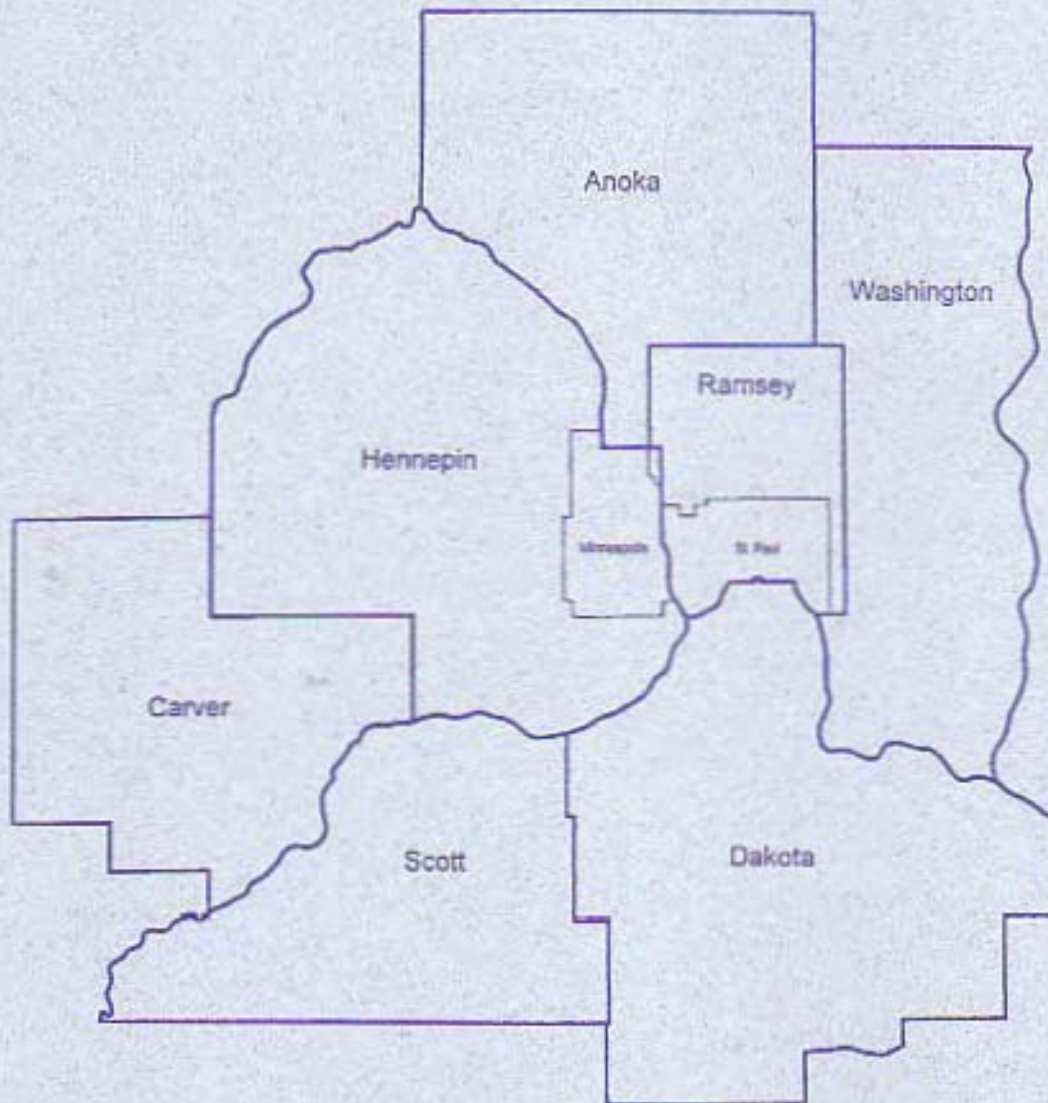
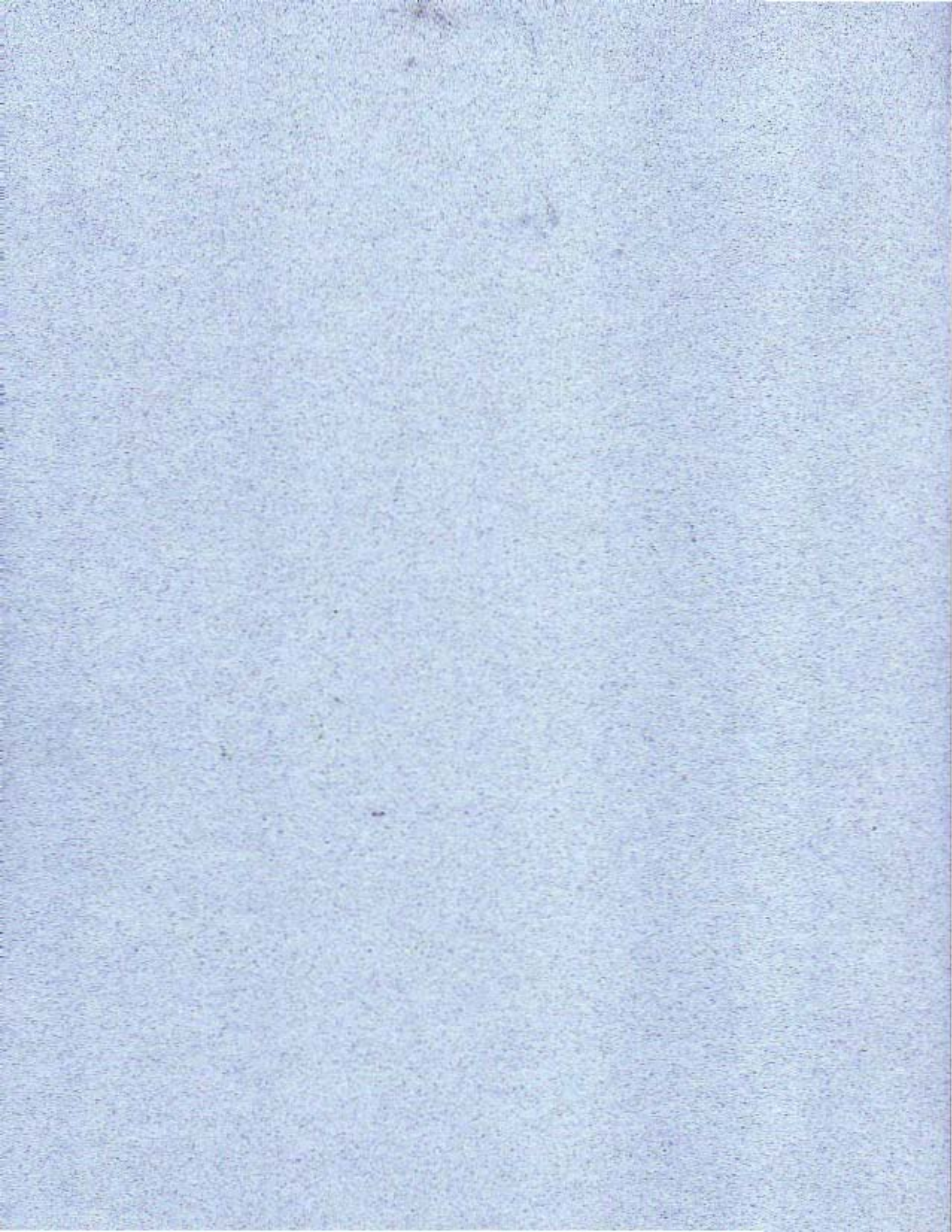


Metropolitan Council

# Comprehensive Annual Financial Report

Year Ended December 31, 2005





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**METROPOLITAN COUNCIL**  
OF THE TWIN CITIES AREA  
MINNESOTA

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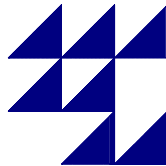
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

FISCAL YEAR ENDED DECEMBER 31, 2005

**A COMPONENT UNIT OF THE STATE OF MINNESOTA**

Prepared by the Finance Unit

Issued June 2006



METROPOLITAN COUNCIL  
390 North Robert Street, St. Paul, Minnesota 55101



**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
OF THE METROPOLITAN COUNCIL  
A COMPONENT UNIT OF THE STATE OF MINNESOTA  
FOR THE YEAR ENDING DECEMBER 31, 2005**

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# **INTRODUCTORY SECTION**





May 31, 2006

Mr. Peter Bell, Chair  
And Members of the Metropolitan Council  
390 Robert Street North  
St. Paul, MN 55101

Dear Chair Bell and Council Members,

In accordance with state statutes, we hereby submit the Comprehensive Annual Financial Report of the Metropolitan Council for the fiscal year ended December 31, 2005. This report includes the financial statements for the Council and the disclosures necessary to accurately present the financial condition and results of operations for the year then ended. The report has been prepared in accordance with generally accepted accounting principles (GAAP) for government units.

This report consists of management's representations concerning the finances of the Metropolitan Council. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these presentations, management of the Metropolitan Council has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the Metropolitan Council's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Metropolitan Council's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects and is presented in conformity with GAAP.

The Office of the State Auditor, State of Minnesota has audited the Metropolitan Council's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Council, for fiscal year ended December 31, 2005, are free of misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there is a reasonable basis for rendering an unqualified opinion that the Council's financial statements, for the fiscal year ended December 31, 2005, are fairly presented in conformity to GAAP. The independent auditor's report is presented as the first component of the basic financial section of this report.

The independent audit of the financial statements of the Metropolitan Council was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and requirements involving the administration of federal awards. These reports are available in the Metropolitan Council's separately issued Management and Compliance Report.

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

## **Profile of the Government**

Created by the Minnesota Legislature in 1967, the Metropolitan Council, a component unit of the State of Minnesota, is the regional planning agency serving the Twin Cities seven-county metropolitan area. The area over which the Council has responsibility includes the counties of Anoka, Carver, Dakota (excluding the city of Northfield), Hennepin (excluding the cities of Hanover and Rockford), Ramsey, Scott (excluding the city of New Prague), and Washington. The area includes 189 cities and townships and has a population of 2.6 million people. The Council is composed of sixteen members who each represent a geographic district and one chairperson who serves at large. Each is appointed by and serves at the pleasure of the governor. The State Senate confirms Council member and chairperson appointments.

The Metropolitan Council is responsible for planning and coordinating development cooperatively with the region's citizens and communities. The Council forecasts the region's growth, establishes regional policies and provides regional planning for land use, housing, transportation, wastewater services, aviation and parks. In addition to planning and overseeing growth and development, the Council is responsible for vital regional services including: collection and treatment of wastewater, operating the regional transit system and providing affordable housing opportunities to low and moderate income families. The Metropolitan Radio Board and the Metropolitan Sports Facilities Commission are component units of the Council due to fiscal dependence, and are reported separately within Metropolitan Council's financial statements. The Metropolitan Radio Board ceased operations on June 30, 2005. Additional information on these two legally separate entities can be found in Note I.A.2 in the notes to the financial statements.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for the General Fund, all budgeted Special Revenue funds and the Metro Transit enterprise fund. The budget for the Environmental Services enterprise fund is prepared in conformity with the "cost allocation" system described in Minnesota Statute 473.517. Under this system, annual revenues are budgeted to equal annual expenses. Variances in revenues are accumulated for working capital, which is limited to five percent of operating expenses. Variances in expenses are accumulated for contingency reserves. All annual appropriations lapse at year end. Budgets are prepared in May and are reviewed by the Council committees in June and July. The preliminary budget is approved by the Council in August. Public hearings are held in December and the final budget is approved at the end of December. Budgets to actual comparisons are presented in this report for each governmental fund for which an annual budget has been prepared. For the General Fund and the major special revenue funds, these comparisons are included in the Required Supplementary Information section. The budgets to actual comparisons for the non-major governmental funds are presented in the Combining and Individual Fund Statement and Schedules section.

Budgets are prepared at the division, and fund level. Budgetary controls are at the fund level within division. Council divisions have the authority to reallocate budgets within a fund. Transfers of authority across funds or divisions must be approved by the Council. Results of operations are reported against approved budget.

## **Factors Affecting Financial Condition**

**Local Economy.** Gross Metro Product reached \$162 billion in 2004, and the region ranked 14th among the largest metro economies in the nation, as reported by Moody's economy.com. Per capita income rose to \$40,915 in 2004. Over the year, per capita income outpaced the national rate of growth and jumped by 5.4 percent. Jobs increased by 0.9 percent from December 2004 to 2005. The unemployment rate of 3.7 percent remained well below the national rate of 5.1 percent in 2005. Home building and buying slowed following several years of gains.

