissions	-	-	19,289	16,159	-	-	35,448
Total operating revenues	1,836	41,707	23,727	30,019	1,785	30,379	129,453
Operating expenses:							
Personnel costs	1,691	13,116	8,936	9,733	1,222	18,011	52,709
Contractual services	567	22,504	12,164	5,589	302	10,992	52,118
Materials, supplies, services and other	80	5,000	1,408	5,486	80	543	12,597
Depreciation	9	6,847	1,299	7,108	-	-	15,263
Total operating expenses	2,347	47,467	23,807	27,916	1,604	29,546	132,687
Operating income (loss)	(511)	(5,760)	(80)	2,103	181	833	(3,234)
Nonoperating revenues (expenses):							
Interest expense	-	-	(36)	(284)	-	-	(320)
Gain (loss) on disposal of capital assets	-	(211)	-	526	-	-	315
Other revenues	11	88	58	123	76	3,319	3,675
Total nonoperating revenues (expenses)	11	(123)	22	365	76	3,319	3,670
Income (loss) before contributions and transfers	(500)	(5,883)	(58)	2,468	257	4,152	436
Capital contributions	-	-	-	28	-	-	28
Transfers in (out):							
Transfers from other funds	-	3,074	799	2,712	-	261	6,846
Transfers to other funds	-	-	(326)	-	-	-	(326)
Total contributions and transfers	-	3,074	473	2,740	-	261	6,548
Change in net position	(500)	(2,809)	415	5,208	257	4,413	6,984
Net position - January 1	802	62,651	29,489	61,919	4,385	16,805	176,051
Net position - December 31	\$ 302	\$ 59,842	\$ 29,904	\$ 67,127	\$ 4,642	\$ 21,218	\$ 183,035

**INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Fiscal Year Ended December 31, 2016**

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	\$ 47	\$ 131	\$ 176	\$ 33	\$ 59	\$ 64	\$ 510
Cash received from interfund activities	1,842	37,147	23,491	29,956	5,262	30,379	128,077
Payments to suppliers	(224)	(25,608)	(11,967)	(6,854)	(2,565)	(8,345)	(55,563)
Payments to employees	(1,256)	(9,173)	(6,897)	(7,292)	(889)	(15,288)	(40,795)
Payments for interfund activities	(428)	(2,089)	(677)	(4,611)	(356)	(2,917)	(11,078)
Other nonoperating revenue	11	88	58	123	76	3,319	3,675
Net cash provided (used) by operating activities	(8)	496	4,184	11,355	1,587	7,212	24,826
Cash flows from non-capital financing activities:							
Transfers from other funds	-	3,074	799	2,712	-	261	6,846
Repayment of advances from other funds	-	(1,750)	-	-	-	-	(1,750)
Transfers to other funds	-	-	(326)	-	-	-	(326)
Advances to other funds	-	-	-	-	-	(3,495)	(3,495)
Repayment from (payment to) other fund for cash deficit	-	-	-	-	(385)	385	-
Net cash provided (used) by non-capital financing activities	-	1,324	473	2,712	(385)	(2,849)	1,275
Cash flows from capital and related financing activities:							
Principal paid on bonds	-	-	(820)	(2,215)	-	-	(3,035)
Interest paid on bonds	-	-	(74)	(400)	-	-	(474)
Acquisition and construction of capital assets	-	(9,312)	(117)	(8,804)	-	-	(18,233)
Proceeds from sale of capital assets	-	-	-	563	-	-	563
Net cash provided (used) by capital and related financing activities	-	(9,312)	(1,011)	(10,856)	-	-	(21,179)
Net increase (decrease) in cash and cash equivalents	(8)	(7,492)	3,646	3,211	1,202	4,363	4,922
Cash and cash equivalents, beginning of year	1,553	38,360	4,958	23,702	16	75,650	144,239
Cash and cash equivalents, end of year	\$ 1,545	\$ 30,868	\$ 8,604	\$ 26,913	\$ 1,218	\$ 80,013	\$ 149,161
Reconciliation of operating income to net cash provided (used) by operating activities							
Operating income (loss)	\$ (511)	\$ (5,760)	\$ (80)	\$ 2,103	\$ 181	\$ 833	\$ (3,234)
Adjustment to reconcile change in net position to net cash provided (used) by operating activities:							
Depreciation	9	6,847	1,299	7,108	-	-	15,263
Accounts receivable	53	102	(58)	10	-	64	171
Intergovernmental receivable	-	-	-	(41)	-	-	(41)
Inventories	-	-	1	55	907	-	963
Prepaid items	-	(869)	-	-	-	-	(869)
Deferred outflows - pensions	(708)	(6,217)	(3,289)	(3,901)	(533)	(4,494)	(19,142)
Salaries payable	(1)	59	28	71	3	9	169
Accounts payable	(6)	575	926	(444)	90	377	1,518
Deposits held for others	-	-	-	-	-	2	2
Unearned revenue	-	(4,431)	-	-	-	-	(4,431)
Compensated absences payable	4	99	4	19	4	(28)	102
Other postemployment benefits	1	4	6	(23)	2	7	(3)
Net pension liability	865	7,588	4,014	4,762	650	5,485	23,364
Unpaid claims payable	-	-	-	-	-	(105)	(105)
Deferred inflows - pensions	275	2,411	1,275	1,513	207	1,743	7,424
Other nonoperating revenue	11	88	58	123	76	3,319	3,675
Net cash provided (used) by operating activities	\$ (8)	\$ 496	\$ 4,184	\$ 11,355	\$ 1,587	\$ 7,212	\$ 24,826
Non-cash investing, capital and financing activities:							
None							
Capital contributions	\$ -	\$ -	\$ -	\$ 28	\$ -	\$ -	\$ 28
Loss on disposal of capital assets	-	(211)	-	(155)	-	-	(366)
Sale of capital assets on account	-	-	-	48	-	-	48

COMBINING STATEMENT OF FIDUCIARY NET POSITION
 AGENCY FUNDS
 December 31, 2016

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	Minneapolis Agency	Minneapolis Youth Coordinating Board Agency	Joint Board Agency	Total
<u>ASSETS</u>				
Cash and cash equivalents	\$ 417	\$ 836	\$ 18	\$ 1,271
Receivables:				
Accounts	6	225	68	299
Total assets	<u>\$ 423</u>	<u>\$ 1,061</u>	<u>\$ 86</u>	<u>\$ 1,570</u>
<u>LIABILITIES</u>				
Accounts payable	\$ -	\$ 1,061	\$ 86	\$ 1,147
Intergovernmental payable	423	-	-	423
Total liabilities	<u>\$ 423</u>	<u>\$ 1,061</u>	<u>\$ 86</u>	<u>\$ 1,570</u>

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

CITY OF MINNEAPOLIS, MINNESOTA

For the fiscal year ended December 31, 2016

(In Thousands)

	<u>Balance January 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31, 2016</u>
MINNEAPOLIS AGENCY				
<u>ASSETS</u>				
Cash and cash equivalents	\$ 262	\$ 358,342	\$ 358,187	\$ 417
Receivables:				
Accounts	<u>12</u>	<u>3,219</u>	<u>3,225</u>	<u>6</u>
Total assets	<u><u>274</u></u>	<u><u>361,561</u></u>	<u><u>361,412</u></u>	<u><u>423</u></u>
<u>LIABILITIES</u>				
Intergovernmental payable	<u>274</u>	<u>368,117</u>	<u>367,968</u>	<u>423</u>
MINNEAPOLIS YOUTH COORDINATING BOARD AGENCY				
<u>ASSETS</u>				
Cash and cash equivalents	986	1,736	1,886	836
Receivables:				
Accounts	<u>218</u>	<u>226</u>	<u>219</u>	<u>225</u>
Total assets	<u><u>1,204</u></u>	<u><u>1,962</u></u>	<u><u>2,105</u></u>	<u><u>1,061</u></u>
<u>LIABILITIES</u>				
Accounts payable	<u>1,204</u>	<u>1,962</u>	<u>2,105</u>	<u>1,061</u>
JOINT BOARD AGENCY				
<u>ASSETS</u>				
Cash and cash equivalents	19	-	1	18
Receivables:				
Accounts	<u>68</u>	<u>-</u>	<u>-</u>	<u>68</u>
Total assets	<u><u>87</u></u>	<u><u>-</u></u>	<u><u>1</u></u>	<u><u>86</u></u>
<u>LIABILITIES</u>				
Accounts payable	<u>87</u>	<u>-</u>	<u>1</u>	<u>86</u>
TOTAL ALL AGENCY FUNDS				
<u>ASSETS</u>				
Cash and cash equivalents	1,267	360,078	360,074	1,271
Receivables:				
Accounts	<u>298</u>	<u>3,445</u>	<u>3,444</u>	<u>299</u>
Total assets	<u><u>1,565</u></u>	<u><u>363,523</u></u>	<u><u>363,518</u></u>	<u><u>1,570</u></u>
<u>LIABILITIES</u>				
Accounts payable	1,291	1,962	2,106	1,147
Intergovernmental payable	<u>274</u>	<u>368,117</u>	<u>367,968</u>	<u>423</u>
Total liabilities	<u><u>\$ 1,565</u></u>	<u><u>\$ 370,079</u></u>	<u><u>\$ 370,074</u></u>	<u><u>\$ 1,570</u></u>

SCHEDULE OF GOVERNMENTAL ACTIVITY BONDS AND NOTES

CITY OF MINNEAPOLIS, MINNESOTA

December 31, 2016

(In Thousands)

Issues Outstanding	Interest Rates	Issue Date	Maturity Date	Issued	Retired	Outstanding	Principal		Interest	
							Due in 2017	Due in 2017	Due in 2017	Due in 2017
<u>Property Tax Supported General Obligation Bonds and Notes</u>										
General Infrastructure Bonds and Notes										
Bridges	1.00%	12/02/14	12/01/16	2,890	2,890	-	-	-	-	-
	Variable - Note	12/18/15	12/01/18	700	700	-	-	-	-	-
	2.00%	10/20/16	12/01/17	5,400	-	5,400	5,400	-	-	120
Park Improvements	Variable - Note	12/18/15	12/01/18	125	125	-	-	-	-	-
	2.00%	10/20/16	12/01/17	10,175	-	10,175	5,175	-	-	227
Parkway Improvements	2.00%	10/20/16	12/01/17	1,230	-	1,230	1,230	-	-	27
Public Buildings	1.00%	12/02/14	12/01/16	5,167	5,167	-	-	-	-	-
	Variable - Note	12/18/15	12/01/18	2,400	2,400	-	-	-	-	-
	2.00%	10/20/16	12/01/17	4,850	-	4,850	4,850	-	-	108
Municipal Buildings	Variable - Note	12/18/15	12/01/18	300	300	-	-	-	-	-
	2.00%	10/20/16	12/01/17	1,565	-	1,565	1,565	-	-	35
Street Improvements	0.50%	12/03/13	12/01/17	13,795	12,295	1,500	1,500	-	-	30
	1.00%	12/02/14	12/01/16	15,500	15,500	-	-	-	-	-
	Variable - Note	12/18/15	12/01/18	15,175	14,475	700	700	-	-	21
	2.00%	10/20/16	12/01/26	15,820	-	15,820	14,295	-	-	352
Information Tech & Art	2.00%	10/20/16	12/01/26	7,135	-	7,135	6,435	-	-	159
Sub-total General Infrastructure Bonds and Notes				102,227	53,852	48,375	41,150	-	-	1,079
Library Referendum Bonds	2.00%	11/22/11	12/01/19	42,200	11,750	30,450	4,350	-	-	609
	2.00% to 2.38%	10/30/12	12/01/25	28,860	6,100	22,760	1,500	-	-	479
	1.00% to 2.00%	12/03/13	12/01/18	17,930	4,200	13,730	6,665	-	-	275
	3.00% to 3.50%	05/29/08	12/01/16	11,605	11,605	-	-	-	-	-
Sub-total Library Referendum Bonds				100,595	33,655	66,940	12,515	-	-	1,363
Total Property Tax Supported General Obligation Bonds and Notes				202,822	87,507	115,315	53,665	-	-	2,442

