

CITY OF MINNEAPOLIS

Overview of 2015 Comprehensive Annual Financial Report (CAFR)

Finance & Property Services
Presentation to the
Ways & Means Committee
July 18, 2016

PURPOSE OF THE PRESENTATION

- To provide an overview of how the CAFR is organized and a guide to the information that is available to you as a user of the report
and
- To help you understand what a valuable tool the CAFR can be in helping both City officials and investors to make sound and informed financial decisions.

INTRODUCTION TO THE CAFR

- Is a thorough, detailed presentation of the City's financial position and activities for the year.
 - Can be compared to a public company's annual report
- Prepared using generally accepted accounting principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB)
 - Consistency and comparability
 - GASB 34 reporting standards – 2003; 48 new standards since
- Provides an independently audited accounting of the financial condition of the City:
 - Office of the State Auditor
 - Received an unmodified opinion, highest obtainable

INTRODUCTION TO THE CAFR (cont'd.)

- Awarded the Certificate of Achievement for Excellence in Financial Reporting by the GFOA:
 - Received for 42 years
 - Expect to receive for 2015
- Importance and value
 - Used internally to report on financial condition to City's executive management and Council
 - Used to inform constituency and public on how the City is managing its tax revenues and the programs it is spending them on.
 - Published on City's web site and linked to OpenGov portal
 - Used to inform those who "invest" in or are interested in investing in the City:
 - Bondholders/Bond rating agencies/SEC
 - Federal/State and County funding agencies
 - Regulatory bodies

INTRODUCTION TO THE CAFR (cont'd.)

- **Introductory Section (pages iv-xii)**
 - *Transmittal Letter*
 - Organization Chart/Mayor and Council
 - Certificate of Achievement
- **Financial Section (pages 1 – 148)**
 - Independent Auditor's Report
 - *Management's Discussion and Analysis (MD&A)*
 - *Basic Financial Statements*
 - Government-Wide financial Statements
 - Fund Financial Statements
 - Notes to the Financial Statements
 - Required Supplementary Information
 - Other Supplementary Information
- ***Statistical Section (pages 149 – 171)***
 - Mostly trend data and nonfinancial information
 - Useful in assessing the City's financial condition

TRANSMITTAL LETTER

- Annual communication from City management to the readers of the CAFR.
- Includes an overview of the City's stewardship and accountability and the need for a comprehensive framework of internal controls.
- Provides a profile of the City and its services.
- Describes the Reporting Entity which includes all funds of the City ("primary government") and its component units – separate legal entities that are an essential part of the City's reporting structure.
- Highlights certain financial policies and debt management practices that have earned the City its high bond ratings.
- Finishes with awards and acknowledgements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

- Provides an executive summary of the CAFR.
- Is designed to be an *objective* and *easily readable analysis* of the City's financial activities.
- Should be read in conjunction with transmittal letter and basic financial statements.
- Begins with financial highlights followed by a general overview of the financial statements.
- Includes comparative financial analysis at the government-wide level and of individual funds with budgetary highlights.
- Ends with summary information on capital assets and debt administration, historical and long-term financial planning, and an overview of economic factors along with information relating to next year's operating and capital budgets.

BASIC FINANCIAL STATEMENTS



GOVERNMENT-WIDE FINANCIAL STATEMENTS

- Offers a vision of the City as a single, integrated financial reporting unit.
- Designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business:
 - Consolidated financial statements with elimination of interfund balances and activity including interfund allocations of overhead and other indirect costs;
 - Full accrual basis of accounting;
 - Presentation of all assets and liabilities: capital assets, infrastructure, long-term debt.
- Facilitates assessment of *operational* accountability as well as *fiscal* accountability.
- Two basic government-wide statements:
 - Statement of Net Position [Balance Sheet]
 - Statement of Activities [Operating Statement]

GOVERNMENT-WIDE FINANCIAL STATEMENTS (cont'd.)

- Reporting structure on government-wide basis:
 - “Primary government”
 - Governmental Activities
 - Business-type Activities
 - Component Units
 - Legally separate entities *and*
 - Provide services almost entirely to the City [blended]
ex: Board of Estimate and Taxation (BET)
 - or*
 - City is financially accountable *and* able to impose its will on the organization [*discreetly presented*]
ex: Minneapolis Park and Recreation Board (Park Board);
Municipal Building Commission (MBC); Meet Minneapolis;
Minneapolis Telecommunications Network

STATEMENT OF NET POSITION

- Statement on City's financial position at a point in time.
- Presents information on all of the City's assets and liabilities, with the difference between the two reported as *net position*
- New terminology: *Deferred outflows* and *Inflow of Resources*
- Net position presented in three categories:
 - Net investment in capital assets
 - Restricted
 - Unrestricted
- Total assets of the City exceeded total liabilities at the close of 2015 by \$1.882 billion (*net position*); however, *unrestricted* net position of \$(67.8) million due to implementation of GASB 68 – *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*

STATEMENT OF NET POSITION (cont'd.)