Employment gains moderated in 2005. Employers added 15,700 more jobs from December of 2004 to 2005. During the first three months of 2006, jobs expanded by 3,100 from the previous quarter after seasonal adjustment

Jobs increased fastest in the leisure and hospitality sector, education and health care sector, and government. Leisure and hospitality, education and health care contributed over two-thirds of total job gains from December 2004 to 2005. Leisure and hospitality jobs climbed by 3.7 percent over the year; government employment, 2.9 percent; private education and health care by 2.3 percent. The information sector and construction cut jobs and lagged furthest behind other sectors.

The unemployment rate in the seven-county metro area ticked slightly upward to 4.1 percent during the first three months of 2006.

Home building and buying slowed during 2005 and into early 2006. The number of residential building permits dropped by 19.3 percent between 2004 and 2005. Home sales declined by 1.6 percent over the year, and sales in March 2006 slid by 2.2 percent compared to last year. The median sales price increased to \$225,000 in March. Housing price appreciation has slowed significantly following the market adjustment early in the decade. As mortgage interest rates headed upward, 62 percent of homes for sale were considered affordable to a median-income family in the fourth quarter of 2005.

By the close of 2005, demand for industrial space bounced back and pushed down vacancy rates, according to Colliers Turley Martin Tucker. The market for office buildings improved, and the amount of occupied space increased. Residential growth continued to support strong retail development and drive down already low vacancy rates.

**Goals and Objectives.** The Twin Cities region enjoys a widely acclaimed quality of life because of its broad-based economy, well-prepared work force, affordable housing, mobility and transportation options, strong neighborhoods and revitalized downtowns. The challenge is to maintain and enhance the region's quality of life and economic competitiveness as the region grows—an estimated one million more people in the seven-county metropolitan area by 2030. Goals of providing choices, protecting the environment, growing the economy, creating efficiencies, promoting regional cooperation and collaboration and improving livability—provide the framework for future growth and development.

The Council invests regional, state and federal funds to promote affordable housing, job growth, livable communities, regional parks and transportation options, as well as to protect the environment.

## **Regional growth strategy**

In 2003 and early 2004, the Council, with broad community and public input, developed and adopted The 2030 Regional Development Framework, a regional plan to accommodate future growth in the Twin Cities region. This comprehensive strategy reflects the Council's commitment to working with communities in a collaborative and flexible manner, elevates transportation among regional priorities, emphasizes market-based development, focuses on the Council's core mission of promoting efficiencies and includes specific benchmarks for measuring progress. The Council's strategies are organized around four policies:

- Work with local communities to accommodate growth in a flexible, connected and efficient manner
- Plan and invest in multi-modal transportation choices, based on the full range of costs and benefits, to slow the growth in congestion and serve the region's economic needs
- Encourage expanded choices in housing location and types, and improved access to jobs and opportunities
- Work with local and regional partners to reclaim, conserve, protect and enhance the region's vital natural resources.

The Framework recognizes that different communities have different opportunities, needs and aspirations. But it also reflects the belief that communities have a shared responsibility to help accommodate the region's growth in a sensible, cost-effective manner.

## **Delivering high-performance regional services**

**Transit**— The Council operates the region's largest transit service, Metro Transit, which provides roughly 90 percent of the 73 million bus trips taken annually in the Twin Cities. Each weekday, customers board Metro Transit buses an average of 214,000 times. Metro Transit provides 118 bus routes including local, express and contract service routes and operates approximately 698 peak vehicles and an overall fleet of approximately 911 buses.

In 2004, Metro Transit experienced a work stoppage that ceased bus operations for 45 days. Ridership continued to rebound in 2005 with ridership expected to return to pre-work stoppage levels by July 2006. Year end 2005 Ridership was 61.8 million with 2006 budgeted ridership at 63.5 million, a 2.7% ridership increase. Because 80 percent of Metro Transit trips are work related, ridership rises and falls in close concert with the economy.

The Council began full alignment operation of the region's first light rail transit line in December 2004 between downtown Minneapolis to the MSP Airport and Mall of America. Ridership in 2005 reached 7.9 million rides in comparison to a budget of 5.1 million rides, a 53.8% increase, with ridership budgeted to remain strong in 2006. Metro Transit now offers 46 bus routes with connecting service and timed transfers at 17 light rail stations.

The Council's Metropolitan Transportation Services Division provides additional transit services to the region through approximately forty direct service contracts and other coordinating arrangements supporting five major programs: Metro Mobility/ADA, contracted regular route, community-based programs, VanGo!, and opt-out transit systems.

In 2005, Metro Mobility/ADA provided 1.3 million rides representing a 4.3% decrease from 2004 due to fare increases and adjustments in program eligibility. Opt-outs, communities selecting to manage their own transit services, and contracted regular-route systems grew by 10.7% and 18.0% respectively. Community-based services are, for the most part, demand-responsive operations that are locally initiated and managed programs. The VanGo! Program provides vanpools in areas and at times that are not served by traditional transit. In 2005, this program grew to 60 vans, providing 140,000 commuter trips.

The 2006 Authorized Capital Budget for transit is \$109.4 million including \$3.1 million to complete the Hiawatha Corridor Light Rail Project, \$8.3 million for transitway projects, and \$97.8 million for preservation and expansion capital projects for both bus and rail components of the transit system.

**Wastewater collection and treatment**— The Council collects and treats about ninety to one hundred billion gallons of wastewater annually from 104 communities in the region at nationally competitive rates while maintaining near-perfect compliance with environmental permits. The 2005 budget included revenue from municipal wastewater charges of only \$138.5 million, compared to \$139.8 million in 1996 - 10 years earlier. Customer satisfaction remained high.

In 2005, all eight MCES plants received “Peak Performance Awards” from the National Association of Clean Water Agencies for 2004 results. The Blue Lake plant received a prestigious “Excellence in Operation and Maintenance Award” from the U.S. Environmental Protection Agency – it ranked second best in the nation for large advanced facilities. Six of the plants also received commendations from the Minnesota Pollution Control Agency.

Capital projects support regional goals of accommodating growth and protecting the environment while maintaining cost-effective infrastructure. In 2005, the recently completed solids management and incineration building at the Metro plant exceeded performance expectations – there has been a 90% reduction in air emissions when compared with the previous incineration facility. It also uses 80% less natural gas and saves the region about \$3 million/year in energy costs. This successful startup leads the list of capital project accomplishments. Also at the Metro plant, a new disinfection facility was completed. This facility will no longer use gaseous chlorine, eliminating a large safety risk. In addition, construction continued on expansion of the Empire Plant and construction of a new outfall pipe to the Mississippi River in Rosemount, with full completion scheduled for 2006. In the interceptor system, major construction was completed on the South Washington County interceptor (serving Woodbury and Cottage Grove), continued on the Elm Creek Interceptor (serving Medina, Corcoran, Dayton and Hassan) and construction begun on the Rosemount Interceptor and one to serve Elko-New Market.

A new in 2005 “firm flow” cost allocation system – based on known flows from a year prior - reduced municipal charge uncertainty for both the Council and it’s wastewater customers. In addition, the wastewater fund realized a \$7.2 million operating surplus and restored the operating reserve to a level greater than the target - 10% of operating expenses.

**Housing**—An adequate supply of affordable housing for the region’s workforce is essential for economic vitality. The Council supports affordable housing in the region through various programs and initiatives. The Council provides housing choice vouchers through its housing and redevelopment authority to an estimated 5,900 low-income seniors, disabled individuals, families and singles. Eligible households pay only 30 to 40 percent of their income for housing. Through its Family Affordable Housing Program, the Council operates 150 housing units (single-family, townhouses and duplexes) in 11 cities in suburban Anoka, Ramsey and Hennepin Counties for rent to low-income families. The Council also assists approximately 900 additional households through eight small federal, state, and local tenant based rent assistance programs.

Working in partnership with cities, counties and municipal development authorities, the Council, through its Livable Communities Programs, provides grants to projects that (1) clean up contaminated land for redevelopment, (2) promote efficient, connected development, and (3) support the development and preservation of affordable and lifecycle housing. Currently, 106 metropolitan area communities are participating in the voluntary Livable Communities Act Local Housing Incentives program.

**Financial**—The Metropolitan Council's original adopted 2006 budget for operations, pass-through expenditures and debt service was \$647 million representing a 2.9% increase from \$628 million adopted for 2005. Early in 2006, the budget was revised to \$648 million. Property tax levies certified for collection in 2006 total \$71.4 million, an increase of 1.0 percent from 2005. Approximately 44 percent of the Council's total property tax levy supports transit debt service. The Council also levied a one-year, \$8.4 million tax levy payable in 2006 to repay short-term tax anticipation certificates issued to supplement state motor vehicle sales tax (MVST) revenues that fell below forecast. The certificate debt service represents 12 percent of the total property levy. Of the remainder, 18 percent is for purposes specified in the Livable Communities Act, 12 percent supports parks, solid waste, and radio program debt service, and 14 percent supports the general operations of the Council.

The 2001 legislature changed transit operations funding from a regional property tax to the state motor vehicle sales tax (MVST). For state fiscal year 2005/2006, the state appropriated 21.5 percent of MVST revenues for metropolitan area transit needs. To manage historic fluctuations in this revenue source, the Council generally budgets an average of 97% of MVST revenue forecasts and sets aside 3% in the event that actual revenues fall below projections.

**Cash management policies and practices.** The Council operates one core bank account at one primary bank. This arrangement meets the majority of the Council's cash management needs. Several other bank accounts are utilized for minor but specialized business cash flows. Cash is invested to the date of expected expenditures. The Council's investment portfolio had a fair value of \$415 million on December 31, 2005. The average yield was 4.8%, modified duration 3.7 years, and effective duration 1.97 years.

The Council investment holdings of specific issuers represent more than 5% of total cash and investments. These holdings include: (a) Federal Home Loan Bank, (b) Federal Home Loan Mortgage Corporation, (c) an escrowed repurchase agreement which is fully collateralized, and (d) demand deposit accounts. Approximately 38% percent of the Council's taxable portfolio was invested in commercial paper, but individual holdings constituted less than 5% in any one issuer.

**Risk management.** The Council is self-insured for auto liability and physical damage, directors and officers error and omissions, police liability (for transit police), employment practices, general liability for Metro Transit and Regional Administration premises, workers' compensation and pollution liability. A General Fund designation of \$1 million has been established for errors and omissions.

The Council purchases property insurance, commercial crime and limited general liability policies. The limited general liability policy covers third-party liability for bodily injury and property damage at Environmental Services premises, Metro Transit hubs, bus shelters and park and ride facilities. Additional information on the Metropolitan Council's Risk Management can be found in Note V.A in the notes to the financial statements.

**Pension and other postemployment benefits.** Metropolitan Council employees are covered by one of two Minnesota State Retirement Systems (MSRS) retirement plans. The Council has no obligation in connection with employee benefits offered through this plan beyond its monthly contributions to the plan.

The Council also provides certain healthcare, life insurance and other benefits for certain retirees as negotiated in labor contracts. Metro Transit employees employed prior to April, 2004 become eligible for certain healthcare and life insurance benefits if they reach normal retirement age and meet certain eligibility requirements while working for Metro Transit. Environmental Services employees, employed prior to December, 1996 become eligible for certain post retirement health benefits if they meet certain eligibility requirements. GAAP do not require governments to report a liability in the financial statements in connection with an employer's obligation to provide these benefits.

Additional information on the Council's retirement plans and post-employment benefits can be found in Notes V.B and V.C in the notes to the financial statements.



## Awards and Acknowledgements

The Government Finance Officers Association (GFOA) of the United States and Canada awarded the Certificate of Achievement for Excellence in Financial Reporting to the Metropolitan Council for its comprehensive annual financial report (CAFR) for the fiscal year ended December 31, 2004. This was the twenty-second consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for one year only. We believe our current report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

This report is prepared with the professional and dedicated services of the Finance Staff. Support from the entire staff is required to produce the report in a timely manner. Staff in many other departments of the Metropolitan Council and component units also provided data. I want to express my appreciation for the dedication of the staff members for their contribution in preparation of this report.

Respectfully,

A handwritten signature in black ink, appearing to read "Beth Widstrom-Anderson", with a long horizontal flourish extending to the right.