SCHEDULE OF GOVERNMENTAL ACTIVITY BONDS AND NOTES

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

December 31, 2016

Issues Outstanding	Interest Rates	Issue Date	Maturity Date	Issued	Retired	Outstanding	Principal		Interest		
							Due in 2017	Due in 2017	Due in 2017	Due in 2017	
<u>Self-Supporting General Obligation Bonds and Notes</u>											
Convention Center	2.00%	11/22/11	12/01/19	39,300	18,650	20,650	18,650	413			
	3.00%	04/05/11	12/01/17	33,800	31,300	2,500	2,500	75			
	3.25% to 3.80%	04/05/11	12/01/20	71,250	-	71,250	-	2,521			
	1.00% to 2.00%	10/30/12	12/01/17	4,200	3,700	500	500	10			
Park Acquisition	3.00%	06/24/10	12/01/20	5,795	3,415	2,380	565	71			
Park Board Energy Efficiency Project	2.00% to 5.00%	06/03/10	12/01/17	450	155	295	295	15			
Parade Ice & Other Fac Energy Improvements	0.50% to 2.00%	12/03/13	12/01/20	2,800	-	2,800	-	56			
Parade Ice & Other Fac Energy Improvements-Taxable	2.00% to 3.80%	12/03/13	12/01/26	7,000	425	6,575	-	216			
Downtown East	.95% to 4.63%	03/04/14	03/01/44	61,905	-	61,905	80	2,665			
Target Center (Sales Tax)	Variable - Note	03/23/16	12/01/35	27,982	-	27,982	-	840			
Total Self-Supporting General Obligation Bonds and Notes							196,837	22,590	6,882		
<u>Special Assessment General Obligation Bonds and Notes</u>											
Improvements	3.50% to 4.50%	11/17/05	12/01/16	815	815	-	-	-			
	3.50% to 4.50%	11/17/05	12/01/17	960	870	90	90	5			
	3.00%	06/24/10	12/01/18	1,970	1,310	660	115	20			
	3.00%	06/24/10	12/01/18	3,380	1,600	1,780	250	53			
	3.00%	06/24/10	12/01/18	3,375	1,815	1,560	160	47			
	1.00% to 2.00%	10/30/12	12/01/24	4,600	2,025	2,575	425	51			
	2.00% to 4.00%	11/19/09	12/01/29	9,800	9,800	-	-	-			
	2.00%	10/20/16	12/01/26	4,440	-	4,440	380	99			
	2.00% to 4.00%	11/22/10	12/01/25	5,950	4,975	975	120	34			
	2.00% to 3.50%	11/22/11	12/01/31	8,495	7,125	1,370	100	43			
	2.00% to 2.63%	12/04/12	12/01/32	5,535	3,375	2,160	835	47			
	1.00% to 2.00%	12/03/13	12/01/33	13,035	5,790	7,245	1,730	187			
	2.00% to 3.50%	12/02/14	12/01/34	5,930	2,480	3,450	1,000	73			
	2.00%	10/20/16	12/01/26	7,185	-	7,185	2,420	160			
Housing Improvement Area Bonds	3.00% to 4.30%	12/03/13	12/01/32	1,260	140	1,120	50	44			

SCHEDULE OF GOVERNMENTAL ACTIVITY BONDS AND NOTES

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

December 31, 2016

Issues Outstanding	Interest Rates	Issue Date	Maturity Date	Issued	Retired	Outstanding	Principal Due in 2017	Interest Due in 2017
<u>Special Assessment General Obligation Bonds and Notes (continued)</u>								
Nicollet Mall Improvement	Variable - Note	12/18/15	12/18/17	8,500	-	8,500	1,000	255
Northrop Lane Improvement (Refunding)	4.00% to 5.00%	11/17/05	12/01/18	35	29	6	6	1
Park Diseased Trees	1.00% to 2.00%	12/02/14	12/01/19	100	40	60	20	1
	2.00%	10/20/16	12/01/26	500	-	500	100	11
Total Special Assessment General Obligation Bonds and Notes				85,865	42,189	43,676	8,801	1,131
<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	14,390	43,090	3,125	1,879
West Side Milling District Tax Increment	2.00% to 4.40%	06/24/10	03/01/23	14,900	5,225	9,675	1,175	365
Block E Development (Refunding)	Variable - Note	01/03/12	12/01/22	5,170	1,960	3,210	460	96
Block E Development - Taxable	4.60% to 5.30%	10/20/05	03/01/27	14,000	14,000	-	-	-
Milwaukee Depot Development (Refunding)	2.00% to 3.50%	10/01/09	03/01/28	5,400	1,390	4,010	250	127
Humboldt Greenway	2.00% to 4.00%	06/24/10	03/01/30	4,170	580	3,590	170	117
Heritage Park (Refunding)	2.00% to 3.00%	10/30/12	03/01/26	3,000	685	2,315	195	52
Midtown Exchange	4.00% to 5.00%	03/11/08	03/01/32	2,770	2,770	-	-	-
Total Tax Increment General Obligation Bonds and Notes				106,890	41,000	65,890	5,375	2,636
<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	525	7,720	540	265
2015 Ivy Tower Refunding	1.25% to 5.00%	09/24/15	03/01/29	6,085	135	5,950	330	233
2015 Grant Park TI Revenue Refunding	1.55% to 4.00%	03/12/15	03/01/30	7,460	365	7,095	370	244
2015 East River Unocal Site Refunding	1.25% to 4.00%	09/24/15	03/01/25	920	60	860	80	29
Total Tax Increment Revenue Bonds				22,710	1,085	21,625	1,320	771
<u>Tax Increment Revenue Notes</u>								
College of St. Thomas District	6.93%	04/01/91	02/01/16	9,200	9,200	-	-	-
Section 108 - Midtown Exchange	Variable - Note	12/01/04	08/01/24	6,500	2,385	4,115	410	204
Total Tax Increment Revenue Notes				15,700	11,585	4,115	410	204
Total General Government Bonds and Notes				688,469	241,011	447,458	92,161	14,066

SCHEDULE OF GOVERNMENTAL ACTIVITY BONDS AND NOTES

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

December 31, 2016

Issues Outstanding	Interest Rates	Issue Date	Maturity Date	Issued	Retired	Outstanding	Principal	
							Due in 2017	Interest Due in 2017
<u>Internal Service Funds General Obligation Bonds</u>								
Equipment Services Fund General Obligation Bonds								
Currie Facility	3.00%	06/24/10	12/01/18	16,640	6,450	10,190	1,620	306
Equipment Purchases 2003 (Refunding)	3.00%	06/24/10	12/01/18	4,470	3,630	840	420	25
Equipment Purchases 2004 (Refunding)	1.00% to 2.00%	10/30/12	12/01/17	1,500	1,200	300	300	6
Sub-total Equipment Services Fund General Obligation Bonds				22,610	11,280	11,330	2,340	337
Property Services Fund General Obligation Bonds								
	3.00%	06/24/10	12/01/18	4,290	2,945	1,345	525	40
	3.00%	06/24/10	12/01/17	2,535	2,240	295	295	9
Sub-total Property Services Fund General Obligation Bonds				6,825	5,185	1,640	820	49
Total Internal Service Funds General Obligation Bonds				29,435	16,465	12,970	3,160	386
Total Governmental Activity Bonds and Notes				717,904	257,476	460,428	95,321	14,452

SCHEDULE OF BUSINESS-TYPE ACTIVITY BONDS AND NOTES

CITY OF MINNEAPOLIS, MINNESOTA

December 31, 2016

(In Thousands)

Issues Outstanding	Interest Rates	Issue Date	Final Maturity Date	Issued	Retired	Outstanding	Principal Due in 2017	Interest Due in 2017
<u>Stormwater Fund General Obligation Bonds</u>								
	2.00% to 4.00%	05/21/09	12/01/16	6,910	6,910	-	-	-
Total Stormwater Fund General Obligation Bonds				6,910	6,910	-	-	-
<u>Sanitary Sewer Fund General Obligation Bonds</u>								
	2.00% to 4.00%	05/21/09	12/01/16	5,800	5,800	-	-	-
	0.50% to 2.00%	12/03/13	12/01/19	7,050	3,250	3,800	800	76
	2.00%	10/20/16	12/01/23	20,750	-	20,750	1,900	462
Total Sanitary Sewer Fund General Obligation Bonds				33,600	9,050	24,550	2,700	538
<u>Water Treatment and Distribution Services Fund General Obligation Bonds and Notes</u>								
	2.00% to 4.00%	05/21/09	12/01/25	12,615	12,615	-	-	-
	2.00%	10/20/16	12/01/23	11,245	-	11,245	2,500	251
	2.00% to 4.00%	05/21/09	12/01/17	4,000	4,000	-	-	-
	2.00% to 5.00%	06/03/10	12/01/17	3,366	2,361	1,005	1,005	50
	2.00%	10/20/16	12/01/24	11,500	-	11,500	1,250	256
	1.00% to 2.00%	12/02/14	12/01/19	6,000	2,060	3,940	1,480	64
Drinking Water Program - Notes Payable	2.82%	12/17/02	08/20/22	27,400	12,400	15,000	2,000	423
	2.80%	02/21/04	08/20/23	25,000	5,050	19,950	1,300	559
	2.53%	03/23/05	08/20/19	12,500	7,150	5,350	1,525	135
	2.60%	08/23/06	08/20/26	13,500	4,525	8,975	770	233
	2.69%	12/09/09	08/20/27	19,558	1,173	18,385	150	494
	1.00%	03/02/10	08/20/21	6,320	2,460	3,860	785	39
Total Water Treatment and Distribution Services Fund General Obligation Bonds and Notes				153,004	53,794	99,210	12,765	2,504
<u>Municipal Parking Fund General Obligation Bonds and Notes</u>								
	4.00% to 5.00%	11/17/05	12/01/18	685	571	114	114	6
	Variable - Note	01/19/16	12/01/18	114	-	114	-	3
	2.00% to 4.00%	05/21/09	12/01/24	19,200	19,200	-	-	-
	2.00%	10/20/16	12/01/26	17,600	-	17,600	-	392
	3.50% to 5.00%	11/17/05	12/01/17	5,340	4,295	1,045	1,045	52
	3.00% to 4.00%	06/24/10	12/01/26	10,325	2,275	8,050	550	264