Statement of Net Position December 31, 2015, and 2014						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 812,619	\$ 803,521	\$ 257,137	\$ 258,951	\$ 1,069,756	\$ 1,062,472
Capital assets	1,220,725	1,196,132	992,176	991,705	2,212,901	2,187,837
Total assets	<u>\$ 2,033,344</u>	<u>\$ 1,999,653</u>	<u>\$ 1,249,313</u>	<u>\$ 1,250,656</u>	<u>\$ 3,282,657</u>	<u>\$ 3,250,309</u>
Deferred outflows of resources	\$ 235,651	\$ -	\$ 40,164	\$ -	\$ 275,815	\$ -
Current and other liabilities	\$ 161,453	\$ 163,878	\$ 45,854	\$ 47,697	\$ 207,307	\$ 211,575
Long-term liabilities	1,050,910	557,447	346,209	307,206	1,397,119	864,653
Total liabilities	<u>\$ 1,212,363</u>	<u>\$ 721,325</u>	<u>\$ 392,063</u>	<u>\$ 354,903</u>	<u>\$ 1,604,426</u>	<u>\$ 1,076,228</u>
Deferred inflows of resources	\$ 66,206	\$ -	\$ 5,449	\$ -	\$ 71,655	\$ -
Net position						
Net investment in capital assets	\$ 968,927	\$ 890,622	\$ 778,150	\$ 760,038	\$ 1,747,077	\$ 1,650,660
Restricted net position	168,304	195,322	34,856	34,457	203,160	229,779
Unrestricted net position	(146,805)	192,384	78,959	101,258	(67,846)	293,642
Total net position, as reported	<u>\$ 990,426</u>	<u>\$ 1,278,328</u>	<u>\$ 891,965</u>	<u>\$ 895,753</u>	<u>\$ 1,882,391</u>	<u>\$ 2,174,081</u>
Restatement		(316,609)		(28,073)		(344,682)
Total net position, as restated		<u>\$ 961,719</u>		<u>\$ 867,680</u>		<u>\$ 1,829,399</u>

STATEMENT OF ACTIVITIES

- Presents information on how the City's net assets changed during the year.
- Because state and local government entities are interested primarily in providing services, the statement focuses on the cost or *expense* of doing so:

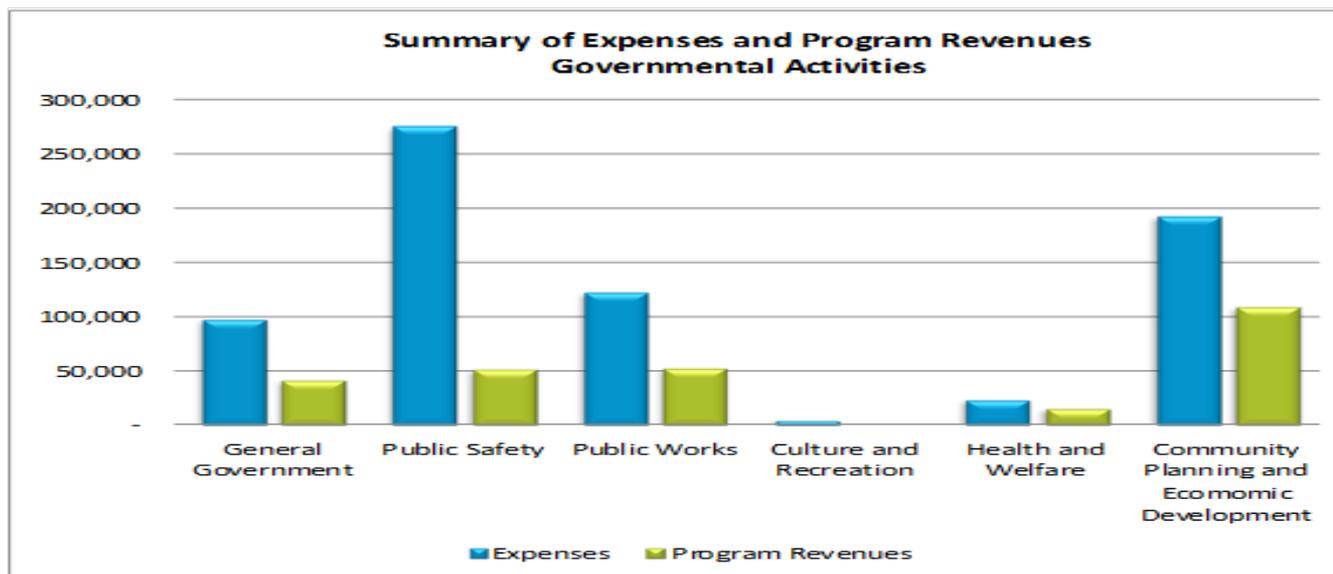
Program expenses – Program revenues =

Net (Expense) Revenue by Program Activity

- Information is presented by program activity in a format that allows the reader to see the amount of general revenues needed to support the program activities, if any

STATEMENT OF ACTIVITIES (cont'd.)