Beth Widstrom-Anderson  
Chief Financial Officer

# Certificate of Achievement for Excellence in Financial Reporting

Presented to  
Metropolitan Council  
of the Twin Cities Area,  
Minnesota

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 2004

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



*Carla E. Fudge*

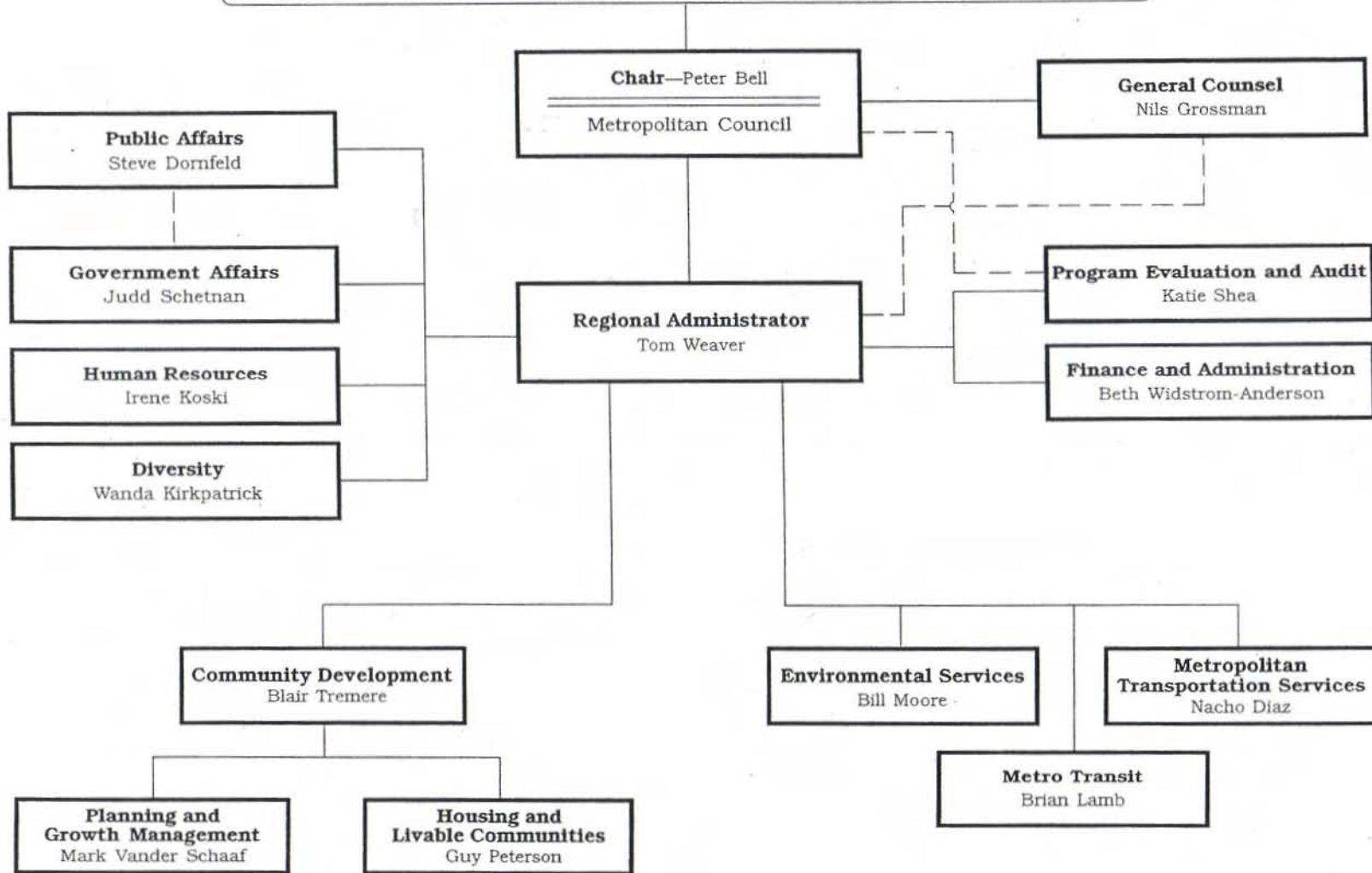
President

*Jeffrey R. Emer*

Executive Director

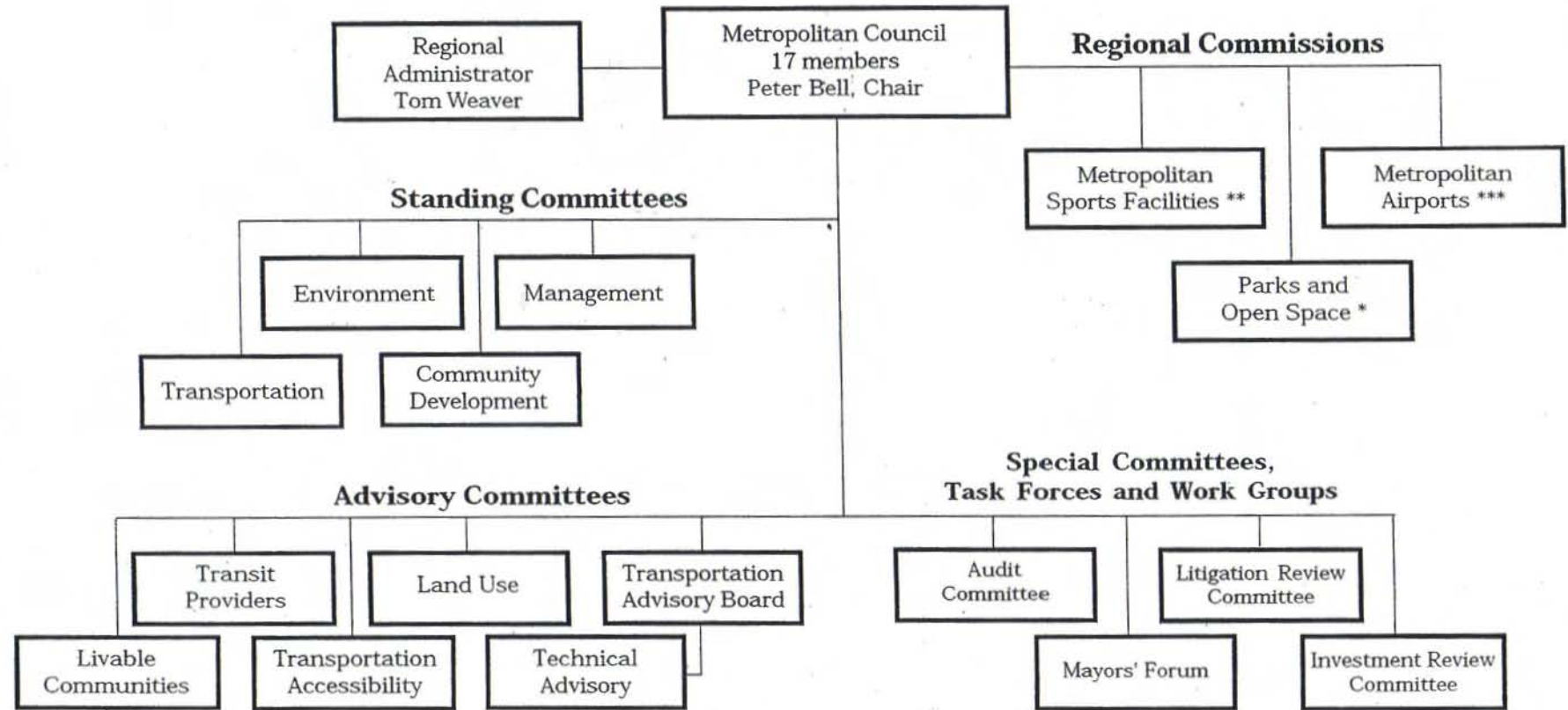


**METROPOLITAN COUNCIL**



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# Metropolitan Council Policymaking Structure



\* Staff support provided to Commission by Metropolitan Council.

\*\* The Metropolitan Council has budget approval and issues bonds for the commission.

\*\*\* The Metropolitan Council reviews the capital budget and approves certain projects.

XV

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**COUNCIL  
MEMBERS:**

	Term of Office	
	First Appointed	End of Term
<b>Chair -</b>		
Peter Bell	Jan. 8, 2003	Indefinite
<b>District Members -</b>		
District No. 1 - Roger Scherer	March 10, 2003	Jan. 1, 2007
District No. 2 - Tony Pistilli	March 19, 2003	Jan. 1, 2007
District No. 3 - Mary Hill Smith	Jan 4, 1993	Jan. 1, 2007
District No. 4 - Julius C. Smith	July 31, 1993	Jan. 1, 2007
District No. 5 - Russ Susag	March 10, 2003	Jan. 1, 2007
District No. 6 - Peggy Leppik	March 10, 2003	Jan. 1, 2007
District No. 7 - Annette Meeks	March 10, 2003	Jan. 1, 2007
District No. 8 - Lynette Wittsack	March 10, 2003	Jan. 1, 2007
District No. 9 - Natalie Haas Steffen	April 19, 1999	Jan. 1, 2007
District No. 10 - Kris Sanda	Oct. 26, 2005	Jan. 1, 2007
District No. 11 - Georgeanne Hilker	Sept. 11, 2003	Jan. 1, 2007
District No. 12 - Chris Georgacas	March 10, 2003	Jan. 1, 2007
District No. 13 - Richard Aguilar	March 10, 2003	Jan. 1, 2007
District No. 14 - Song Lo Fawcett	March 10, 2003	Jan. 1, 2007
District No. 15 - Daniel Wolter	March 9, 2005	Jan. 1, 2007
District No. 16 - Brian McDaniel	Sept. 11, 2003	Jan. 1, 2007

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# METROPOLITAN COUNCIL

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## *OFFICERS*

Peter Bell, appointed	Chair
Chris Georgacas	1 <sup>st</sup> Vice-Chair
Peggy Leppik	2 <sup>nd</sup> Vice-Chair
Roger Scherer	Treasurer
Mary Hill Smith	Secretary

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## *FINANCIAL ADMINISTRATIVE OFFICIALS*

Tom Weaver	Regional Administrator
Beth Widstrom-Anderson	Chief Financial Officer

**FINANCIAL SECTION**







PATRICIA ANDERSON  
STATE AUDITOR

# STATE OF MINNESOTA

## OFFICE OF THE STATE AUDITOR

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

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

### INDEPENDENT AUDITOR'S REPORT

Metropolitan Council of the Twin Cities Area  
Saint Paul, Minnesota

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Metropolitan Council of the Twin Cities Area, a component unit of the State of Minnesota, as of and for the year ended December 31, 2005, which collectively comprise the Council's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Metropolitan Council's management. Our responsibility is to express opinions on these financial statements based on our audit. The financial statements include the activities of the Metropolitan Radio Board as of and for the six months ended June 30, 2005, and the Metropolitan Sports Facilities Commission as of and for the year ended December 31, 2005. We did not audit the financial statements of the Metropolitan Radio Board or the Metropolitan Sports Facilities Commission discretely presented component units. Those financial statements were audited by other auditors whose reports have been furnished to us and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based solely on the reports of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.



In our opinion, based on our audit and the reports of 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 Metropolitan Council of the Twin Cities Area as of December 31, 2005, including the Metropolitan Radio Board as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and the required supplementary information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the Metropolitan Council's basic financial statements. The combining and individual fund statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Metropolitan Council of the Twin Cities Area. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we also issue a report dated May 31, 2006, on our consideration of the Metropolitan Council of the Twin Cities Area's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit. That report does not include the Metropolitan Radio Board or the Metropolitan Sports Facilities Commission, which were audited by other auditors.



PATRICIA ANDERSON  
STATE AUDITOR



GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

End of Fieldwork: May 31, 2006

# Metropolitan Council

## Management's Discussion and Analysis

As management of the Metropolitan Council, we offer readers of the Metropolitan Council's financial statements this narrative overview and analysis of the financial activities of the Metropolitan Council for the fiscal year ended December 31, 2005. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages vii-xii of this report.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Metropolitan Council's basic financial statements. The Metropolitan Council's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. In addition to the basic financial statements, this report also contains supplementary information.

#### **Government-wide financial statements.**

The government-wide financial statements are designed to provide readers with a broad overview of the Metropolitan Council's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the Metropolitan Council's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Metropolitan Council is improving or deteriorating.

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

The government-wide financial statements include functions of the Metropolitan Council that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Metropolitan Council include general government, housing, transportation, environment, economic development, and culture and recreation. The business-type activities of the Metropolitan Council include wastewater treatment, public transportation, and housing.