SCHEDULE OF BUSINESS-TYPE ACTIVITY BONDS AND NOTES

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

December 31, 2016

Issues Outstanding	Interest Rates	Issue Date	Final Maturity Date	Issued	Retired	Outstanding	Principal Due in 2017	Interest Due in 2017
Municipal Parking Fund General Obligation Bonds and Notes - (continued)								
	2.00% to 2.50%	10/30/12	12/01/26	22,060	3,040	19,020	1,075	408
	Variable - Note	01/03/12	12/01/20	6,810	1,165	5,645	1,255	169
	Variable - Note	01/03/12	12/01/33	27,980	95	27,885	95	837
	1.00% to 2.00%	10/30/12	12/01/18	1,900	1,100	800	400	16
	2.50% to 4.25%	11/23/09	12/01/24	6,125	6,125	-	-	-
	3.50% to 5.00%	11/17/05	12/01/21	7,100	6,285	815	815	41
	Variable - Note	01/19/16	12/01/21	4,080	-	4,080	-	122
	2.00% to 3.25%	10/01/09	03/01/26	13,675	9,300	4,375	-	135
	3.50% to 5.00%	11/17/05	12/01/21	15,355	14,965	390	390	20
	Variable - Note	01/19/16	12/01/21	2,106	-	2,106	-	63
	Variable - Note	01/03/12	12/01/32	3,860	220	3,640	125	109
Total Municipal Parking Fund General Obligation Bonds and Notes				164,315	68,636	95,679	5,864	2,637
Total Business-type Activity General Obligation Bonds and Notes				357,829	138,390	219,439	21,329	5,679
Community Planning & Economic Development Fund - General Agency Reserve Fund System (GARES) Bonds								
Halper Box	5.10% to 6.15%	04/01/97	06/01/17	2,400	2,250	150	150	5
Cord Sets	4.10% to 5.50%	07/01/98	06/01/18	1,500	1,300	200	110	8
Discount Steel - A	5.00% to 5.25%	12/01/99	06/01/19	1,900	1,280	620	215	27
Kristol Properties	2.45% to 5.12%	11/20/03	12/01/23	3,300	2,285	1,015	120	52
Infinite Graphics	2.25% to 5.50%	07/14/04	12/01/24	2,475	2,475	-	-	-
Hennepin Theatre Trust	5.23% to 6.30%	12/20/05	12/01/35	21,055	3,975	17,080	495	1,067
Ambassador Press Refunding	4.27% to 6.50%	06/26/06	12/01/26	8,400	8,400	-	-	-
Quality Resource Group	5.28% to 5.84%	03/04/07	12/01/27	3,100	1,000	2,100	140	121
New French Acquisition Holdco, Inc (Taxable and Tax Exempt)	4.62% to 5.70%	07/26/07	06/01/28	9,990	2,870	7,120	445	360
Open Systems International, Inc	2.29% to 6.60%	06/01/10	06/01/40	18,000	1,465	16,535	325	1,038
Open Access Technology International, Inc (Taxable and Tax Exempt)	1.25% to 6.25%	12/29/10	12/01/40	25,000	5,645	19,355	1,045	1,107
LifeSource Project	3.00% to 4.00%	10/17/13	06/01/39	12,595	455	12,140	335	526
Total Community Planning & Economic Development Fund - GARFS Bonds				109,715	33,400	76,315	3,380	4,311
Total Business-Type Activity Bonds and Notes				467,544	171,790	295,754	24,709	9,990

SCHEDULE OF INTERGOVERNMENTAL REVENUE

CITY OF MINNEAPOLIS, MINNESOTA

For the Fiscal Year Ended December 31, 2016

(In Thousands)

	General Fund	Community Planning and Economic Development	Permanent Improvement	Non-major Governmental	Total Governmental Funds	Stormwater	Solid Waste and Recycling	Total Enterprise Funds	Total Intergovernmental Revenue
Shared revenue									
State									
Local government aid	\$ 68,390	\$ -	\$ -	\$ -	\$ 68,390	\$ -	\$ -	\$ -	\$ 68,390
Police state aid	6,905	-	-	1,501	8,406	-	-	-	8,406
Fire state aid	1,979	-	-	3,227	5,206	-	-	-	5,206
PERA rate increase aid	530	1	-	-	531	-	-	-	531
Market value homestead credit	-	-	-	3	3	-	-	-	3
Other aid	-	-	-	3,720	3,720	-	-	-	3,720
Municipal state aid	4,890	-	8,274	-	13,164	1,130	21	1,151	14,315
Total shared revenue	82,694	1	8,274	8,451	99,420	1,130	21	1,151	100,571
Payments									
Local									
County state aid	1,055	-	55	-	1,110	335	-	335	1,445
Other county grants	-	-	-	400	400	6	1,595	1,601	2,001
Mississippi watershed management organization	-	-	100	-	100	-	-	-	100
Metropolitan council	-	-	-	11,193	11,193	-	-	-	11,193
Minnesota historical society	-	-	-	195	195	-	-	-	195
Minneapolis public schools	-	-	-	90	90	-	-	-	90
Other local payments	110	-	-	223	333	-	-	-	333
Payments in lieu of tax	237	-	1	99	337	-	-	-	337
Total local	1,402	-	156	12,200	13,758	341	1,595	1,936	15,694
Grants									
State									
Department of employment and economic development	-	-	-	5,566	5,566	-	-	-	5,566
Department of health	-	-	-	3,429	3,429	-	-	-	3,429
Department of public safety	260	-	-	385	645	-	-	-	645
Department of transportation	856	-	10,011	6	10,873	139	-	139	11,012
Minnesota soil and resources board	-	-	-	-	-	175	-	175	175
Department of commerce	-	-	-	201	201	-	-	-	201
Minnesota housing finance agency	-	-	-	191	191	-	-	-	191
Minnesota pollution control agency	-	-	-	4	4	12	-	12	16
Minnesota judicial branch	-	-	-	61	61	-	-	-	61
Minnesota department of veteran affairs	-	-	-	55	55	-	-	-	55
Minnesota board of firefighter training and education	-	-	-	112	112	-	-	-	112
Total state grants	1,116	-	10,011	10,010	21,137	326	-	326	21,463
Federal									
Department of health and human services	-	-	-	5,734	5,734	-	-	-	5,734
Department of homeland security	-	-	-	1,152	1,152	-	-	-	1,152
Department of housing and urban development	-	-	-	20,894	20,894	-	-	-	20,894
Department of the interior	-	-	-	26	26	-	-	-	26
Department of justice	-	-	-	2,236	2,236	-	-	-	2,236
Department of labor	-	-	-	2,637	2,637	-	-	-	2,637
Department of transportation	-	-	-	346	346	47	-	47	14,446
Equal employment opportunity commission	-	-	14,053	32	14,399	-	-	-	32
National endowment for the arts	-	-	-	41	41	-	-	-	41
Department of treasury	-	-	-	11	11	-	-	-	11
Total federal grants	-	-	14,053	33,109	47,162	47	-	47	47,209
Total state and federal grants	1,116	-	24,064	43,119	68,299	373	-	373	68,672
Total intergovernmental revenue	\$ 85,212	\$ 1	\$ 32,494	\$ 63,770	\$ 181,477	\$ 1,844	\$ 1,616	\$ 3,460	\$ 184,937

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
ALL FUND TYPES
For the Fiscal Year Ended December 31, 2016

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA	Pass-through Grant Numbers	Expenditures	Passed Through to Subrecipients
U.S. Department of Housing and Urban Development				
Direct				
Community Development Block Grants/Entitlement Grants	14.218		\$ 16,998	\$ 2,503
Emergency Solutions Grant Program	14.231		833	430
Home Investment Partnerships Program	14.239		3,260	-
Housing Opportunities for Persons with AIDS	14.241		1,162	1,004
Neighborhood Stabilization Program - ARRA	14.256		931	-
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900		936	-
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	8	-
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	02-2011-02-NSP3	39	-
Total CFDA 14.228			47	-
Total U.S. Department of Housing and Urban Development			\$ 24,167	\$ 3,937
U.S. Department of the Interior				
Passed Through Minnesota Historical Society				
Historic Preservation Fund Grants-In-Aid	15.904	4609320	\$ 11	\$ -
Historic Preservation Fund Grants-In-Aid	15.904	4609319	15	-
Total CFDA 15.904			26	-
Total U.S. Department of the Interior			\$ 26	\$ -
U.S. Department of Justice				
Direct				
Drug Court Discretionary Grant Program	16.585		\$ 60	\$ -
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590		224	-
Public Safety Partnership and Community Policing Grants	16.710		389	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738		579	-
Total Edward Byrne Memorial Justice Assistance Grant (CFDA 16.738 - \$874)				
Byrne Criminal Justice Innovation Program	16.817		156	99
Total Byrne Criminal Justice Innovation Program (CFDA 16.817 - \$158)				
Children Exposed to Violence	16.818		1	-
National Forum on Youth Violence Prevention	16.819		105	5
Equitable Sharing Program	16.922		14	-
Passed Through Minnesota Department of Public Safety				
Juvenile Accountability Block Grants	16.523	A-JABGSP-2016-HFS-0002	28	-
Crime Victim Assistance	16.575	A-CVS-2016-MPLS	36	21
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	A-NFSIA-2016-MPLSPD-00003	7	-
Passed Through Hennepin County				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	A130960	99	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	A140666	196	-
Total Edward Byrne Memorial Justice Assistance Grant (CFDA 16.738 - \$874)				
Passed Through Local Initiative Support Corporation				
Byrne Criminal Justice Innovation Program	16.817	2015-AJ-BX-K047	2	-
Total Byrne Criminal Justice Innovation Program (CFDA 16.817 - \$158)				
Total U.S. Department of Justice			\$ 1,896	\$ 125

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, 2016

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

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA	Pass-through Grant Numbers	Expenditures	Passed Through to Subrecipients
U.S. Department of Labor				
Direct				
Reentry Employment Opportunities	17.270		\$ 22	\$ -
Passed Through Minnesota Department of Employment and Economic Development				
Workforce Investment Act (WIA)/Workforce Innovation Opportunity Act (WIOA) Cluster				
WIA/WIOA Adult Program	17.258	4103100	3	-
WIA/WIOA Adult Program	17.258	5103100	697	314
WIA/WIOA Adult Program	17.258	6103100	254	165
Total CFDA 17.258			<u>954</u>	<u>479</u>
WIA/WIOA Youth Activities	17.259	5103600	1,006	869
WIA/WIOA Youth Activities	17.259	6103600	105	52
Total CFDA 17.259			<u>1,111</u>	<u>921</u>
WIA/WIOA - Dislocated Worker Formula Grants	17.278	3108001	2	-
WIA/WIOA - Dislocated Worker Formula Grants	17.278	5108000	344	162
WIA/WIOA - Dislocated Worker Formula Grants	17.278	6108000	67	58
Total CFDA 17.278			<u>413</u>	<u>220</u>
Total WIA/WIOA Cluster (\$2,478)				
WIOA National Dislocated Worker Grants / WIA National Emergency Grants	17.277	5107200	137	45
Total U.S. Department of Labor			<u>\$ 2,637</u>	<u>\$ 1,665</u>
U.S. Department of Transportation				
Passed Through Minnesota Department of Transportation				
Highway Planning and Construction	20.205	00973	\$ 88	\$ -
Highway Planning and Construction	20.205	03973	(3)	-
Highway Planning and Construction	20.205	04206	(156)	-
Highway Planning and Construction	20.205	84205	9	-
Highway Planning and Construction	20.205	89757	14	-
Highway Planning and Construction	20.205	93496	(52)	-
Highway Planning and Construction	20.205	95524	(9)	-
Highway Planning and Construction	20.205	95525	(5)	-
Highway Planning and Construction	20.205	98031	(9)	-
Highway Planning and Construction	20.205	99903	14,076	-
Total CFDA 20.205			<u>13,953</u>	<u>-</u>
Passed Through Minnesota Department of Public Safety				
Highway Safety Cluster				
State and Community Highway Safety	20.600	A-ENFRC16-2016-MPLSPD-00006	27	-
National Priority Safety Programs	20.616	A-ENFRC16-2016-MPLSPD-00006	62	-
National Priority Safety Programs	20.616	A-ENFRC17-2017-MPLSPD-00015	4	-
National Priority Safety Programs	20.616	A-OFFICR16-2016-MPLSPD-00008	16	-
National Priority Safety Programs	20.616	A-OFFICR17-2017-MPLSPD-00004	5	-
Total CFDA 20.616			<u>87</u>	<u>-</u>
Total Highway Safety Cluster (\$114)				