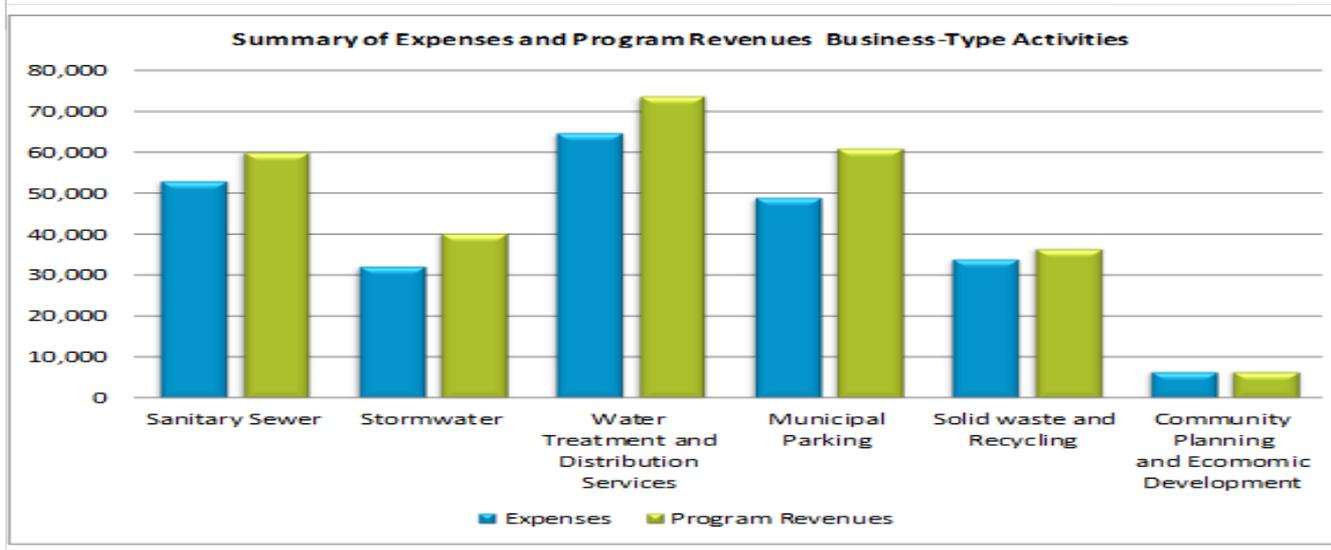
Functions/Programs	Summary of expenses and program revenues - Governmental Activities For the Year ended December 31, 2015		
	Expenses	Program Revenues	Net (Expense) Revenue by Program
General government	\$ 97,652	\$ 41,876	\$ (55,776)
Public safety	275,495	51,788	(223,707)
Public works	122,472	52,730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



STATEMENT OF ACTIVITIES (cont'd.)

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

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



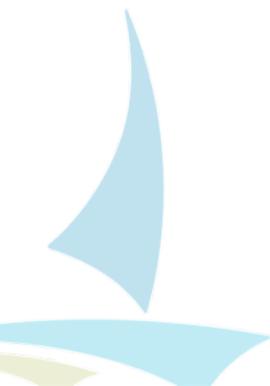
FUND FINANCIAL STATEMENTS and NOTES

- Fund Financial Statements

- Reflects information by fund or fund type
 - Governmental Funds
 - Proprietary Funds
 - Fiduciary Funds
- Combining statements for Discrete Component Units
- Provides accounting information for major funds in each fund type and the discrete component units.

- Notes to the Financial Statements

- Provide additional information essential to a full understanding of the information provided in the government-wide financial statements.



OTHER FINANCIAL SECTION INFORMATION

- Provides accounting and budgetary information to help ensure and demonstrate finance-related legal and budgetary compliance.
- Required Supplementary Information Other Than MD&A
 - Budgetary information for major governmental funds.
 - Other required schedules and notes – primarily related to pension plans.
- Other Supplementary Information
 - Non-major funds combining and individual fund statements including budgetary schedules.
 - Schedules of bonds and notes for governmental and business-type activities.
 - Schedule of intergovernmental revenue.
 - Schedule of Expenditures of Federal Awards.
 - MBC Financial Statements.

OTHER RELATED INFORMATION

- Statistical Section highlights
- Office of the State Auditor's separately issued audit of the City's General Agency Reserve Fund System (GARFS) [Common Bond Fund]
- Office of the State Auditor's 2015 Management and Compliance Report for the City and MBC
 - Change in single-audit requirements
 - New: Uniform Grant Guidance
 - Schedule of Findings and Questioned Costs