The government-wide financial statements include the Metropolitan Council (the primary government), the Metropolitan Radio Board and the Metropolitan Sports Facilities Commission. These are legally separate entities for which the Metropolitan Council is financially accountable as a result of fiscal dependency. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 14-15 of this report.

#### **Fund financial statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Metropolitan Council, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the Metropolitan Council can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental 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 for 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 financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Metropolitan Council maintains fifteen 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, Metro Mobility fund, and Debt Retirement fund, since all three are considered to be major funds. Data from the other twelve governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found on pages 16-19 of this report.

## **Proprietary funds**

The Metropolitan Council maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Metropolitan Council uses enterprise funds to account for its wastewater treatment, bus transportation, light rail transportation and housing operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the wastewater treatment, bus transportation, light rail transportation, and housing operations. All four funds are considered to be major funds of the Metropolitan Council.

The basic proprietary fund financial statement can be found on pages 20-25 of this report.

## **Fiduciary funds**

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Metropolitan Council's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statement can be found on page 26 of this report.

## **Notes to the financial statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27-54 of this report.

## **Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Metropolitan Council, which can be found on pages 56-58.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. These combining, as well as individual fund, capital asset and bond statements and schedules can be found on pages 61-79 of this report.

Additionally, the statistical section, which provides mostly trend data and non-financial information useful in assessing the Metropolitan Council's financial condition, can be found on pages 82-106 of this report.

## Government-wide Financial Analysis

The following condensed financial information was derived from the government-wide Statement of Net Assets. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Metropolitan Council, assets exceeded liabilities by \$1,458,889,000 on December 31, 2005.

### METROPOLITAN COUNCIL NET ASSETS

#### IN THOUSANDS

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>
Current and other assets	\$210,036	\$233,909	\$ 298,777	\$ 323,209	\$ 508,813	\$557,118
Capital assets	<u>34,859</u>	<u>44,401</u>	<u>2,146,444</u>	<u>2,167,585</u>	<u>2,181,303</u>	<u>2,211,986</u>
Total assets	<u>244,895</u>	<u>278,310</u>	<u>2,445,221</u>	<u>2,490,794</u>	<u>2,690,116</u>	<u>2,769,104</u>
Long-term liabilities outstanding	228,252	259,719	810,022	867,992	1,038,274	1,127,711
Other liabilities	<u>15,155</u>	<u>21,919</u>	<u>171,711</u>	<u>160,585</u>	<u>186,866</u>	<u>182,504</u>
Total liabilities	<u>243,407</u>	<u>281,638</u>	<u>981,733</u>	<u>1,028,577</u>	<u>1,225,140</u>	<u>1,310,215</u>
Net assets:						
Invested in capital assets, net of related debt	2,742	14,392	1,369,820	1,353,995	1,372,562	1,368,387
Restricted	119,697	113,196	36,239	31,187	155,936	144,383
Unrestricted	<u>(120,951)</u>	<u>(130,916)</u>	<u>57,428</u>	<u>77,035</u>	<u>(63,523)</u>	<u>(53,881)</u>
Total net assets	<u>\$ 1,488</u>	<u>\$ (3,328)</u>	<u>\$1,463,487</u>	<u>\$1,462,217</u>	<u>\$1,464,975</u>	<u>\$1,458,889</u>

By far the largest portion of the Metropolitan Council's net assets (\$1,368,387,000 or 94 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related outstanding debt used to acquire those assets. The Metropolitan Council uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Metropolitan Council's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from a combination of restricted and non restricted assets, since the capital assets themselves cannot be used to liquidate these liabilities.

A significant portion of the Metropolitan Council's net assets (\$144,383,000) represent resources that are subject to external restrictions on how they may be used. These net assets consist of debt service, capital project and specific grant and loan programs. There was a decrease in restricted net assets (\$11,553,000) due primarily to a \$9,183,000 increase in governmental activities grants and loans.

At the end of the current fiscal year, the Metropolitan Council is able to report positive balances in two of the three categories of net assets, for the government as a whole and its business-type activities. Unrestricted net assets for the government as a whole, and for the governmental activities, are negative mainly because the governmental funds are responsible for Metro Transit Bus debt, but the related capital assets are held in that business-type fund.

The Metropolitan Council's combined net assets decreased by \$6,086,000 for the year. During the year, the Council incorporated the remaining liability of the outstanding revenue bond debt of the Metropolitan Radio Board, when operations were ceased on June 30, 2005. For the year, the net assets of the governmental activities decreased \$4,816,000, while the business-type activities net assets decreased by \$1,270,000.

Primarily the change in the governmental net assets was driven by the incorporation of the remaining Metropolitan Radio Board bond debt of \$10,760,000, and, by an increase in the transfers (an increase of \$2,890,000 to \$18,721,000). The business-type activities had a minimal net assets decrease of \$1,270,000, caused primarily, from reduced capital grants and contributions (a decrease of \$117,578,000).

## Governmental activities

The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the Council's net assets changed during the year.

### Changes in Net Assets for the Years Ending December 31, 2004 and 2005

	IN THOUSANDS					
	Governmental activities		Business-type activities		Total	
	2004	2005	2004	2005	2004	2005
Revenues:						
Program revenues						
Charges for services	\$ 5,525	\$ 5,905	\$ 217,250	\$ 248,258	\$ 222,775	\$254,163
Operating grants and contributions	42,412	42,542	118,413	126,290	160,825	168,832
Capital grants and contributions	9,577	13,483	130,792	13,214	140,369	26,697
General revenues:						
Motor vehicle excise tax	32,383	31,606	90,797	87,463	123,180	119,069
Property taxes	65,014	67,315			65,014	67,315
Property tax related state revenues	2,277	3,158			2,277	3,158
Investment earnings	<u>4,518</u>	<u>5,574</u>	<u>3,798</u>	<u>5,045</u>	<u>8,316</u>	<u>10,619</u>
Total revenues	<u>161,706</u>	<u>169,583</u>	<u>561,050</u>	<u>480,270</u>	<u>722,756</u>	<u>649,853</u>
Expenses:						
General government	9,684	8,263			9,684	8,263
Transportation	84,197	89,662			84,197	89,662
Culture and recreation	21,148	18,752			21,148	18,752
Economic development	7,550	9,401			7,550	9,401
Environment	2,904	6,629			2,904	6,629
Housing	524	1,819			524	1,819
Interest and other	8,754	21,152			8,754	21,152
Environmental services			161,054	161,748	161,054	161,748
Transit bus			218,747	237,695	218,747	237,695
Transit light rail			29,311	44,620	29,311	44,620
Housing			<u>57,604</u>	<u>56,198</u>	<u>57,604</u>	<u>56,198</u>
Total expenses	<u>134,761</u>	<u>155,678</u>	<u>466,716</u>	<u>500,261</u>	<u>601,477</u>	<u>655,939</u>
Increase in net assets before transfers	26,945	13,905	94,334	(19,991)	121,279	(6,086)
Transfers	<u>(15,831)</u>	<u>(18,721)</u>	<u>15,831</u>	<u>18,721</u>	<u>0</u>	<u>0</u>
Increase (decrease) in net assets	11,114	(4,816)	110,165	(1,270)	121,279	(6,086)
Net assets, January 1, restated	<u>(9,626)</u>	<u>1,488</u>	<u>1,353,322</u>	<u>1,463,487</u>	<u>1,343,696</u>	<u>1,464,975</u>
Net assets, December 31	<u>\$ 1,488</u>	<u>\$ (3,328)</u>	<u>\$1,463,487</u>	<u>\$1,462,217</u>	<u>\$1,464,975</u>	<u>\$1,458,889</u>

## Governmental activities-Revenues

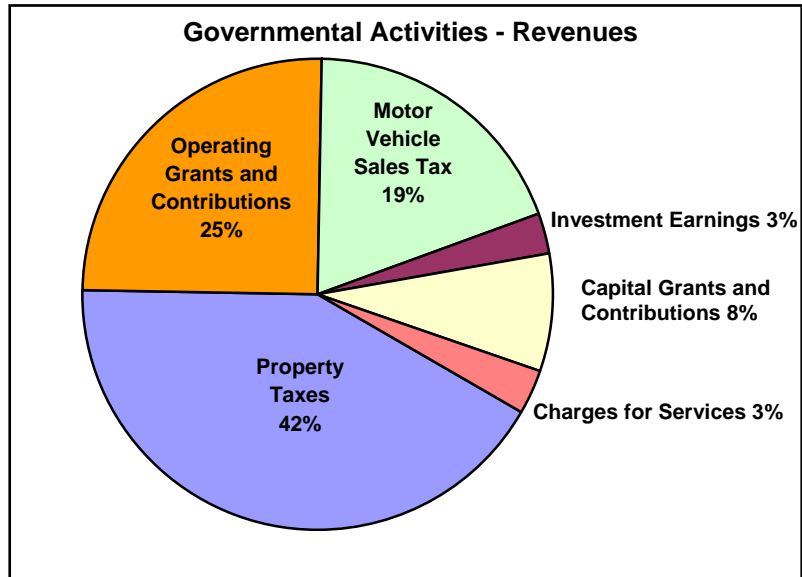
Some revenues for the Council's governmental activities are derived directly from the program itself (referred to as charges for services), parties outside the government, taxpayers or citizenry. As a whole, these revenues reduce the net cost of the function to be financed from the government's general revenue. The \$380,000 (7 percent) increase in charges for services primarily came from nonmajor transportation funds reporting higher fare revenues to the Council.

Operating Grants and Contributions increased by \$130,000 during the year. In 2005, allocated state appropriation grants were \$5,111,000 higher than 2004. This increase was mostly offset by reduced federal operating grants (a decrease of \$3,428,000).

Capital Grants and Contributions increased by \$3,906,000 (41 percent). Various (nonmajor) transportation funds began participation in federal capital grant programs.

Motor Vehicle Sales Tax (MVST) receipts decreased by \$777,000 (2 percent).

The chart on the right depicts the revenues of the governmental activities for the year.



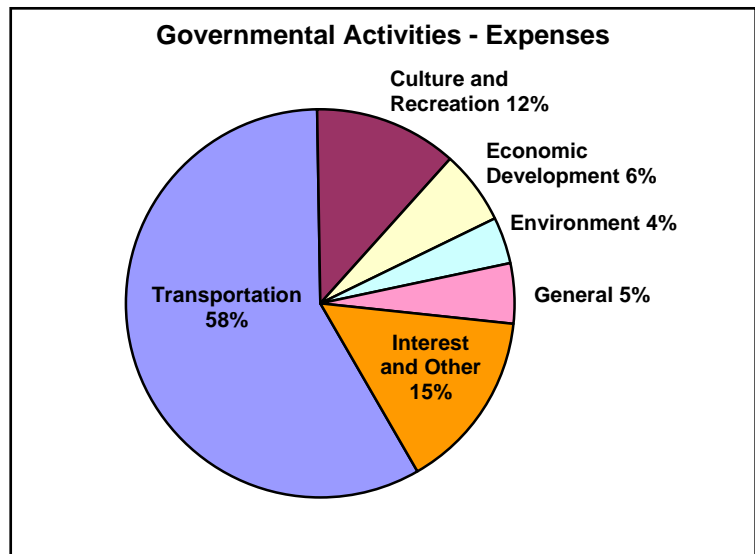
## Governmental activities-Expenses

Governmental expenses increased by \$20,917,000 (16 percent) during the year. Transportation program expenses increased by \$5,465,000 (7 percent) primarily from increased outside transit provider expenses. Interest and other expenses increased by \$12,398,000 primarily from integrating the Metropolitan Radio Board bonds (\$10,760,000).

Key elements of these activities are as follows:

- Total grants of \$68,190,000 were \$6,647,000 (11 percent) higher than 2004. Livable communities grants (nonmajor fund) increased by \$4,520,000.
- Capital asset depreciation accounted for \$7,073,000, an increase of \$375,000 due to increased vehicle capital assets in 2005.
- Net transfers to business-type activities (\$18,721,000), were used for capital project reimbursement to Metro Transit Bus.

The chart on the right depicts the expenses of the governmental activities for the year.