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, 2016

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

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA	Pass-through Grant Numbers	Expenditures	Passed Through to Subrecipients
U.S. Department of Transportation (continued)				
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	A-ENFRC17-2017-MPLSPD-00015	\$ 15	\$ -
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	A-OFFICR16-2016-MPLSPD-00008	32	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	A-OFFICR17-2017-MPLSPD-00004	11	-
Total CFDA 20.608			<u>58</u>	<u>-</u>
Passed Through Metropolitan Council				
Federal Transit Cluster				
Federal Transit - Capital Investment Grants	20.500	10I045R	19	-
Federal Transit - Capital Investment Grants	20.500	10I045Y	89	-
Total CFDA 20.500			<u>108</u>	<u>-</u>
Federal Transit - Formula Grants	20.507	SG-2014-075	152	152
Total Federal Transit Cluster (\$260)				
Total U.S. Department of Transportation			\$ 14,385	\$ 152
National Endowment for the Arts				
Direct				
Promotion of the Arts Grants to Organizations and Individuals	45.024		<u>\$ 41</u>	<u>\$ -</u>
U.S. Department of Health and Human Services				
Direct				
Maternal and Child Health Federal Consolidated Programs	93.110		\$ 291	\$ 89
Injury Prevention and Control Research and State and Community Based Programs	93.136		12	-
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243		6	-
Healthy Start Initiative	93.926		668	428
Passed Through Minnesota Department of Health				
Public Health Emergency Preparedness	93.069	65488	305	56
Public Health Emergency Preparedness	93.069	90407	15	-
Total CFDA 93.069			<u>320</u>	<u>56</u>
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	57370	93	93
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	102299	1,338	1,338
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	115011	50	50
Total CFDA 93.505			<u>1,481</u>	<u>1,481</u>
Temporary Assistance for Needy Families (TANF)	93.558	93083	883	788
Total Temporary Assistance for Needy Families (CFDA 93.558 - \$910)				
Child Lead Poisoning Prevention Surveillance financed in part by Prevention and Public Health (PPHF) Program	93.753	107286	16	-
State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease and Stroke (PPHF)	93.757	1U58DPO05452-01	812	285

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, 2016

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

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA	Pass-through Grant Numbers	Expenditures	Passed Through to Subrecipients
U.S. Department of Health and Human Services (continued)				
Maternal and Child Health Services Block Grant to the States	93.994	86869	\$ 953	\$ 369
Passed Through Minnesota Department of Employment and Economic Development				
Temporary Assistance for Needy Families	93.558	7107400	27	26
Total Temporary Assistance for Needy Families (CFDA 93.558 - \$910)				
Passed Through Hennepin County				
Teenage Pregnancy Prevention Program	93.297	A153906-SR	127	-
Passed Through Regents of the University of Minnesota				
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	P004828001	11	-
Total U.S. Department of Health and Human Services			\$ 5,607	\$ 3,522
U.S. Department of Homeland Security				
Passed Through Minnesota Department of Public Safety				
Emergency Management Performance Grants	97.042	A-EMPG-2016-MPLSEMER-051	\$ 30	\$ -
Homeland Security Grant Program				
Homeland Security Grant Program	97.067	A-SHSP-2014-MPLSBOMB-00014	20	-
Homeland Security Grant Program	97.067	A-SHSP-2015-MPLSBOMB-00016	60	-
Homeland Security Grant Program	97.067	A-UASI-2014-MPLSEMER-00009	467	-
Homeland Security Grant Program	97.067	A-UASI-2015-MPLSEMER-00008	444	-
Total CFDA 97.067			991	-
Passed Through City of Saint Paul				
Assistance To Firefighters Grant	97.044	C-41336	77	-
Total U.S. Department of Homeland Security			\$ 1,098	\$ -
Total Federal Awards			\$ 49,857	\$ 9,401

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

For the Fiscal Year Ended December 31, 2016

(Dollar Amounts Expressed in Thousands)

NOTE 1 – REPORTING ENTITY

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by the City of Minneapolis. The City's reporting entity is defined in Note 1 to the basic financial statements. This schedule does not include \$2,540 in federal awards expended by the Minneapolis Park and Recreation Board component unit, which had a separate single audit.

NOTE 2 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Minneapolis under programs of the federal government for the year ended December 31, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City of Minneapolis, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Minneapolis.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the basis of accounting used by the individual funds of the City of Minneapolis. Governmental funds use the modified accrual basis of accounting. Proprietary funds use the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, or the cost principles contained the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The City has elected not to use the 10.0 percent de minimis indirect cost rate allowed under the Uniform Guidance.

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For the Fiscal Year Ended December 31, 2016

(Dollar Amounts Expressed in Thousands)

NOTE 4 – RECONCILIATION TO SCHEDULE OF INTERGOVERNMENTAL REVENUE

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 47,209
Federal Fixed Price Contracts	
Equal Employment Opportunity Commission	(32)
Metro Medical Response System	(12)
Minnesota Family Investment Program	(95)
Minnesota Cold Case Investigations Task Force	(14)
Drug Enforcement Admin Task Force	(47)
Minnesota Cyber Crime Task Force	(17)
Safe Streets Violent Crime Task Force	(133)
U.S. Marshalls Overtime - Predatory Offenders Unit	(12)
U.S. Marshalls Overtime May - December 2016	(13)
Joint Terrorism Task Force	(7)
Violent Crimes Investigation - ATF	(53)
Violent Crimes Investigation - HIS	(42)
Toward Zero Deaths Partners	(154)
Timing Differences Between Expenditures and Related Reimbursements	(28)
Expenditures occurring in 2016 but not reimbursed in 2016	93
Revenue received in 2016 for future years expenditures	(54)
Federal Program Income	
Neighborhood Stabilization Program - ARRA	131
Lead-Based Paint Hazard Control in Privately - Owned Housing	42
Neighborhood Stabilization Program	33
Community Development Block Grants/Entitlement Grants	2,357
Home Investment Partnerships Program	705
Expenditures per Schedule of Expenditures of Federal Awards	<u>\$ 49,857</u>

**MUNICIPAL BUILDING COMMISSION
BALANCE SHEET
December 31, 2016**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	General Fund	Capital Projects Fund	Total
<u>ASSETS</u>			
Cash and cash equivalents	\$ 2,358	\$ 138	\$ 2,496
Receivables:			
Intergovernmental	772	548	1,320
Total assets	<u>\$ 3,130</u>	<u>\$ 686</u>	<u>\$ 3,816</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Salaries payable	\$ 122	\$ -	\$ 122
Accounts payable	711	585	1,296
Total liabilities	<u>833</u>	<u>585</u>	<u>1,418</u>
Fund balances:			
Assigned	<u>2,297</u>	<u>101</u>	<u>2,398</u>
Total liabilities and fund balances	<u>\$ 3,130</u>	<u>\$ 686</u>	<u>\$ 3,816</u>

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

Fund balances - total governmental funds \$ 2,398

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	13,729	
Depreciable	75,120	
Accumulated depreciation	<u>(66,800)</u>	<u>22,049</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	(319)	
Net pension liability	(9,061)	
Compensated absences	<u>(214)</u>	<u>(9,594)</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	4,783	
Deferred inflows of resources - pensions	<u>(1,478)</u>	<u>3,305</u>

Net position of governmental activities \$ 18,158

**MUNICIPAL BUILDING COMMISSION
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the fiscal year ended December 31, 2016**

CITY OF MINNEAPOLIS, MINNESOTA

(In Thousands)

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
REVENUES:			
Intergovernmental revenues	\$ 234	\$ 1,524	\$ 1,758
Charges for services and sales	7,971	-	7,971
Miscellaneous revenues	81	-	81
	<hr/>	<hr/>	<hr/>
Total revenues	8,286	1,524	9,810
EXPENDITURES:			
Current:			
General government	7,655	-	7,655
Capital outlay	-	1,715	1,715
	<hr/>	<hr/>	<hr/>
Total expenditures	7,655	1,715	9,370
	<hr/>	<hr/>	<hr/>
Net change in fund balances	631	(191)	440
OTHER FINANCING SOURCES (USES):			
Transfers from other funds	-	125	125
Transfers to other funds	(125)	-	(125)
Total other financing sources (uses)	(125)	125	-
	<hr/>	<hr/>	<hr/>
Net change in fund balance	506	(66)	440
	<hr/>	<hr/>	<hr/>
Fund balances - January 1	1,791	167	1,958
	<hr/>	<hr/>	<hr/>
Fund balances - December 31	<u>\$ 2,297</u>	<u>\$ 101</u>	<u>\$ 2,398</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 \$ 440

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

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Expenditures for general capital assets, infrastructure, and other related capital assets:	1,720	
Less current year depreciation	<u>(3,335)</u>	<u>(1,615)</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	17	
Change in net pension obligation	(698)	
Change in compensated absences	<u>(2)</u>	<u>(683)</u>

Increase (decrease) in net position of governmental activities \$ (1,858)

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.	154-157
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	158-161
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.	162-169
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.	170-171
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.	172-175

Schedule 1
City of Minneapolis
Net Position by Component (In Thousands)
Last 10 Fiscal Years
December 31, 2016

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental Activities										
Net investment in capital assets	\$ 492,007	\$ 536,126	\$ 526,551	\$ 631,808	\$ 691,926	\$ 798,704	\$ 845,638	\$ 890,622	\$ 968,927	\$ 1,057,445
Restricted	54,226	59,629	112,895	60,814	192,829	193,107	198,251	195,322	168,304	215,143
Unrestricted	(113,865)	(33,767)	58,216	87,443	91,652	139,303	190,018	192,384	(146,805)	(337,534)
Total governmental activities net position	\$ 432,368	\$ 561,988	\$ 697,662	\$ 780,065	\$ 976,407	\$ 1,131,114	\$ 1,233,907	\$ 1,278,328	\$ 990,426	\$ 935,054
Business-type Activities										
Net investment in capital assets	\$ 529,140	\$ 591,964	\$ 615,455	\$ 634,686	\$ 666,986	\$ 694,243	\$ 731,372	\$ 760,038	\$ 778,150	\$ 800,274
Restricted	33,015	34,456	34,464	34,674	34,967	33,616	33,529	34,457	34,856	35,336
Unrestricted	83,340	46,266	57,157	69,905	77,751	88,330	89,137	101,258	78,959	80,745
Total business-type activities net position	\$ 645,495	\$ 672,686	\$ 707,076	\$ 739,265	\$ 779,704	\$ 816,189	\$ 854,038	\$ 895,753	\$ 891,965	\$ 916,355
Primary government										
Net investment in capital assets	\$ 1,021,147	\$ 1,128,090	\$ 1,142,006	\$ 1,266,494	\$ 1,358,912	\$ 1,492,947	\$ 1,577,010	\$ 1,650,660	\$ 1,747,077	\$ 1,857,719
Restricted	87,241	94,085	147,359	95,488	227,796	226,723	231,780	229,779	203,160	250,479
Unrestricted	(30,525)	12,499	115,373	157,348	169,403	227,633	279,155	293,642	(67,846)	(256,789)
Total primary government net position	\$ 1,077,863	\$ 1,234,674	\$ 1,404,738	\$ 1,519,330	\$ 1,756,111	\$ 1,947,303	\$ 2,087,945	\$ 2,174,081	\$ 1,882,391	\$ 1,851,409

(UNAUDITED)

Schedule 2
City of Minneapolis
Changes in Net Position (In Thousands)
Last 10 Fiscal Years
December 31, 2016