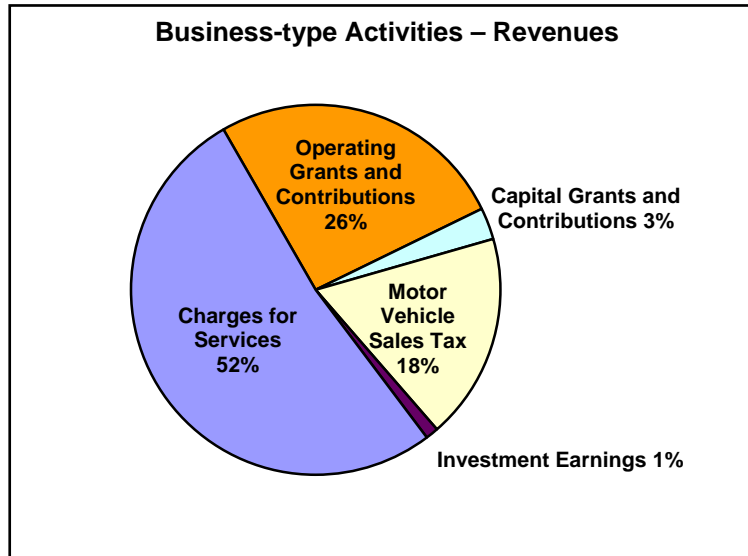


## Business-type activities—Revenues

Business-type activities net assets nominally decreased by \$1,271,000 for the year to \$1,462,217,000. Program revenues decreased by \$78,693,000 to \$387,762,000. Most significant was the decrease in capital grants and contributions of \$117,578,000. Light Rail’s capital grant revenues decreased by \$95,065,000, as it moved from the construction to fully operational stage. Charges for services for the year were \$248,258,000, which was \$31,007,000 above 2004. Environmental Services charges for services increased by \$17,497,000, due primarily to a higher fee structure.

Key elements of these business-type revenues are:

- Charges for services are the major revenue source for Environmental Services. These charges, comprising wastewater, industrial strength and sewer availability charges increased by \$17,497,000 (11 percent).
- Charges for services, a major revenue source for Metro transit bus, increased to \$62,342,000. Increased fares contributed to most of the \$8,755,000 (16%) increase.
- Light Rail charges for services increased to \$7,516,000 (190%) reflecting a full year of operation.
- Metro transit bus had \$3,050,000 in capital grants related to its fleet and facility improvements, a decrease of 91 percent from 2004.
- Operating grants are the primary revenue source for the Metropolitan Council’s housing program, with grants totaling \$53,896,000, a 9 percent decrease.



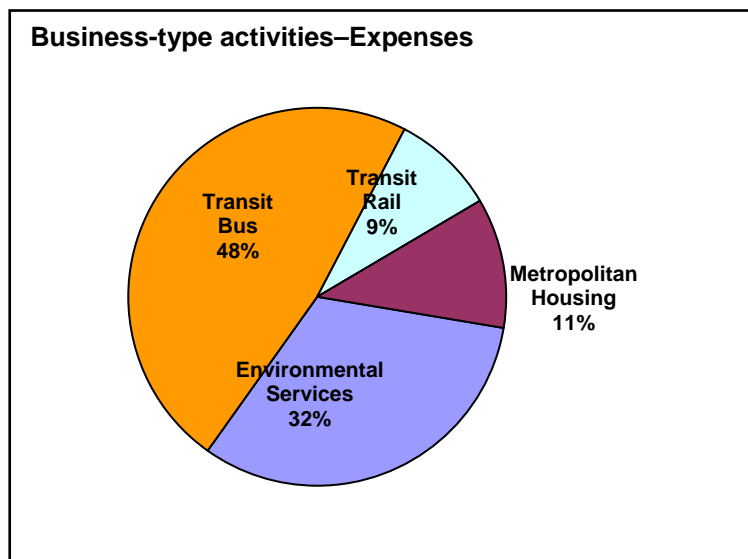
The accompanying chart depicts the revenues of the business-type activities for the year.

## Business-type activities-Expenses

Business-type expenses increased by \$33,545,000 to \$500,261,000. The primary increases came from a full year of Light Rail operations (\$15,309,000), and bus expenses (\$18,947,000) reflecting a recovery from the 2004 employee strike.

Key elements of these activities are:

- Environmental services expense increased by \$694,000.
- The Transit Bus increase of \$18,947,000 came primarily from the recovery of curtailed activities during an employee strike in early 2004.
- Light Rail expense increased by \$15,309,000 due to a full year of operation vs. a partial year in 2004.
- Depreciation expense totaled \$108,354,000, an increase of \$18,397,000--primarily from Light Rail (\$11,401,000 increase) full year of operation.
- The majority of the housing expenses were for housing assistance and subsidies \$56,156,000 and were offset by subsidy operating grants of \$53,896,000.



The chart on right depicts the business-type expenses for the year.



## Financial Analysis of the Governmental Funds

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

### Governmental funds

The focus of the Metropolitan Council's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Metropolitan Council's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

During the year, the Metropolitan Council's governmental funds increased by \$17,304,000 with an ending fund balance of \$215,463,000. Of that total:

- \$59,465,000 is committed to liquidate existing contracts, grants and loan commitments,
- \$125,211,000 is designated for specific programs and grant commitments and,
- \$30,787,000 is unreserved-undesignated. \$24,090,000 of this balance is in restricted operating funds.

The general fund, at the end of the current year, has a fund balance of \$14,021,000, of which \$559,000 was reserved and \$6,765,000 was designated. For the year, the general fund balance increased by \$4,081,000 (41%).

For the general fund, revenues decreased by \$96,000 to \$18,371,000, while expenditures decreased by \$569,000 to \$14,871,000. State revenues decreased by \$124,000 due to lower parks grant appropriation reimbursements. Salaries and wages increased \$1,987,000, while all other expenditures decreased by \$2,556,000. For the year, revenues exceeded expenditures by \$3,500,000 (an increase of 16%). The fund received budgeted transfers of \$1,956,000 and transferred budgeted \$1,375,000 to other funds during the year.

The Metro Mobility fund balance increased by \$1,831,000 (13%) to \$15,765,000. Total revenues increased by \$2,034,000 primarily from an additional \$1,682,000 in state revenues. Total expenditures decreased by \$93,000. Outside transit provider costs increase \$572,000, which offset reduced other expenditures of \$665,000.

The Debt Retirement fund balance of \$77,030,000, increased by \$12,839,000 (20%). Property tax related revenues increased by \$1,926,000 to \$44,381,000. Debt retirement payments were \$48,870,000, an increase of \$8,950,000.

## Financial Analysis of Proprietary funds

The Metropolitan Council's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The unrestricted net assets of Environmental Services at the end of the year, \$17,949,000, includes amounts set aside for future retiree health expenses, capital projects, water quality grant agreements, emergencies and operating cash flow requirements. The unrestricted net assets of Metro Transit Bus, \$49,608,000, include amounts set aside for future retiree health expenses and for operating cash flow requirements. The Metro Transit Light Rail has an unrestricted fund balance of \$3,720,000 which includes amounts for expense contingencies and operating cash flow requirements. Metropolitan Housing and Redevelopment Authority at the end of the year had unrestricted net assets of \$5,758,000 which includes amounts set aside for revenue and expense contingencies and for operating cash flow requirements.

The net assets growth/(decline) in Environmental Services, Metro Transit Bus, Metro Transit Light Rail, and Metropolitan Housing and Redevelopment Authority, funds were: \$20,651,000, (\$391), (\$20,296,000), and (\$1,234,000) respectively. Other factors concerning the activities of these four funds have already been addressed in the discussion of the Metropolitan Council's business-type activities.

## General Fund Budgetary Highlights

The original budget was increased by \$355,000 to arrive at the final budget of \$19,121,000. The increase came from:

- \$717,000 in budget carryovers from 2004 and
- \$362,000 in decreased general government activities.

During the year, however, actual expenditures were \$4,250,000 less than the final budget due primarily to: reduced software maintenance expenditures that were carried over to 2006, and, staff reductions throughout the year.

## Capital Asset and Debt Administration

### Capital assets

The Metropolitan Council's investment in capital assets for its governmental and business type activities as of December 31, 2005, was \$2,211,986,000 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, treatment plants, machinery, equipment, and vehicles.

#### **METROPOLITAN COUNCIL'S CAPITAL ASSETS** (Net of depreciation)

IN THOUSANDS						
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>
Land and land improvements		\$ 215	\$ 55,578	\$ 65,422	\$ 55,578	\$ 65,637
Buildings and plants			1,607,867	1,624,184	1,607,867	1,624,184
Vehicles and other equipment	\$34,460	32,508	252,912	231,351	287,372	263,859
Construction in progress	<u>399</u>	<u>11,678</u>	<u>230,087</u>	<u>246,628</u>	<u>230,486</u>	<u>258,306</u>
Total	<u>\$34,859</u>	<u>\$44,401</u>	<u>\$2,146,444</u>	<u>\$2,167,585</u>	<u>\$2,181,303</u>	<u>\$2,211,986</u>

The Metropolitan Council's investment in capital assets (net of accumulated depreciation) increased by \$30,683,000 for the year. Environmental Services investment in capital assets increased by \$59,359,000 (net of accumulated depreciation).

Major capital asset events in the business-type activities during the current year included:

- Metro Transit--light rail system completed its first full year of operation. Capital investment is now at \$491,782,000.
- Environmental Services construction in progress added \$106,309,000 and transferred \$91,215,000 to buildings and equipment.

Additional information on the Metropolitan Council's capital assets can be found in Note IV.E on pages 42-43 of this report.

### Debt Administration

At the end of the current fiscal year, the Metropolitan Council had total bonds and loans outstanding of \$1,061,767,000. Of this amount, \$525,090,000 was for bonds issued by the Metropolitan Council, and \$525,917,000 was for loans from the State of Minnesota Public Facilities Authority, both of which are backed by the full faith and credit of the Metropolitan Council. Additionally, the Council has revenue bonds outstanding of \$10,760,000. These revenue bonds were originally issued in behalf of the Metropolitan Radio Board, who ceased operations on June 30, 2005. The Metropolitan Council also is contingently liable for \$2,696,000 in housing revenue bonds.

#### **METROPOLITAN COUNCIL'S OUTSTANDING DEBT** General Obligation Bonds and Loans

IN THOUSANDS						
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>
General obligation bonds	\$194,190	\$215,000	\$263,865	\$310,090	\$458,055	\$525,090
State of Minnesota loans	<u>11,895</u>	<u>10,585</u>	<u>506,747</u>	<u>515,332</u>	<u>518,642</u>	<u>525,917</u>
Subtotal of general obligation bonds and loans	206,085	225,585	770,612	825,422	976,697	1,051,007
Revenue Bonds	<u>          </u>	<u>10,760</u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>10,760</u>
Total bonds and loans	<u>\$206,085</u>	<u>\$236,345</u>	<u>\$770,612</u>	<u>\$825,422</u>	<u>\$976,697</u>	<u>\$1,061,767</u>

The Metropolitan Council's total debt increased by \$85,070,000 (9 percent) during the current year. General obligation bonds increased by \$67,035,000. Most of the increase came from a \$45,285,000 transit issue, and a \$97,930,000 sewer general obligation issue. During the year, the Metropolitan Council retired general obligation bonds with original issue amounts of \$17,395,000 in governmental activities and \$63,085,000 of business type activities.

During 2005, the Metropolitan Council issued \$7,525,000 of general obligation sewer refunding bonds (which included a debt service reduction of \$523,000) to refinance outstanding debt. This refinancing will result in present value savings of \$309,000. Additionally, the Metropolitan Council issued \$17,395,000 of general obligation sewer refunding bonds (which included a debt service reduction of \$1,527,000) to refinance outstanding debt, resulting in a present value savings of \$1,359,000.

Also, during 2005, the Metropolitan Council issued \$13,285,000 of general obligation transit refunding bonds (which included a debt service reduction of \$1,094,000) to refinance outstanding debt. This refinancing will result in present value savings of \$776,000.

The Metropolitan Council maintains a AAA rating from Standard and Poor's and a Aaa rating from Moody's for general obligation debt.

State statutes do not limit the amount of general obligation debt on sewer bonds. The state statutes limit the amount of general obligation debt the Metropolitan Council may issue for regional recreation open space and the radio system, at \$40,000,000 and \$3,000,000 respectively. Currently, the Council has unused authority of \$18,855,000 and \$1,925,000 respectively.

Transit debt is subject to limited amounts as authorized by statute. At the end of the year, the Metropolitan Council had unused authority of \$87,000,000 and transit general obligation bonds and loans outstanding of \$203,365,000.

Additional information on the Metropolitan Council's long-term debt can be found in Note IV.I on pages 46-48 of this report.