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental Activities:										
General government	\$ 57,519	\$ 79,609	\$ 72,276	\$ 120,378	\$ 82,897	\$ 98,546	\$ 83,726	\$ 109,005	\$ 97,652	\$ 128,137
Public safety	226,050	232,210	244,134	263,806	269,036	248,333	225,332	244,482	275,495	390,053
Public works	80,315	50,523	94,752	73,848	5,210	71,736	86,795	126,689	122,472	106,705
Culture and recreation	5,279	29,607	13,483	13,861	7,287	5,528	11,993	8,836	4,570	7,544
Health and welfare	14,325	13,028	14,164	14,240	16,260	13,709	18,442	20,098	23,462	25,494
Community planning & economic development	118,066	122,936	110,344	146,439	138,537	139,190	153,877	140,604	192,957	181,537
Interest on long-term debt	40,691	36,405	28,753	26,152	21,916	16,503	16,549	17,581	16,329	13,611
Total governmental activities expenses	\$ 542,245	\$ 564,318	\$ 577,906	\$ 658,724	\$ 541,143	\$ 593,545	\$ 596,714	\$ 667,295	\$ 732,937	\$ 853,081
Business-type Activities:										
Sanitary sewer	\$ 37,696	\$ 38,057	\$ 32,892	\$ 35,233	\$ 33,659	\$ 51,564	\$ 44,868	\$ 47,710	\$ 53,185	\$ 54,030
Stormwater	24,459	24,027	24,856	26,273	24,502	25,998	27,816	27,305	32,331	36,009
Water treatment and distribution services	52,983	56,310	51,751	55,980	52,891	59,940	57,961	57,899	64,973	67,826
Municipal parking	58,714	50,833	51,929	49,920	46,106	49,706	45,868	43,418	49,086	50,020
Solid waste and recycling	26,570	26,514	23,641	27,804	29,784	31,158	34,446	30,013	34,166	33,312
Community planning & economic development	6,446	6,367	6,860	6,472	8,266	7,875	7,862	7,759	6,684	6,330
Total business-type activities expenses	\$ 206,868	\$ 202,108	\$ 191,929	\$ 201,682	\$ 195,208	\$ 226,241	\$ 218,821	\$ 214,104	\$ 240,425	\$ 247,527
Total primary government expenses	\$ 749,113	\$ 766,426	\$ 769,835	\$ 860,406	\$ 736,351	\$ 819,786	\$ 815,535	\$ 881,399	\$ 973,362	\$ 1,100,608
Program Revenues										
Governmental Activities:										
Charges for services:										
General government	\$ 30,490	\$ 45,882	\$ 6,060	\$ 69,827	\$ 23,537	\$ 40,636	\$ 28,943	\$ 20,831	\$ 21,577	\$ 5,886
Public safety	34,486	37,525	42,511	41,805	49,673	46,992	14,382	17,604	16,357	17,051
Public works	10,239	11,670	22,112	22,567	5,998	15,507	16,298	14,522	26,976	43,236
Culture and recreation	2,252	-	-	-	-	-	-	-	-	-
Health and welfare	500	524	452	14	-	-	2,432	2,436	2,506	2,498
Community planning & economic development	30,169	30,470	29,416	27,601	36,233	35,523	63,606	72,896	71,117	71,370
Operating grants and contributions	84,926	100,095	92,775	118,118	115,622	128,205	115,838	103,219	127,515	132,535
Capital grants and contributions	19,174	13,136	26,928	28,198	20,630	25,230	15,466	3,885	5,228	14,255
Total governmental activities program revenues	\$ 212,236	\$ 239,302	\$ 220,254	\$ 308,130	\$ 251,693	\$ 292,093	\$ 256,965	\$ 235,393	\$ 271,276	\$ 286,831
Business-type Activities:										
Charges for services:										
Sanitary sewer	\$ 40,369	\$ 40,787	\$ 43,949	\$ 49,358	\$ 48,456	\$ 61,849	\$ 45,742	\$ 59,310	\$ 60,151	\$ 64,289
Stormwater	32,205	35,109	39,418	39,903	41,063	38,383	38,254	39,983	37,704	37,432
Water treatment and distribution services	29,193	61,088	67,539	67,408	69,301	74,412	73,506	71,881	72,624	78,963
Municipal parking	60,625	52,564	52,507	58,316	52,687	54,015	57,928	57,749	61,052	62,837
Solid waste and recycling	7,917	29,626	30,411	31,152	31,957	31,001	30,208	30,473	35,494	36,988
Community planning & economic development	60,152	7,698	31,820	6,426	7,872	2,239	2,350	1,842	6,494	6,101
Operating grants and contributions	1,737	2,641	-	-	-	4,552	3,435	4,696	5,468	5,089
Capital grants and contributions	-	-	1,826	1,215	2,146	1,808	2,972	157	-	-
Total business-type activities program revenues	\$ 232,198	\$ 229,513	\$ 267,470	\$ 253,778	\$ 253,482	\$ 268,259	\$ 254,395	\$ 266,091	\$ 278,987	\$ 291,699
Total primary government program revenues	\$ 444,434	\$ 468,815	\$ 487,724	\$ 561,908	\$ 505,175	\$ 560,352	\$ 511,360	\$ 501,484	\$ 550,263	\$ 578,530
Net (Expenses) Revenue										
Governmental Activities	\$ (330,009)	\$ (325,016)	\$ (357,652)	\$ (350,594)	\$ (289,450)	\$ (301,452)	\$ (339,749)	\$ (431,902)	\$ (461,661)	\$ (566,250)
Business-type Activities	25,330	27,405	75,541	52,096	58,274	42,018	35,574	51,987	38,562	44,172
Total primary government net expense	\$ (304,679)	\$ (297,611)	\$ (282,111)	\$ (298,498)	\$ (231,176)	\$ (259,434)	\$ (304,175)	\$ (379,915)	\$ (423,099)	\$ (522,078)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes										
General property tax and fiscal disparities	\$ 159,878	\$ 184,985	\$ 263,776	\$ 217,519	\$ 218,756	\$ 230,719	\$ 232,979	\$ 228,620	\$ 238,745	\$ 247,708
Property tax increment	77,979	82,686	13,440	42,117	61,003	52,679	41,159	48,568	45,205	49,616
Franchise taxes	29,548	31,705	28,053	27,855	29,128	26,120	29,620	33,531	30,118	29,515
Local taxes	60,065	60,480	54,868	61,307	65,850	56,349	70,634	76,292	78,293	80,851
Other taxes	215	183	202	42	218	13,079	165	180	313	212
Local government aid - unrestricted	70,712	60,702	70,540	56,578	56,378	56,404	56,379	66,860	68,022	68,391
Grants and contributions not restricted to programs	8	7	-	-	-	-	-	-	-	3,371
Unrestricted interest and investment earnings	17,574	13,121	6,843	5,961	5,088	4,248	(593)	4,213	3,399	7,754
Other	2,715	1,287	10,239	1,440	31,078	4,548	8,793	1,141	11,401	181
Gain on sale of capital assets	-	-	-	-	-	-	340	214	268	526
Transfers	5,023	4,250	45,365	20,178	18,293	10,889	3,066	16,704	14,604	22,753
Total governmental activities	\$ 423,717	\$ 439,406	\$ 493,326	\$ 432,997	\$ 485,792	\$ 455,035	\$ 442,542	\$ 476,323	\$ 490,368	\$ 510,878
Business-type Activities:										
Unrestricted interest and investment earnings	\$ 1,924	\$ 1,487	\$ 4,126	\$ 271	\$ 438	\$ 5,286	\$ 5,072	\$ 6,064	\$ 306	\$ 205
Other	3,187	1,479	88	-	-	56	244	119	21	910
Gain on sale of capital assets	30,725	565	-	-	20	54	25	249	-	1,856
Transfers	(5,023)	(4,250)	(45,365)	(20,178)	(18,293)	(10,889)	(3,066)	(16,704)	(14,604)	(22,753)
Total business-type activities	\$ 30,813	\$ (719)	\$ (41,151)	\$ (19,907)	\$ (17,835)	\$ (5,493)	\$ 2,275	\$ (10,272)	\$ (14,277)	\$ (19,782)
Total primary government	\$ 454,530	\$ 438,687	\$ 452,175	\$ 413,090	\$ 467,957	\$ 449,542	\$ 444,817	\$ 466,051	\$ 476,091	\$ 491,096
Changes in Net Position										
Governmental Activities	\$ 93,708	\$ 114,390	\$ 135,674	\$ 82,403	\$ 196,342	\$ 153,583	\$ 102,793	\$ 44,421	\$ 28,707	\$ (55,372)
Business-type Activities	56,143	26,686	34,390	32,189	40,439	36,525	37,849	41,715	24,285	24,390
Total primary government	\$ 149,851	\$ 141,076	\$ 170,064	\$ 114,592	\$ 236,781	\$ 190,108	\$ 140,642	\$ 86,136	\$ 52,992	\$ (30,982)

(UNAUDITED)

Schedule 3
City of Minneapolis
Fund Balance, Governmental Funds (In Thousands)
Last 10 Fiscal Years
December 31, 2016

	Fiscal Year				
	2007	2008	2009	2010	2016
General Fund					
Reserved	\$ 1,394	\$ 1,073	\$ 927	\$ 1,270	
Unreserved	53,851	48,615	67,340	60,092	
Total general fund	<u>\$ 55,245</u>	<u>\$ 49,688</u>	<u>\$ 68,267</u>	<u>\$ 61,362</u>	
All Other Government Funds					
Reserved	\$ 210,056	\$ 213,450	\$ 205,490	\$ 227,174	
Unreserved					
Special revenue funds	79,230	84,491	106,681	65,760	
Debt Service funds	54,226	58,989	112,895	60,814	
Capital project funds	1,192	20,994	17,364	20,024	
Total all other governmental funds	<u>\$ 344,704</u>	<u>\$ 377,924</u>	<u>\$ 442,430</u>	<u>\$ 373,772</u>	
General Fund					
Nonspendable	\$ 36	\$ 6	\$ -	\$ -	\$ 1,261
Assigned	2,444	941	-	-	10,000
Unassigned	69,891	85,357	96,970	102,439	96,236
Total general fund	<u>\$ 72,371</u>	<u>\$ 86,304</u>	<u>\$ 96,970</u>	<u>\$ 102,439</u>	<u>\$ 107,497</u>
All Other Government Funds					
Nonspendable	\$ 55,604	\$ 54,176	\$ 45,871	\$ 45,706	\$ 33,754
Restricted	192,829	193,107	198,251	195,322	215,143
Committed	7,058	2,347	125	-	-
Assigned	103,307	107,495	128,085	143,134	149,360
Unassigned	-	(46)	(169)	(145)	(25,195)
Total all other governmental funds	<u>\$ 358,798</u>	<u>\$ 357,079</u>	<u>\$ 372,163</u>	<u>\$ 384,017</u>	<u>\$ 373,062</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, 2016

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Taxes	\$ 326,187	\$ 362,553	\$ 359,500	\$ 343,956	\$ 374,123	\$ 379,519	\$ 375,006	\$ 387,322	\$ 393,015	\$ 408,195
Licenses and permits	26,407	27,118	29,348	29,301	32,851	37,663	40,735	50,996	45,878	48,267
Intergovernmental revenues	160,384	151,308	179,880	189,510	167,316	186,550	155,756	136,432	160,953	181,477
Charges for services and sales	53,778	62,186	59,340	56,776	58,722	68,158	63,028	62,863	71,609	90,626
Fines and forfeits	9,397	9,700	9,621	9,934	10,620	8,603	8,014	7,519	6,853	6,705
Special assessments	13,555	18,018	20,897	23,849	22,678	23,834	24,379	25,529	25,780	28,220
Investment earnings	19,075	13,660	7,037	6,269	5,050	4,603	(645)	4,067	3,903	7,916
Miscellaneous revenues	29,626	29,420	35,542	35,366	26,831	34,733	44,466	35,923	35,467	36,054
Total revenues	638,409	673,963	701,165	694,961	698,191	743,663	710,739	710,651	743,458	807,460
Expenditures										
Current:										
General government	55,581	59,567	65,357	72,746	72,546	95,970	97,469	99,330	102,556	106,212
Public safety	222,823	237,692	242,061	258,507	260,307	244,297	232,311	245,341	256,981	269,020
Public works	41,892	43,893	43,495	50,165	49,918	49,759	54,915	56,173	54,084	56,978
Culture and recreation	5,279	29,607	13,424	13,808	7,287	5,528	4,106	3,238	2,363	1,560
Health and welfare	14,193	13,309	13,953	13,822	16,014	13,179	17,993	20,029	21,235	21,705
Community planning & economic development	116,348	117,396	115,384	146,082	128,338	136,076	148,082	142,326	161,868	174,858
Capital outlay	43,846	39,160	83,656	60,659	44,633	77,864	63,414	102,422	76,361	151,681
Intergovernmental:										
General government	-	-	-	-	-	-	898	297	647	616
Public safety	-	-	-	-	-	-	169	176	168	154
Culture and recreation	-	-	-	-	-	-	7,887	5,598	2,207	5,984
Debt Service:										
Principal retirement	66,744	68,617	102,518	179,242	96,947	108,042	58,386	77,391	83,871	84,027
Interest and fiscal charges	62,424	60,191	56,924	30,505	26,247	22,152	16,712	17,065	16,194	13,711
Bond issuance costs	-	-	-	-	-	-	-	-	482	4
Payments to refunded bond escrow agents	-	-	-	-	-	-	-	-	22,753	4,440
Total expenditures	629,130	669,432	736,772	825,536	702,237	752,867	702,342	769,386	801,770	890,950
Excess (deficiency) of revenues over (under) expenditures	9,279	4,531	(35,607)	(130,575)	(4,046)	(9,204)	8,397	(58,735)	(58,312)	(83,490)
Other Financing Sources (Uses)										
Transfers from other funds	129,321	133,635	151,259	115,103	105,800	117,868	60,967	105,459	114,054	110,883
Transfers to other funds	(151,672)	(152,056)	(154,190)	(139,658)	(129,803)	(124,335)	(92,941)	(126,862)	(115,943)	(110,336)
Bonds issued	20,344	39,965	35,280	24,687	20,377	26,610	47,805	97,010	22,710	53,860
Premium (discount)	478	1,490	4,213	3,165	3,707	1,481	1,522	451	135	920
Refunding bonds issued	1,750	12,360	82,130	51,715	186,550	36,460	18,430	-	20,000	4,440
Loans and notes issued	-	-	-	-	-	5,170	-	-	-	35,182
Payments to escrow agents	(1,480)	(12,262)	-	-	(186,550)	(41,630)	(18,430)	-	-	-
Total other financing sources (uses)	(1,259)	23,132	118,692	55,012	81	21,624	17,353	76,058	40,956	94,949
Net change in fund balance	\$ 8,020	\$ 27,663	\$ 83,085	\$ (75,563)	\$ (3,965)	\$ 12,420	\$ 25,750	\$ 17,323	\$ (17,356)	\$ 11,459
Debt service as a percentage of noncapital expenditures	21.1%	20.6%	24.1%	27.4%	20.6%	19.3%	11.9%	13.6%	16.4%	13.8%

(UNAUDITED)

Schedule 5
City of Minneapolis
Assessed Value and Actual Value of Taxable Property
Last Ten Fiscal Years
(in thousands of dollars)
December 31, 2016

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	
2007	\$ 6,141,186	\$ 3,341,167	\$ 25,883,768	\$ 1,305,858	\$ 424,587	\$ 8,465,785	\$ 37,096,566	7.53	\$ 39,943,095	93%										
2008	6,869,181	3,448,334	26,571,451	1,341,775	415,390	9,549,066	38,646,131	7.52	43,857,249	88%										
2009	7,295,669	3,499,200	25,461,784	1,459,942	401,699	9,025,112	38,118,294	7.67	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	8.13	45,025,954	89%										

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, 2016

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
City Direct Rates										
<i>Tax Capacity Based Rates</i>										
General	4.24	4.80	4.86	5.04	5.73	6.09	5.36	4.76	4.48	4.59
Estimate and Taxation	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	-	-
Building Commission	0.13	0.13	0.13	0.13	0.14	0.15	0.16	0.14	0.13	0.13
Permanent Improvement	0.05	0.05	0.05	0.05	0.06	0.03	0.03	0.03	0.03	0.01
Bond Redemption	0.63	0.57	0.69	0.47	0.61	0.65	1.00	1.11	1.06	0.98
Firefighter's Relief Association	0.10	0.11	0.06	0.04	0.16	0.01	0.09	0.08	0.08	0.04
Police Relief Association	0.12	0.11	0.09	0.35	0.51	0.79	0.22	0.20	0.18	0.24
Minneapolis Employees Retirement Fund	0.08	0.09	0.07	0.07	0.09	0.60	0.62	0.56	0.51	0.29
Parks	1.34	1.29	1.35	1.33	1.56	1.63	1.69	1.56	1.52	1.55
Libraries	0.45	-	-	-	-	-	-	-	-	-
Public Housing	0.04	0.04	0.04	-	-	-	-	-	-	-
Teacher's Retirement Association	0.07	0.07	0.07	0.07	0.08	0.09	0.08	0.07	0.06	0.06
<i>Market Value Based Rates</i>										
Library Referendum	0.27	0.25	0.25	0.25	0.27	0.29	0.29	0.30	0.24	0.22
Total City Direct Rates	7.53	7.52	7.67	7.81	9.22	10.34	9.55	8.82	8.29	8.11
Overlapping Rates										
<i>Tax Capacity Based Rates</i>										
Watershed Districts	0.14	0.18	0.19	0.21	0.21	0.23	0.23	0.22	0.22	0.22
Hennepin County	4.40	4.38	5.09	5.38	5.76	6.24	6.33	5.92	5.78	5.64
Minneapolis Public Schools	3.06	2.78	3.15	2.57	2.95	3.47	3.29	2.85	2.72	2.63
Other Special Taxing Districts	0.54	0.54	0.49	0.52	0.59	0.70	0.73	0.71	0.67	0.68
<i>Market Value Based Rates</i>										
Minneapolis Public Schools Referendum	0.01	0.01	0.02	0.02	0.02	0.02	0.01	0.02	0.02	0.02
Total Overlapping Rates	8.15	7.89	8.94	8.70	9.53	10.66	10.59	9.72	9.41	9.19
Grand Total	15.68	15.41	16.61	16.51	18.75	21.00	20.14	18.54	17.70	17.30

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, 2016

Taxpayer	2016			2007		
	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.	\$ 394,562	1	1.73%	\$ 321,904	1	1.47%
First Minneapolis-Hines Co.	304,910	2	1.34%	136,000	8	0.62%
SRI Ten City Center LLC	258,968	3	1.14%	-	-	-
Target Corporation	253,645	4	1.11%	235,243	2	1.08%
BRI 1855 IDS Center LLC	237,780	5	1.05%	-	-	-
Hilton Hotels Corp.	275,553	6	1.02%	-	-	-
NWC Limited Partnership	224,700	7	0.99%	172,000	4	0.79%
Minneapolis 225 Holdings LLC	219,270	8	0.96%	134,000	9	0.62%
Wells Operating Partnership LP	152,810	9	0.67%	144,000	6	0.66%
Wells Fargo Bank and Home Mortgage	151,967	10	0.67%	-	-	-
City Center Associates	-	-	-	134,800	7	0.62%
American Express Financial Corp.	-	-	-	159,146	5	0.72%
Byte Investment Partnership	-	-	-	130,000	10	0.60%
80 South Eighth LLC	-	-	-	192,000	3	0.88%
Total	\$ 2,474,165		10.68%	\$ 1,759,093		8.06%

Source: Bond Issue Report 10/7/16 and 10/26/07

(UNAUDITED)

Schedule 8
City of Minneapolis
Property Tax Levies and Collections
Last Ten Fiscal Years
(in thousands of dollars)
December 31, 2016

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
2007	\$ 222,523	\$ 210,960	94.80%	\$ 4,190	\$ 215,150	96.69%
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%	-	294,605	99.00%

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, 2016

Fiscal Year	Governmental Activities				Business-type Activities				Total Primary Government	Per Capita (1)
	General Obligation Bonds & Notes	Revenue Bonds	Notes Payable	General Obligation Bonds & Notes	Revenue Bonds	Notes Payable	Total Primary Government			
2007	\$ 777,385	\$ 56,306	\$ 22,735	\$ 368,335	\$ 63,695	\$ 837	\$ 1,289,293	\$ 3,323		
2008	755,946	45,647	22,291	338,188	60,730	718	1,223,520	3,153		
2009	772,936	35,980	19,040	310,607	57,365	591	1,196,519	3,067		
2010	673,926	26,700	15,585	308,383	95,925	455	1,120,974	2,930		
2011	586,500	25,990	15,276	296,857	91,985	311	1,016,919	2,658		
2012	495,545	25,210	14,695	272,790	85,255	157	893,652	2,304		
2013	491,517	24,385	14,385	254,971	94,100	41	879,399	2,243		
2014	508,015	23,500	14,055	234,613	90,100	-	870,283	2,171		
2015	437,357	22,710	13,695	214,125	84,790	-	772,677	1,879		
2016	439,908	21,625	4,115	221,637	76,315	-	763,600	1,851		

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

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

Schedule 10
City of Minneapolis
Ratios Of Net General Bonded Debt Outstanding
Last Ten Fiscal Years
(in thousands of dollars, except per capita)
December 31, 2016

Fiscal Year	Net General Bonded Debt Outstanding							Percentage of Total Taxable Assessed Value of Property (1)	Per Capita (2)
	Governmental		Business-type		Less Resources Restricted to Pay Debt Service		Total		
	General Obligation Bonds & Notes	General Obligation Bonds & Notes	General Obligation Bonds & Notes	Restricted to Pay Debt Service	Total				
2007	\$ 777,385	\$ 368,335	\$ 36,559	\$ 1,109,161			2.99%	\$ 2,859	
2008	755,946	338,188	40,196	1,053,938			2.73%	2,701	
2009	772,936	310,607	108,567	974,976			2.56%	2,569	
2010	673,926	308,383	57,397	924,912			2.50%	2,418	
2011	586,500	296,857	30,839	852,518			2.43%	2,228	
2012	495,545	272,790	28,681	739,654			2.20%	1,907	
2013	491,517	254,971	29,302	717,186			2.20%	1,830	
2014	508,015	234,613	27,753	714,875			2.15%	1,783	
2015	437,357	214,125	24,542	626,940			1.72%	1,524	
2016	439,908	221,637	38,695	622,850			1.55%	1,510	

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

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

Schedule 11
City of Minneapolis
Direct and Overlapping Governmental Activities Debt
(in thousands of dollars)
December 31, 2016

Governmental Unit	Governmental Debt Outstanding (1)	Estimated Percentage Applicable (2)	Estimated Share of Direct and Overlapping Debt
City of Minneapolis - Direct Debt	\$ 465,648	100.00%	\$ 465,648
<u>Overlapping Debt:</u>			
Special School District No. 1	362,225	100.00%	362,225
Hennepin County	811,376 (3)	28.03%	227,429
Hennepin County Regional Railroad Authority	32,848	28.03%	9,207
Metropolitan Council	93,044	14.21%	13,222
Subtotal, Overlapping Debt			\$ 612,083
Total Direct and Overlapping Debt			\$ 1,077,731