## **Economic Factors and Next Year's Budgets and Rates**

Environmental Services municipal wastewater charges are increased by 5.4 percent for the 2006 budget year. Anticipated higher operating expenses, both labor and non-labor and debt service were the primary causes for the increase.

## **Requests for Information**

This financial report is designed to provide a general overview of the Metropolitan Council's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Controller, Metropolitan Council, 390 North Robert Street, St. Paul, Minnesota 55101.

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# **BASIC FINANCIAL STATEMENTS**

**METROPOLITAN COUNCIL  
STATEMENT OF NET ASSETS  
DECEMBER 31, 2005  
IN THOUSANDS**

	<b>Primary Government</b>			<b>Component Unit</b>	
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Metropolitan Radio Board</b>	<b>Metropolitan Sports Facilities Commission</b>
<b>ASSETS</b>					
Cash and investments	\$ 160,780	\$ 102,632	\$ 263,412		\$ 18,493
Cash with fiscal agent	16,776		16,776		
Cash with trustee	4,287		4,287		
Receivables, (net)	2,956	8,898	11,854		4,442
Internal balances	(482)	482	0		
Due from other governmental units	22,797	32,921	55,718		
Inventory		16,186	16,186		
Prepays and other	238	388	626		251
Loans/advances	26,557		26,557		
Restricted assets:					
Cash and cash equivalents		122,691	122,691		
Cash with fiscal agent		8,251	8,251		
Receivables, (net)		20,373	20,373		402
Due from other governmental units		9,678	9,678		
Deferred charges		709	709		
Capital assets not being depreciated:					
Land	215	65,422	65,637		8,700
Construction in progress	11,678	246,628	258,306		
Capital assets (net of accumulated depreciation)					
Buildings and improvements		1,624,184	1,624,184		18,706
Vehicles	32,052	209,534	241,586		
Equipment	456	21,817	22,273		3,370
Total assets	<u>278,310</u>	<u>2,490,794</u>	<u>2,769,104</u>	<u>\$ 0</u>	<u>54,364</u>
<b>LIABILITIES</b>					
Accounts payable and other current liabilities	16,948	40,558	57,506		5,446
Accrued interest payable	4,971		4,971		
Unearned revenue		5,225	5,225		351
Liabilities payable from restricted assets		31,318	31,318		
Unearned revenue-restricted		83,484	83,484		
Noncurrent liabilities:					
Due within one year	43,259	61,080	104,339		121
Due in more than one year	216,460	806,912	1,023,372		70
Total liabilities	<u>281,638</u>	<u>1,028,577</u>	<u>1,310,215</u>	<u>0</u>	<u>5,988</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	14,392	1,353,995	1,368,387		30,776
Restricted for:					
Debt service	32,562	686	33,248		
Capital projects	21,998	30,501	52,499		
Grants and loans	58,636		58,636		
Unrestricted	(130,916)	77,035	(53,881)		17,600
Total net assets	<u>\$ (3,328)</u>	<u>\$ 1,462,217</u>	<u>\$ 1,458,889</u>	<u>\$ 0</u>	<u>\$ 48,376</u>

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

**METROPOLITAN COUNCIL  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2005  
IN THOUSANDS**

Function/program	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets				
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component units	
					Governmental Activities	Business-type Activities	Total	Metropolitan Radio Board	Metropolitan Sports Facilities Commission
<b>Primary government:</b>									
Governmental activities									
General government	\$ 8,263	\$ 93	\$ 24		\$ (8,146)		\$ (8,146)		
Transportation	89,662	5,812	32,502	\$ 7,519	(43,829)		(43,829)		
Culture and recreation	18,752		6,906	5,864	(5,982)		(5,982)		
Economic developmen	9,401		87		(9,314)		(9,314)		
Environment	6,629				(6,629)		(6,629)		
Housing	1,819			100	(1,719)		(1,719)		
Interest and other charge:	21,152		3,023		(18,129)		(18,129)		
Total governmental activities:	<u>155,678</u>	<u>5,905</u>	<u>42,542</u>	<u>13,483</u>	<u>(93,748)</u>	<u>\$ 0</u>	<u>(93,748)</u>	<u>\$ 0</u>	<u>\$ 0</u>
Business-type activities									
Environmental service:	161,748	177,995	117	895		17,259	17,259		
Transit bus	237,695	62,342	58,606	8,859		(107,888)	(107,888)		
Transit light rail	44,620	7,516	13,671	3,050		(20,383)	(20,383)		
Housing	56,198	405	53,896	410		(1,487)	(1,487)		
Total business-type activities:	<u>500,261</u>	<u>248,258</u>	<u>126,290</u>	<u>13,214</u>		<u>(112,499)</u>	<u>(112,499)</u>	<u>0</u>	<u>0</u>
<b>Total primary government</b>	<u>\$ 655,939</u>	<u>\$ 254,163</u>	<u>\$ 168,832</u>	<u>\$ 26,697</u>	<u>(93,748)</u>	<u>(112,499)</u>	<u>(206,247)</u>	<u>0</u>	<u>0</u>
<b>Component units:</b>									
Regional radio system	\$ 1,929	\$ 383	\$ 1,677					131	
Sports facilities	45,427	40,377							(5,050)
<b>Total component units</b>	<u>\$ 47,356</u>	<u>\$ 40,760</u>	<u>\$ 1,677</u>	<u>\$ 0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>131</u>	<u>(5,050)</u>
General revenues:									
Property taxes					67,315		67,315		
Market value credit					3,158		3,158		
Motor vehicle excise tax					31,606	87,463	119,069		
Investment earnings:					5,574	5,045	10,619	49	522
Transfers					(18,721)	18,721			
Extraordinary item-dissolution of component unit. (See Note IV. K)								8,092	
Total general revenues, transfers and extraordinary item					<u>88,932</u>	<u>111,229</u>	<u>200,161</u>	<u>8,141</u>	<u>522</u>
Change in net asset:					(4,816)	(1,270)	(6,086)	8,272	(4,528)
Net assets, beginning					1,488	1,463,487	1,464,975	(8,272)	52,904
Net assets, ending					<u>\$ (3,328)</u>	<u>\$ 1,462,217</u>	<u>\$ 1,458,889</u>	<u>\$ 0</u>	<u>\$ 48,376</u>

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

**METROPOLITAN COUNCIL  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2005  
IN THOUSANDS**

	<b>General</b>	<b>Metro Mobility Special Revenue Fund</b>	<b>Debt Retirement</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 16,314	\$ 5,101	\$ 59,069	\$ 80,296	\$ 160,780
Cash with fiscal agent			16,776		16,776
Cash with trustee				4,287	4,287
Accounts receivable	16	163		8	187
Delinquent taxes receivable	339		1,445	441	2,225
Interest receivable	58	23	190	273	544
Due from other funds	5	135	39	873	1,052
Due from other governmental units	1	11,556	328	10,912	22,797
Loans and advances				26,557	26,557
Total assets	<u>\$ 16,733</u>	<u>\$ 16,978</u>	<u>\$ 77,847</u>	<u>\$ 123,647</u>	<u>\$ 235,205</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts/contracts/subgrantees payable	\$ 1,248	\$ 1,212	\$ 18	\$ 13,347	\$ 15,825
Salaries payable	1,123				1,123
Due to other funds	156	1		1,377	1,534
Deferred revenue	185		799	276	1,260
Total liabilities	<u>2,712</u>	<u>1,213</u>	<u>817</u>	<u>15,000</u>	<u>19,742</u>
Fund balances:					
Reserved for:					
Encumbrances	559				559
Grants and loans				58,636	58,636
Credit enhancement			270		270
Unreserved, designated for, reported in:					
Self-insurance	1,000				1,000
Compensated absences	2,219				2,219
Postemployment benefits	1,546				1,546
Water supply planning	2,000				2,000
Debt service			76,760		76,760
Special revenue funds				19,688	19,688
Capital projects funds				22,351	22,351
Unreserved, undesignated reported in:					
General fund	6,697				6,697
Metro Mobility fund		15,765			15,765
Special revenue funds				7,972	7,972
Total fund balances	14,021	15,765	77,030	108,647	215,463
Total liabilities and fund balances	<u>\$ 16,733</u>	<u>\$ 16,978</u>	<u>\$ 77,847</u>	<u>\$ 123,647</u>	<u>\$ 235,205</u>

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



**METROPOLITAN COUNCIL  
RECONCILIATION OF THE BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
DECEMBER 31, 2005  
IN THOUSANDS**

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

Fund balances-total governmental funds (page 16)	\$ 215,463
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	44,401
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.	1,498
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(264,690)
Net assets of governmental activities (page 14)	<u><u>\$ (3,328)</u></u>

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

**METROPOLITAN COUNCIL**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**  
**IN THOUSANDS**

	General	Metro Mobility Special Revenue	Debt Retirement	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes	\$ 9,730		\$ 41,837	\$ 15,377	\$ 66,944
Intergovernmental revenue:					
Federal	87	\$ 4,250		8,072	12,409
State	7,611	23,874	2,544	42,047	76,076
Local/other	94			165	259
Investment income	830	281	1,165	3,298	5,574
Other	19	3,645	2,180	2,106	7,950
Total revenues	<u>18,371</u>	<u>32,050</u>	<u>47,726</u>	<u>71,065</u>	<u>169,212</u>
<b>EXPENDITURES</b>					
Current:					
General government	7,613				7,613
Transportation		30,392		20,889	51,281
Culture and recreation				26	26
Intergovernmental:					
Transportation				31,615	31,615
Culture and recreation	7,042			11,684	18,726
Economic development				9,401	9,401
Environment				6,629	6,629
Housing				1,819	1,819
Debt service:					
Principal			39,670		39,670
Interest and other charges	79	46	9,200	1,230	10,555
Capital outlay	137			16,771	16,908
Total expenditures	<u>14,871</u>	<u>30,438</u>	<u>48,870</u>	<u>100,064</u>	<u>194,243</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,500</u>	<u>1,612</u>	<u>(1,144)</u>	<u>(28,999)</u>	<u>(25,031)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	1,956		257	3,491	5,704
Transfers out	(1,375)		(1,768)	(21,635)	(24,778)
Bonds issued			244	37,756	38,000
Refunding bonds issued			13,285		13,285
Certificates of indebtedness issued				7,885	7,885
Premium on bonds and capital related debt			1,965		1,965
Sale of capital assets		219		55	274
Total other financing sources (uses)	<u>581</u>	<u>219</u>	<u>13,983</u>	<u>27,552</u>	<u>42,335</u>
Net change in fund balances	<u>4,081</u>	<u>1,831</u>	<u>12,839</u>	<u>(1,447)</u>	<u>17,304</u>
Fund balances, beginning	9,940	13,934	64,191	110,094	198,159
Fund balances, ending	<u>\$ 14,021</u>	<u>\$ 15,765</u>	<u>\$ 77,030</u>	<u>\$ 108,647</u>	<u>\$ 215,463</u>

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

**METROPOLITAN COUNCIL  
RECONCILIATION OF THE STATEMENT OF REVENUES  
EXPENDITURES, AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2005  
IN THOUSANDS**

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

Net change in fund balances--total governmental funds (page 18)	\$ 17,304
Governmental funds report capital outlays 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. This is the amount by which capital outlays exceeded depreciation in the current period	9,835
The net effect of various miscellaneous transactions involving capital assets (i.e., sales trade-ins, transfers, and donations) is to increase net assets.	(293)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.	371
The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(31,997)
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.	(36)
Change in net assets of governmental activities (page 15)	<u><u>\$ (4,816)</u></u>

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

**METROPOLITAN COUNCIL  
STATEMENT OF FUND NET ASSETS  
PROPRIETARY FUNDS  
DECEMBER 31, 2005  
IN THOUSANDS**

	<b>Business-type Activities - Enterprise Funds</b>				<b>Total</b>
	<b>Environmental Services</b>	<b>Metro Transit Bus</b>	<b>Metro Transit Light Rail</b>	<b>Metropolitan Housing and Redevelopment Authority</b>	
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 44,381	\$ 48,813	\$ 3,019	\$ 6,419	\$ 102,632
Receivables, net	3,259	5,510	90	39	8,898
Due from other funds				9	9
Due from other governmental units		28,434	3,666	821	32,921
Inventory	6,594	9,223	369		16,186
Prepays		157	231		388
Restricted assets:					
Cash and cash equivalents	117,975	2,003	2,713		122,691
Cash with fiscal agent	8,251				8,251
Receivables, net	20,336	16	19	2	20,373
Due from other funds		486			486
Due from other governmental units		3,030	5,935		8,965
Total current assets	<u>200,796</u>	<u>97,672</u>	<u>16,042</u>	<u>7,290</u>	<u>321,800</u>
Noncurrent assets					
Due from other governments-restricted	713				713
Deferred charges-restricted	709				709
Capital assets:					
Land	10,769	27,338	20,909	6,406	65,422
Buildings and plants	1,809,061	174,469	336,803	21,367	2,341,700
Vehicles	6,457	273,298	85,646		365,401
Equipment	57,227	43,464	172	100	100,963
Construction in progress	120,362	38,838	87,428		246,628
Less accumulated depreciation	(662,197)	(247,956)	(39,176)	(3,200)	(952,529)
Net capital assets	<u>1,341,679</u>	<u>309,451</u>	<u>491,782</u>	<u>24,673</u>	<u>2,167,585</u>
Total noncurrent assets	<u>1,343,101</u>	<u>309,451</u>	<u>491,782</u>	<u>24,673</u>	<u>2,169,007</u>
Total assets	<u>1,543,897</u>	<u>407,123</u>	<u>507,824</u>	<u>31,963</u>	<u>2,490,807</u>

**METROPOLITAN COUNCIL  
STATEMENT OF FUND NET ASSETS  
PROPRIETARY FUNDS  
DECEMBER 31, 2005  
IN THOUSANDS**

	<b>Business-type Activities - Enterprise Funds</b>				<b>Total</b>
	<b>Environmental Services</b>	<b>Metro Transit Bus</b>	<b>Metro Transit Light Rail</b>	<b>Metropolitan Housing and Redevelopment Authority</b>	
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	4,824	5,094	550	408	10,876
Salaries payable	8,644	18,142	929	238	27,953
Due to other funds				2	2
Due to other governmental units	1,529	388	1,307	21	3,245
Unearned revenue	2,873	1,489		863	5,225
Accrued claims	688	7,204	864		8,756
Other		8	5		13
Restricted liabilities:					
Payables from restricted assets	12,717	1,992	5,693		20,402
Accrued interest payable from restricted assets	8,764				8,764
Bonds/loans payable from restricted assets	50,795				50,795
Due to other funds from restricted assets		11			11
Due to other governmental units from restricted assets			2,000		2,000
Unearned revenue from restricted assets	81,817	712	955		83,484
Other liabilities from restricted assets		152			152
Total current liabilities	172,651	35,192	12,303	1,532	221,678
Noncurrent liabilities:					
Compensated absences payable	3,610	1,934			5,544
Due to other governmental units	4,945				4,945
Accrued claims	115	8,270			8,385
Bonds/loans payable after one year (net of unamortized discounts and deferred amount on refunding)	786,633			1,405	788,038
Total noncurrent liabilities	795,303	10,204		1,405	806,912
Total liabilities	967,954	45,396	12,303	2,937	1,028,590
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	529,494	309,451	491,782	23,268	1,353,995
Restricted for:					
Debt service	686				686
Capital projects	27,814	2,668	19		30,501
Unrestricted	17,949	49,608	3,720	5,758	77,035
Total net assets	\$ 575,943	\$ 361,727	\$ 495,521	\$ 29,026	\$ 1,462,217

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

**METROPOLITAN COUNCIL  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
IN THOUSANDS**

	<b>Business-type Activities--Enterprise Funds</b>				<b>Total</b>
	<b>Environmental Services</b>	<b>Metro Transit Bus</b>	<b>Metro Transit Light Rail</b>	<b>Metropolitan Housing and Redevelopment Authority</b>	
Operating revenues:					
Charges for services:					
Wastewater and industrial strength charges	\$145,706				\$ 145,706
Transit fares		\$ 59,796	\$ 7,061		66,857
Tenant rent				\$ 373	373
Advertising and auxiliary		2,281	326		2,607
Total operating revenues	<u>145,706</u>	<u>62,077</u>	<u>7,387</u>	<u>373</u>	<u>215,543</u>
Operating expenses:					
Salaries and employee benefits	54,070	162,189	13,162	2,518	231,939
Contracted services	9,121	6,147	687	2,059	18,014
Materials and supplies	5,691	23,616	741	32	30,080
Insurance	725	147	466	93	1,431
Utilities	15,572	4,000	1,564	129	21,265
Advertising		1,074	133		1,207
Housing related expenses				49,996	49,996
Other	7,203	1,402	439	240	9,284
Depreciation	45,479	37,578	24,208	1,089	108,354
Total operating expenses	<u>137,861</u>	<u>236,153</u>	<u>41,400</u>	<u>56,156</u>	<u>471,570</u>
Operating income (loss)	<u>7,845</u>	<u>(174,076)</u>	<u>(34,013)</u>	<u>(55,783)</u>	<u>(256,027)</u>
Nonoperating revenues (expenses)					
Intergovernmental	117	146,069	13,671	53,896	213,753
Pass-through grants		(1,085)	(3,220)		(4,305)
Service availability charges	29,832				29,832
Investment income	5,453	1,709	87	253	7,502
Interest and fiscal charges	(23,108)	(434)		(42)	(23,584)
Gain/(loss) on sale of capital assets	(21)	(23)			(44)
Miscellaneous	(758)	265	129	32	(332)
Total nonoperating revenues (expenses)	<u>11,515</u>	<u>146,501</u>	<u>10,667</u>	<u>54,139</u>	<u>222,822</u>

**METROPOLITAN COUNCIL  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
IN THOUSANDS**

	<b>Business-type Activities--Enterprise Funds</b>				<b>Total</b>
	<b>Environmental Services</b>	<b>Metro Transit Bus</b>	<b>Metro Transit Light Rail</b>	<b>Metropolitan Housing and Redevelopment Authority</b>	
Income (loss) before contribution: and transfers	19,360	(27,575)	(23,346)	(1,644)	(33,205)
Capital contributions	895	8,859	3,050	410	13,214
Transfers in	396	18,678			19,074
Transfers out		(353)			(353)
Total contributions and transfers	1,291	27,184	3,050	410	31,935
Change in net assets	20,651	(391)	(20,296)	(1,234)	(1,270)
Total net assets, beginning	555,292	362,118	515,817	30,260	1,463,487
Total net assets, ending	\$575,943	\$361,727	\$495,521	\$ 29,026	\$1,462,217

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

**METROPOLITAN COUNCIL  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
IN THOUSANDS**

	<b>Business-type Activities--Enterprise Funds</b>				
	<b>Environmental Services</b>	<b>Metro Transit Bus</b>	<b>Metro Transit Light Rail</b>	<b>Metropolitan Housing and Redevelopment Authority</b>	<b>Total</b>
<b>Cash flows from operating activities</b>					
Receipts from customers and users	\$ 145,854	\$ 60,342	\$ 7,101	\$ 373	\$ 213,670
Payments to suppliers	(39,679)	(36,633)	(4,405)	(52,434)	(133,151)
Payments to employees	(54,166)	(163,134)	(12,344)	(2,534)	(232,178)
Receipts from (payments to) others	1,259	2,755	397	32	4,443
Net cash provided (used) by operating activities	<u>53,268</u>	<u>(136,670)</u>	<u>(9,251)</u>	<u>(54,563)</u>	<u>(147,216)</u>
<b>Cash flows from noncapital financing activities</b>					
Transfer in	100				100
Cash deficit implicitly financed		22,263	(21,723)		540
Intergovernmental receipts	118	141,233	14,740	54,841	210,932
Pass-through grant payments		(1,085)	(3,220)		(4,305)
Net cash provided by non-capital financing activities	<u>218</u>	<u>162,411</u>	<u>(10,203)</u>	<u>54,841</u>	<u>207,267</u>
<b>Cash flows from capital and related financing activities</b>					
Transfers in - for capital purposes		18,744			18,744
Capital contributions	169	10,735	36,629	410	47,943
Proceeds from capital debt	151,214				151,214
Proceeds from service availability charges	28,146				28,146
Proceeds from sale of capital assets	25	24			49
Purchase of capital assets	(107,138)	(20,627)	(12,076)		(139,841)
Principal paid on capital debt	(86,863)	(314)			(87,177)
Interest paid on capital debt	(29,104)	(134)			(29,238)
Net cash provided by (used in) capital and related financing activities	<u>(43,551)</u>	<u>8,428</u>	<u>24,553</u>	<u>410</u>	<u>(10,160)</u>
<b>Cash flows from investing activities</b>					
Investment purchase/sale	11,872				11,872
Interest received/paid	6,576	1,294	66	204	8,140
Net cash provided by (used in) investing activities	<u>18,448</u>	<u>1,294</u>	<u>66</u>	<u>204</u>	<u>20,012</u>



**METROPOLITAN COUNCIL  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
IN THOUSANDS**

	<b>Business-type Activities--Enterprise Funds</b>				
	<b>Environmental Services</b>	<b>Metro Transit Bus</b>	<b>Metro Transit Light Rail</b>	<b>Metropolitan Housing and Redevelopment Authority</b>	<b>Total</b>
Net increase (decrease) in cash and cash equivalents	28,383	35,463	5,165	892	69,903
Balances, beginning	133,973	15,353	567	5,527	155,420
Balances, ending	<u>\$ 162,356</u>	<u>\$ 50,816</u>	<u>\$ 5,732</u>	<u>\$ 6,419</u>	<u>\$ 225,323</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>					
Operating income (loss)	\$ 7,845	\$ (174,076)	\$ (34,013)	\$ (55,783)	\$ (256,027)
Adjustment to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	45,479	37,578	24,208	1,089	108,354
Miscellaneous revenue/expense	1,259	265	129	32	1,685
Change in assets and liabilities:					
Accounts receivable	479	457	(18)	89	1,007
Due to/due from other funds	19	(345)		46	(280)
Due from other governments	27				27
Materials and supplies (inventory)	258	(873)	(279)		(894)
Prepaid expenses and other current assets		48	(25)	5	28
Accounts payable	(628)	792	(71)	(25)	68
Accrued payroll liabilities	(97)	(600)	818	(16)	105
Due to other governments	(1,043)				(1,043)
Unearned revenues	(330)	89			(241)
Other liabilities		(5)			(5)
Net cash provided (used) by operating activities	<u>\$ 53,268</u>	<u>\$ (136,670)</u>	<u>\$ (9,251)</u>	<u>\$ (54,563)</u>	<u>\$ (147,216)</u>

**Non-cash capital and related financing activities:**

Environmental Services had a non-cash loss of \$69 related to the disposition of property, plant, and equipment.

Metro Transit Bus had a non-cash transfer of \$353 on capital asset transferred to governmental funds.

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

**METROPOLITAN COUNCIL  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
DECEMBER 31, 2005  
IN THOUSANDS**

	<u>Agency Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	<u>\$      29</u>
<b>LIABILITIES</b>	
Due to participants	<u>\$      29</u>

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

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# METROPOLITAN COUNCIL

## NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2005

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**I. Summary of significant accounting policies**

The accounting policies of the Metropolitan Council of the Twin Cities Area (Council) conform to generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

**A. Reporting entity**

**1. Primary government**

The Council was established under Minnesota Laws 1967, Chapter 896, and began operations on August 8, 1967. The Council currently operates under Minnesota Statutes, Sections 473.121, et seq. The Council is governed by 17 Council members, appointed by the Governor, from the Twin Cities Metropolitan Area, which includes the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott and Washington.

Since its creation, the Council has been responsible for coordinating the planning and development of the Metropolitan Area. In 1994, state legislation broadened the Council's responsibilities to include operating the public transit system and the regional wastewater collection and treatment system.

The Council is a component unit of the State of Minnesota. The Council members serve at the pleasure of the Governor.

**2. Discretely presented component units**

Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for descriptions) to emphasize that it is legally separate from the Council.

Metropolitan Sports Facilities Commission (MSFC) operates the Hubert H. Humphrey Metrodome sports facility. The Council approves the MSFC's budget, has issued debt for the MSFC, and must annually determine the amount and approve the imposition of a liquor/lodging tax if necessary to fund expenses related to operating or debt service expenses. The MSFC is presented as an enterprise fund.

Complete financial statements of the MSFC can be obtained at the following administrative office address:

Metropolitan Sports Facilities Commission  
Hubert H. Humphrey Metrodome  
900 South 5<sup>th</sup> Street  
Minneapolis, MN 55415

Metropolitan Radio Board (MRB) was created by the 1995 legislature under Minnesota Statute 473.894, Subd. 2, to establish a region-wide public safety radio communications system. The Council approves the budget and has issued debt for the MRB. Funds of the MRB are held, invested and disbursed from the Council's main operating account. The MRB is presented as an enterprise fund. On June 30, 2005, the MRB ceased operations.