Notes:

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

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

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

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

Sources:

Minneapolis Finance and Property Services Department - Capital and Debt Management
Minneapolis Public School District 1
Hennepin County
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, 2016

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt Limit	\$ 1,253,051	\$ 1,306,194	\$ 1,282,797	\$ 1,254,206	\$ 1,173,628	\$ 1,131,060	\$ 1,102,298	\$ 1,117,046	\$ 1,226,826	\$ 1,350,986
Total net debt applicable to limit	313,129	302,772	270,629	246,979	213,714	154,317	155,494	146,506	114,260	109,926
Legal debt margin	\$ 939,922	\$ 1,003,422	\$ 1,012,168	\$ 1,007,227	\$ 959,914	\$ 976,743	\$ 946,804	\$ 970,540	\$ 1,112,566	\$ 1,241,060
Total net debt applicable to limit as a percentage of debt limit	24.99%	23.18%	21.10%	19.69%	18.21%	13.64%	14.11%	13.12%	9.31%	8.14%

Legal Debt Margin Calculation for Fiscal Year 2016

Real Property (2016 Assessed Market Value)	\$ 39,881,278
Personal Property (2016 Assessed Market Value)	415,403
Adjustment for Exempt Personal Property (1966 Market Value)	298,030
Adjustment for Net Fiscal Disparities (Contribution)/Distribution	(65,133)
Total 2016 Assessed Market Value	<u>40,529,578</u>
Debt Limit (3-1/3% of Market Value Applicable to Debt Limit)	1,350,986
Debt applicable to limit:	
General Obligation Bonds Subject to Debt Limit	140,895
Less: Amount set aside to pay general obligation debt	(30,969)
Total Net Debt Applicable to Limit	<u>109,926</u>
Legal Debt Margin	<u>\$ 1,241,060</u>

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

(UNAUDITED)

Schedule 13
City of Minneapolis
Pledged-Revenue Coverage
Last Ten Fiscal Years
(in thousands of dollars)
December 31, 2016

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	
2007	\$ 66,439	\$ 44,838	\$ 21,601	\$ 8,419	\$ 4,481	1.67
2008	64,130	47,208	16,922	6,930	3,406	1.64
2009	67,575	47,195	20,380	6,076	3,656	2.09
2010	67,129	47,507	19,622	5,646	3,872	2.06
2011	69,934	45,520	24,414	5,906	4,133	2.43
2012	76,502	47,421	29,081	5,796	4,476	2.83
2013	75,793	50,474	25,319	5,982	4,401	2.44
2014	73,097	50,428	22,669	6,146	4,314	2.17
2015	73,099	55,271	17,828	8,654	3,121	1.51
2016	80,453	57,544	22,909	9,635	2,212	1.93

Notes:

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

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

(UNAUDITED)

Schedule 13
City of Minneapolis
Pledged-Revenue Coverage
Last Ten Fiscal Years
(In thousands of dollars)
December 31, 2016

(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	
2007	\$ 60,554	\$ 39,548	\$ 18,361	\$ 39,367	\$ 16,924	\$ 12,882	1.32
2008	52,752	35,383	17,219	34,588	16,239	10,047	1.32
2009	52,521	37,564	22,923	37,880	30,165	8,870	0.97
2010	58,155	43,101	14,777	29,831	14,740	6,232	1.42
2011	52,687	36,450	15,196	31,433	14,820	5,730	1.53
2012	54,082	39,861	13,799	28,020	16,770	5,299	1.27
2013	58,185	37,745	11,622	32,062	14,629	4,142	1.71
2014	57,866	37,652	373	20,587	10,884	3,628	1.42
2015	61,226	40,601	525	21,150	5,440	3,463	2.38
2016	65,916	43,608	690	22,998	16,285	2,361	1.23

Notes:

- (1) Operating revenue includes fees for services and other non-operating revenues available for debt service.
- (2) Operating expenses are exclusive of depreciation.
- (3) Convention Center Related Public Parking debt is capitalized in the Municipal Parking Enterprise Fund and was paid using sales tax revenues transferred from the Convention Center Special Revenue Fund through 2013. The remaining debt was paid in full during 2014.
- (4) Tax Increment Transfers In were used to subsidize certain parking ramps through 2013 with a small remaining subsidy from 2014 on.

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

(UNAUDITED)

Schedule 13
City of Minneapolis
Pledged-Revenue Coverage
Last Ten Fiscal Years
(in thousands of dollars)
December 31, 2016

(Continued)

Fiscal Year	SANITARY SEWER BONDS									
	Operating Revenue (1)	Operating Expenses (2)	Net Revenue Available for Debt Service		Debt Service Requirements		Coverage Ratio			
			Principal	Interest	Total	Coverage Ratio				
2007	\$ 41,915	\$ 39,954	\$ 1,961	\$ 767	\$ 137	\$ 904	2.17			
2008	41,615	38,216	3,399	1,200	378	1,578	2.15			
2009	43,963	38,388	5,575	2,436	500	2,936	1.90			
2010	49,292	40,584	8,708	2,850	701	3,551	2.45			
2011	49,482	42,607	6,875	4,100	714	4,814	1.43			
2012	62,327	51,920	10,407	4,600	617	5,217	1.99			
2013	61,852	52,115	9,737	4,150	350	4,500	2.16			
2014	60,057	53,372	6,685	5,150	414	5,564	1.20			
2015	60,358	56,245	4,113	3,500	320	3,820	1.08			
2016	66,948	61,935	5,013	1,487	131	1,618	3.10			

Notes:

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

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

(UNAUDITED)

Schedule 13
City of Minneapolis
Pledged-Revenue Coverage
Last Ten Fiscal Years
(in thousands of dollars)
December 31, 2016

(Continued)

Fiscal Year	Operating Revenue (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements		Coverage Ratio
				Principal	Interest	
2007	\$ 33,008	\$ 19,348	\$ 13,660	\$ 7,797	\$ 2,563	1.32
2008	35,824	19,738	16,086	8,620	1,564	1.58
2009	39,381	19,279	20,102	9,959	1,753	1.72
2010	39,542	21,310	18,232	5,345	1,405	2.70
2011	41,704	19,930	21,774	11,773	1,341	1.66
2012	41,805	21,590	20,215	6,555	1,136	2.63
2013	39,906	23,508	16,398	6,913	975	2.08
2014	42,313	23,079	19,234	3,235	850	4.71
2015	40,370	27,856	12,514	2,236	794	4.13
2016	38,380	31,617	6,763	2,500	62	2.64

Notes:

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

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

(UNAUDITED)

Schedule 14
City of Minneapolis
Demographic and Economic Statistics
Last 10 Fiscal Years
December 31, 2016

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)
2007	388,020	\$ 30,343	\$ 11,773,690,860	35.3	167,367	292,833	4.3%	\$ 44,423	34,570
2008	390,131	\$ 30,825	\$ 12,025,788,075	34.1	168,669	291,019	5.1%	\$ 48,724	33,958
2009	386,691	\$ 28,131	\$ 10,878,004,521	31.6	169,798	280,899	7.3%	\$ 45,538	33,424
2010	382,578	\$ 29,558	\$ 11,308,240,524	31.4	163,540	281,577	6.9%	\$ 46,508	33,418
2011	387,873	\$ 30,256	\$ 11,735,485,488	32.3	166,110	287,846	6.1%	\$ 46,682	33,476
2012	392,008	\$ 29,936	\$ 11,735,151,488	31.4	166,513	297,012	5.3%	\$ 47,604	34,423
2013	400,938	\$ 32,791	\$ 13,147,157,958	32.1	170,195	303,135	4.6%	\$ 50,563	35,356
2014	411,273	\$ 31,764	\$ 13,063,675,572	31.8	175,119	308,714	3.8%	\$ 50,791	35,400
2015	412,517	\$ 34,763	\$ 14,340,328,471	32.4	176,878	317,475	3.3%	\$ 54,571	35,649
2016	NA	NA	NA	NA	NA	324,620	3.2%	NA	35,597

Sources:

- (1) Population 2007-2009 & 2011-2015 - Metropolitan Council. 2010 figure from US Census
- (2) Per Capita Income - US Census Bureau - American Community Survey Table B19301 (2015 - 1 year estimate)
- (3) Median Age - US Census Bureau - American Community Survey Table S0101 - (2015 - 1 year estimate)
- (4) Households 2007-2009 & 2011-2015 - Metropolitan Council. 2010 figure from US Census
- (5) Jobs data from MN DEED/QCEW tables; 2016 number reflects 3rd quarter, latest available data
- (6) Annual Average Unemployment Rate - from MN DEED/LAUS tables
- (7) Median Household Income - American Community Survey Table B19013 (2015 - 1 year estimate)
- (8) School Enrollment - Minneapolis Public Schools/Student Accounting Office

NA - 2016 data is not yet available for these categories.

(UNAUDITED)

Schedule 15
City of Minneapolis
Principal Employers
Current Year and Nine Years Ago
December 31, 2016

<u>Employer</u>	<u>2016 (a)</u>			<u>2007 (b)</u>		
	Approximate Number of Employees	Rank	Percentage of Total Metro Employment	Approximate Number of Employees	Rank	Percentage of Total City Employment
University of Minnesota	20,000	1	6.2%	30,000	1	14.2%
Allina Health	20,000	1	6.2%	22,105	3	10.4%
Target Corporation	8,200	3	2.5%	25,734	2	12.2%
Hennepin County Medical Center	7,300	4	2.2%	(d)	(d)	(c)
Wells Fargo Bank	7,000	5	2.2%	20,175	4	9.5%
Hennepin County	6,500	6	2.0%	12,171	6	5.8%
Ameriprise Financial Services	4,900	7	1.5%	6,000	8	2.8%
US Bancorp	4,500	8	1.4%	9,500	7	4.5%
UPS	3,500	9	1.1%	5,400	9	2.6%
Xcel Energy Inc.	2,400	10	0.7%	5,057	10	2.4%
Fairview Health Services	-		0.0%	18,500	5	8.7%
Total	<u>84,300</u>		<u>26.0%</u>	<u>154,642</u>		<u>73.1%</u>

Notes:

- a) Employment numbers are metro-wide numbers rounded to nearest 100.
Sources for City jobs: Minneapolis Downtown Council, Hoovers
- b) Source was MN DEED <http://www.mnpro.com> as previously published in 2007 City CAFR.
- c) Employer not part of top ten city-wide employers in 2007 City CAFR.
- d) Hennepin Healthcare was part of Hennepin County in 2007.

(UNAUDITED)

Schedule 16
City of Minneapolis
Full-time Equivalent City Government Employees by Function
Last 10 Fiscal Years
December 31, 2016

Function Program	Full-time Equivalent Employees as of December 31, 2016									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Government										
Assessor	37.00	37.00	36.50	36.50	34.50	35.00	35.00	36.00	36.00	37.00
Attorney	108.00	108.00	105.50	102.00	105.00	101.00	102.00	108.00	110.00	112.00
City Clerk/Council	66.00	67.00	65.50	65.50	64.75	65.02	66.00	66.00	70.00	70.00
City Coordinator	917.00	941.00	919.10	949.80	546.60	691.40	677.40	702.60	747.60	751.60
Civil Rights	26.00	26.00	21.00	19.00	19.00	19.00	21.00	22.00	23.00	23.00
Community Planning and Economic Development	141.00	139.00	141.00	135.00	128.00	116.79	224.80	228.00	230.00	239.00
Fire	447.00	449.00	444.00	438.00	406.00	392.00	413.00	413.00	413.00	413.00
Minneapolis Health Department	66.00	66.00	67.00	60.00	61.70	50.25	91.00	94.30	99.30	101.55
Internal Audit	-	-	-	2.00	3.00	2.50	2.00	3.00	3.00	3.00
Mayor	12.00	12.00	12.00	10.00	11.00	11.00	11.00	11.00	12.00	13.00
Police	1,088.00	1,093.00	1,092.00	999.20	992.00	967.80	980.50	985.50	1,020.50	1,029.50
Public Works	1,197.00	1,203.00	1,189.20	1,024.50	1,000.35	932.08	911.65	946.98	1,004.50	1,004.50
Regulatory Services*	-	-	-	-	379.00	285.30	141.00	149.00	156.50	163.50
	4,105.00	4,141.00	4,092.80	3,841.50	3,750.90	3,669.14	3,676.35	3,765.38	3,925.40	3,960.65
Independent Boards										
Board of Estimate & Taxation	2.00	2.00	2.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Library	273.00	-	-	-	-	-	-	-	-	-
Park	902.00	886.00	859.00	827.00	811.18	802.40	814.72	819.24	832.00	859.26
Building Commission	62.00	62.00	62.00	62.00	60.00	54.00	55.00	55.00	55.00	55.00
Youth Coordinating Board	5.00	5.00	5.00	5.00	5.80	5.80	5.80	9.00	8.00	8.00
Neighborhood Revitalization Program**	10.00	9.00	9.00	7.00	5.00	-	-	-	-	-
	1,254.00	964.00	937.00	902.00	882.98	863.20	876.52	884.24	896.00	923.26
Total	5,359.00	5,105.00	5,029.80	4,743.50	4,633.88	4,532.34	4,552.87	4,649.62	4,821.40	4,883.91

* 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.

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

Source: City Management and Budget

(UNAUDITED)

Schedule 17

City of Minneapolis
Operating Indicators by Function/Program - Last 10 Fiscal Years
December 31, 2016

Function/Description	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Government										
Assessor										
Sales ratio, all classes aggregated	95%	94%	97%	98%	98%	99%	95%	95%	96%	95%
Number of parcels' valuations petitioned in tax court	1,431	2,235	2,304	1,822	1,346	1,098	607	606	643	NAP
Attorney - City litigation										
Liability payouts, millions \$	9	1	3	2	8	1	5	2	2	1
Civil litigation caseload	1,226	1,107	1,028	1,036	1,193	972	811	978	629	255
City Clerk - Elections										
Number of registered voters	220,740	240,022	231,078	227,024	223,696	214,003	233,351	227,660	225,027	246,185
Number of votes cast in election	no election	209,000	140,363	140,363	9,065	215,804	80,099	137,362	no election	219,832
Voter turnout, percentage of registered voters	no election	87.08%	19.89%	55.59%	10.07%	80.84%	33.00%	56.00%	no election	78.91%
Type of election, highest level of government	no election	federal	municipal	state	3 state specials	federal	municipal	state	no election	Federal
Number of new voters registered at the polls	no election	50,505	2,950	25,471	422	52,952	6,634	19,622	no election	32,406
Number of spoiled ballots	no election	NA	1,888	NA	NA	NA	NA	NA	no election	3,843
Number of absentee ballots	no election	17,100	1,619	6,405	355	15,143	4,954	12,279	no election	60,538
Coordinator - Finance										
Bond rating - Fitch	AAA	AAA	AAA	AAA	AAA	AAA	AAA	AAA	AAA	AAA
Bond rating - Moody's	Aa1	Aa1	Aa1	Aa1	Aa1	Aa1	Aa1	Aa1	Aa1	Aa1
Bond rating - Standard & Poor's	AAA	AAA	AAA	AAA	AAA	AAA	AAA	AAA	AAA	AAA
Collections effectiveness indicator, utility revenues	74%	78%	NA	NA	NA	NA	NA	NA	NA	NA
Civil Rights										
Number of new civil rights complaints	232	294	254	158	117	153	77	95	101	97
Number of new complaints of police misconduct	75	68	114	89	97	157	396	398	344	370
Community Planning and Economic Development										
Number of jobs from City-loan assisted businesses (projected)	318	NAP	NA	434	1,106	693	602	414	484	464
Multifamily housing investment: City funds, millions \$	10	6	9	16	18	23	6	18	12	20
Multifamily housing investment: Other public funds, millions \$	12	4	8	34	47	19	22	22	25	25
Multifamily housing investment: Private funds, millions \$	57	14	46	21	267	164	195	205	157	202
Business finance loans: City funds, millions \$	2	3	3	4	3	2	3	2	2	2
Number of foreclosure sales	2,895	3,077	2,233	2,308	1,719	1,448	879	640	502	343
Convention Center										
Occupancy rate	61%	61%	57%	51%	57%	56%	54%	60%	57%	57%
Total attendance	697,867	755,497	643,753	661,461	749,691	767,803	777,446	963,364	786,790	749,760
Health										
Number of three-year old screenings conducted by the schools	828	989	1,082	1,118	1,096	1,251	1,758	1,483	1,483	1,490
Percent of homicide deaths in Minneapolis, ages 0-24	10	14	5	17	20	11	12	7	24	NAP
Percent of one and two year olds tested for lead	71%	74%	66%	71%	56%	61%	66%	72%	63%	66%
Number of children under age 6 with elevated lead levels	282	217	170	161	76	120	50	253	218	192
Public Safety										
Coordinator - 311 - 911										
911 answer time, seconds	7.90	7.10	6.23	5.98	6.15	7.33	10.43	6.76	NAP	NAP
911 calls answered within 15 seconds	NA	NA	NA	NA	NA	NA	NA	NA	NA	96%
911 calls answered within 40 seconds	NA	NA	NA	NA	NA	NA	NA	NA	NA	99%
911 pending time to dispatch, high priority calls, minutes	3.17	1.82	1.24	1.14	1.16	1.34	0.07	2.05	NAP	0.11
Percent of 311 calls answered in 20 seconds or less	74%	80%	82%	71%	66%	72%	63%	64%	79%	79%
Percent of 311 calls resolved at first call	76%	80%	83%	83%	83%	82%	82%	83%	80%	83%
Attorney - Criminal Prosecution										
Number of chronic offenders convicted	130	145	136	134	127	133	139	130	99	155
Domestic violence conviction rate	54%	61%	66%	70%	70%	72%	64%	69%	68%	68%
Prosecution caseload	27,377	32,076	30,467	28,352	24,509	25,731	24,092	20,391	18,505	17,289
Fire										
Number of emergency responses	34,019	34,146	32,165	33,561	35,204	37,011	38,137	40,662	41,343	49,898
Number of fires extinguished (all non-EMS runs prior to 2002)	1,859	1,489	1,401	1,373	1,348	1,347	1,210	1,154	1,272	1,277
Number of hazmat, false alarms, and other non-EMS/ fire runs	9,961	10,165	9,403	10,410	9,818	10,071	11,108	27,619	11,432	13,810
Number of inspections	4,821	7,337	10,447	10,298	7,763	2,992	3,083	921	3,529	3,762
Percent of time response is five minutes or less	83.0%	86.5%	86.1%	84.0%	81.8%	81.0%	82.8%	92.0%	79.8%	76.6%
Lives lost due to fires	2	6	2	13	5	3	2	10	8	2
Civilian injuries due to fire	21	21	15	29	33	33	27	33	24	16

Schedule 17
 City of Minneapolis
 Operating Indicators by Function/Program - Last 10 Fiscal Years
 December 31, 2016

Function/Description	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Public Safety - Continued										
Police										
Number of major crimes	28,498	25,898	22,469	22,646	23,114	23,532	23,726	23,496	22,000	22,369
Number of livability crimes	38,213	35,206	33,325	32,219	29,343	28,771	30,808	28,587	33,127	25,992
Number of violent crimes (subset of major crimes)	5,661	4,884	4,318	4,093	3,668	3,950	4,094	4,142	4,458	4,639
Number of guns seized	1,087	1,002	929	867	637	792	666	692	685	630
Community Planning and Economic Development - Building permits										
Permits issued	10,787	11,022	12,200	13,249	17,178	12,864	12,100	11,796	15,127	12,651
Estimated value, in millions \$	761	773	778	548	753	1,118	1,212	2,001	1,389	1,758
Public Works										
Refuse Collection										
Refuse collected, tons	130,583	125,423	122,453	121,589	120,246	114,797	115,293	114,964	115,522	113,190
Compostable material collected, tons	15,696	19,523	19,076	15,875	16,116	16,967	18,635	17,577	20,160	21,015
Non-recyclable construction material collected, tons	7,462	6,125	6,661	6,154	5,961	5,493	4,479	5,213	5,112	5,089
Recyclables, tons	24,010	22,848	21,759	20,592	19,683	19,927	26,585	28,583	28,065	29,560
Percent of solid waste stream recycled, by weight	18.4%	18.2%	17.8%	16.9%	16.4%	17.4%	23.3%	25.0%	25.3%	26.3%
Water										
Average daily production, thousands of gallons	61,049	58,677	58,630	54,227	54,611	54,986	54,186	53,881	52,546	54,383
Sewer										
Number of sanitary sewer backups	22	10	16	15	24	12	8	11	15	4
Streets										
Safety and ride-ability pavement condition index (PCI), average of all City streets	73	73	73	70	71	72	71	69	69	69
Number of traffic crashes	6,170	5,640	5,923	6,177	6,127	5,894	6,144	6,425	6,700	NA
Number of injuries in traffic crashes	2,383	2,171	2,103	1,886	2,027	1,935	2,351	2,389	2,700	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, 2016

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Primary Government										
Public Safety:										
Police stations	5	5	5	5	5	5	5	5	5	5
Patrol units	222	215	203	192	189	177	189	176	195	201
Unmarked, trucks, trailers, scooters, motorcycles	299	299	286	225	219	255	261	244	221	203
Fire Stations	19	19	19	19	19	19	19	19	19	19
Fire Trucks/Pumpers/Ladders/Engines/Cars	116	123	129	115	110	109	118	114	110	76
Regulatory Services Fleet	130	150	127	165	175	159	96	97	101	114
Public Works:										
Refuse collection trucks, heavy equipment, dumpsters	135	135	144	144	144	144	144	124	156	140
Streets (miles)	896	896	896	896	896	896	896	896	903	903
Alleys (miles)	380	380	380	380	380	380	380	380	380	380
Sidewalks (miles)	2,000	2,000	2,000	1,715	1,715	1,715	1,715	1,715	1,715	1,715
Streetlights	18,500	19,000	19,000	19,000	19,000	19,000	19,000	19,000	19,000	19,000
Traffic signals	916	916	916	916	916	916	916	916	916	916
Buildings/Plants/Garages	31	31	31	31	32	32	33	33	33	33
Equipment, cars, trucks, tractors, vans	1,448	1,436	1,471	1,141	1,155	1,028	1,046	1,137	1,395	1,260
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
Business-type Activities										
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	180,000	147,000	147,000
Buildings	13	13	13	13	13	13	13	14	14	14
Reservoirs	3	3	3	3	3	3	3	3	3	3
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	522	581	581	581	581	581	581
Stormwater Pump Stations	26	26	25	25	25	25	25	23	23	23
Stormwater Ponds and Treatment Sites	3	3	3	3	18	18	18	27	27	29
Number of parking ramps	15	14	14	14	14	14	14	14	14	14

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

(UNAUDITED)



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