Financial statements of the MRB as of June 30, 2005, can be obtained at the following address:

Metropolitan Emergency Services Board  
2099 University Avenue, Suite 201  
St. Paul, MN 55104

**B. Government-wide and fund financial statements**

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *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 and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Indirect costs

including salaries, contracted services, rent, utilities, postage, printing and other overhead costs are included in the program expense reported for the individual functions and activities on the statement of activities. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported, instead, as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

### **C. Measurement focus, basis of accounting, and financial statement presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary funds. Fiduciary fund financial statements are reported using the accrual basis of accounting, although they do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Council considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Council.

The Council reports the following major governmental funds:

The *General fund* is the Council's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Metro Mobility special revenue fund* accounts for activities of Metro Mobility. Metro Mobility oversees the Americans with Disabilities Act transit services for the region.

The *Debt retirement fund* is used to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

The Council reports the following major proprietary funds:

The *Environmental Services fund* accounts for the activities of the regional municipal wastewater system.

The *Metro Transit Bus fund* accounts for the activities of the regional bus transit system.

The *Metro Transit Light Rail fund* accounts for the activities of the regional light rail transit system.

The *Metropolitan Housing and Redevelopment Authority fund* accounts for the activities of the Council's housing programs.

Additionally, the government reports the following fund type:

Agency funds are used to account for the assets held by the Council as an agent for individuals, private organizations, and/or other governments. Agency funds are custodial in nature (assets equal liabilities); and do not involve measurement of results of operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the *option* of

following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Council has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customer or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Environmental Services (MCES) enterprise fund are charges to customers for municipal wastewater services. MCES also recognizes revenues intended to recover the cost of adding new customers to the system. The principal operating revenues of the Metro Transit Bus enterprise fund are fares charged to customers for bus transportation. The principal operating revenues of the Metro Transit Light Rail enterprise fund are fares charged to customers for rail transportation. Metropolitan Housing and Redevelopment Authority (HRA) enterprise fund has house rental as the principal operating revenue. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, interest, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

## **D. Assets, liabilities, and net assets or equity**

### **1. Cash and investments**

#### **a. Cash and cash equivalents**

The Council has defined cash and cash equivalents as cash and pooled investments. This amount includes cash on hand, and demand deposits. Additionally, each fund's equity in the Council's investment pool is considered to be a cash equivalent since the fund can deposit or effectively withdraw cash at any time without prior notice or penalty. Cash with fiscal agent and cash with trustee are not considered cash and cash equivalents because it is neither cash on hand or demand deposits. Council deposits are backed by a combination of FDIC insurance and collateral in the form of statutorily approved securities.

#### **b. Investments**

The Council and its component units may invest idle funds as authorized by Minnesota Statute, Section 118A, and the Council's internal investment policy.

- (a) 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, except mortgage-backed securities defined as high risk by Minnesota Statute, Section 118A.04 subd. 6;
- (b) Mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (c) General obligations of the State of Minnesota and its municipalities; and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (d) Bankers' acceptances of United States banks;
- (e) Commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
- (f) With certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

The Council participates in a securities lending program. In accordance with GASB Statement 28, "Accounting and Financial Reporting for Securities Lending Transactions," investments lent under the program are reported as assets and collateral received on those investments is reported as an asset and as a liability.

Investments for the Council and its component units are stated at fair value as required by GASB Statement 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools". The fair value of the Council's investments is based on quoted market prices.

The MRB's investments were held, disbursed, and invested along with other Council funds in an investment pool. The Council invested the MRB's funds on behalf of the MRB and according to Council policy. The MRB ceased operations on June 30, 2005, and as such, had no balances at the end of the year.

**2. Receivables and payables**

Outstanding balances between funds at the end of the fiscal year are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

The Environmental Services (MCES) enterprise fund has two receivables that are based upon estimates. Industrial strength receivables are based on estimates made at year-end. The estimates are adjusted to actual amounts when the billings are sent out the following year. Service Availability Charge (SAC) receivables are based on SAC reports from communities in January detailing preceding December's activity.

Where appropriate, account receivables are reported net of allowance for doubtful accounts. As of December 31, 2005, the allowances for doubtful accounts were (dollars in thousands):

<u>Enterprise Funds</u>	<u>Balance</u>
Environmental Services	\$245
Metro Transit Bus	<u>431</u>
Total	<u>\$676</u>

Property tax levies are set by the Council in December each year, and are certified to the seven counties for collection in the following year. In Minnesota, counties act as collection agents for all property taxes. The counties spread all levies over assessable property. Such taxes become a lien on January 1 and are recorded as receivables by the Council at that date. Revenues are accrued in the year collectible, net of delinquencies. Real property taxes may be paid by taxpayers in two equal installments, on May 15 and October 15. The counties provide tax settlements to regional agencies and other local governments two times a year, in July and December.

For governmental fund financial statements, taxes that are unpaid at December 31 are classified as delinquent taxes receivable. Delinquent taxes not collected after the first 60 days of the following year are offset by an equal amount in deferred revenue. For government-wide and proprietary fund financial statements there is no offset to deferred revenue. There is no allowance for uncollectible taxes in either type of fund because such amounts are not expected to be material.

**3. Due from other governmental units**

Amounts due from other governmental units include receivables on grants from the federal and state government for planning and grant program administration.

**4. Inventories and prepaid items**

Inventories in the enterprise funds are valued at cost using the weighted average costing method. When appropriate, an associated allowance for obsolete inventory has been established. As of December 31, 2005 the allowances for obsolete inventory accounts were (dollars in thousands):

<u>Enterprise Funds</u>	<u>Balance</u>
Environmental Services	\$ 50
Metro Transit Bus	<u>451</u>
Total	<u>\$501</u>

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



**5. Restricted assets**

Restricted assets include:

- (a) Service Availability Charge (SAC) assets - which are restricted to fund reserve capacity cost of capital projects;
- (b) construction and capital acquisition assets--which are proceeds from the sale of general obligation bonds, Public Facilities Authority (PFA) loans, Minnesota Housing Finance Authority loans, Hennepin County Housing and Redevelopment Authority loan, and other governmental grants/advances, where the use is limited to either the acquisition and betterment of interceptors and treatment works; affordable housing, or transit fleet replacement, facilities or capital equipment; and
- (c) debt service assets - which are restricted for the payment of principal and interest on long-term liabilities.

**6. Capital assets**

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Council as assets with an initial individual cost of more than \$5,000 and a useful life in excess of one year. MSFC uses costs of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed. Donated assets are recorded at fair market value on the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by Environmental Services during the current fiscal year was \$28,673,000. Of this amount, \$5,565,000 was included as part of the cost of capital assets under construction with the wastewater treatment facilities construction projects.

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

<u>Asset</u>	<u>Useful Life</u>
Treatment plants and interceptors	15 to 80 years
Buildings	25 to 45 years
Vehicles	5 to 15 years
Equipment	3 to 15 years

Depreciation for the Metropolitan Sports Facility Commission (MSFC), a component unit, is recorded using the straight-line method over the following estimated lives:

<u>Assets</u>	<u>Useful Life</u>
Buildings	9 to 30 years up to Year 2011
Equipment	3 to 10 years up to Year 2011

**7. Loans/advances receivable**

The Council lends funds to local units of government for the acquisition of property within proposed rights-of-way of highways designated as a part of the metropolitan highway system plan. The loans, which bear no interest, are to be repaid upon the acquisition of the property by the State of Minnesota.

The Council lends to local units of government for housing assistance and land use planning. The land use planning loans are repaid in installments ranging from three to five years.

**8. Deferred revenue**

For proprietary funds, deferred revenue consists of amounts recognized as assets that have not been earned. These amounts include municipal wastewater service charges, SAC collected in advance of associated costs, and local contributions for light rail costs that had not been incurred at year-end. For the MSFC these amounts include admission taxes, advertising revenues and rent. For governmental funds, deferred revenue consists of offsets for delinquent taxes receivable, for amounts that are not considered to be available to liquidate liabilities of the current period, in addition to other amounts actually received but not earned.

**9. Compensated absences**

The Council accrues vacation and compensatory overtime when earned, in the government-wide and proprietary fund financial statements. In addition, certain employees qualify for a sick leave severance benefit paid at termination. This benefit, which is determined by the length of service, is accrued when the employee qualifies. For all compensated absences, the liability is valued using pay rates in effect at the end of the year and the employer's share of social security contributions.

For proprietary funds, severance benefit payable not expected to be liquidated until sometime in the future is recorded as a noncurrent liability.

MSFC accrues vacation and sick leave when earned. All full-time employees earn annual vacation leave based on years of service and are allowed to accumulate up to a maximum of 280 hours as of the end of each year. Certain employees qualify for sick leave severance benefit paid at termination. The pay rate in effect at the end of the year and the employer's share of social security contributions are used to calculate compensated absences accruals at December 31.

**10. Long-term obligations**

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 assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using a straight line method. Bonds payable are reported net of the applicable bond premium or discount and deferred amount on refunding.

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 other financing sources. Premiums received on debt issuances are reported as other financing sources 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.

**11. Fund equity**

In the fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**12. Unrestricted net assets**

A portion of the debt carried in the governmental activities columns is related to the capital assets carried in the business-type activities column for the Metropolitan Transit Bus enterprise fund. The recognition of the debt in the government-wide statement of net assets contributes to the negative unrestricted net asset balance in the governmental activities column.

MSFC maintains the following unrestricted net asset accounts (dollars in thousands):

<u>Unrestricted net asset account</u>	<u>Balance as of December 31, 2005</u>
Operating account	\$ 8,544
Capital improvement account	6,427
Repair and replacement account	1,255
Concessions reserve account	<u>1,374</u>
Total unrestricted net assets	<u>\$17,600</u>

**II. Reconciliation of government-wide and fund financial statements**

**A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets**

The governmental fund balance sheet includes a reconciliation between *fund balance—total governmental funds* and *net assets—governmental activities* as reported in the government-wide statement of net assets.

One element of that reconciliation explains that “Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds”. The details of this \$44,401,000 difference are as follows:

	<u>In thousands</u>
Land	\$ 215
Construction in progress	11,678
Equipment – net of accumulated depreciation	32,052
Vehicles – net of accumulated depreciation	<u>456</u>
Net adjustment to increase <i>fund balances – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	<u>\$44,401</u>

Another element of that reconciliation explains that “Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.” The details of this \$1,498,000 difference are as follows:

	<u>In thousands</u>
Receivables – delinquent property taxes	\$1,260
Other assets – bond issuance costs	<u>238</u>
Net adjustment to increase <i>fund balances – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	<u>\$1,498</u>

Another element of that reconciliation explains that “Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this (\$264,690,000) difference are as follows:

	<u>In thousands</u>
General obligation bonds payable	\$(225,585)
Revenue bonds	(10,760)
Less: Net issuance discounts (to be amortized as interest expense)	(7,455)
Accrued interest payable	(4,971)
Compensated absences	(2,389)
Capital lease payable	<u>(13,530)</u>
Net adjustment to reduce <i>fund balances – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	<u>\$(264,690)</u>

**B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances—total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities.

One element of that reconciliation explains that “Governmental funds report capital outlays 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.” The details of this \$9,835,000 difference are as follows:

	<u>In thousands</u>
Capital outlay	\$16,908
Depreciation expense	<u>(7,073)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 9,835</u>

Another element of that reconciliation states that “The net effect of various miscellaneous transactions involving capital assets (i.e., sales trade-ins, transfers, and donations) is to increase net assets.” The details of this \$(293,000) difference are as follows:

	<u>In thousands</u>
The statement of activities reports <i>losses</i> arising from the trade-in of existing capital assets to acquire new capital assets. Conversely, governmental funds do not report any gain or (loss) on a trade-in of capital assets.	\$(646)
Transfers of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.	<u>353</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$(293)</u>

Another element of that reconciliation explains that “Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.” The detail of this \$371,000 difference is as follows:

Property tax revenue for year-end delinquent taxes	<u>In thousands</u> <u>\$371</u>
--	-------------------------------------

Another element of that reconciliation states that “The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$(31,997,000) difference are as follows:

Debt issued or incurred:	<u>In thousands</u>
Issuance of general obligation bonds	\$(59,170)
Less: (premium)/discounts	(1,440)
Cost of issuance	186
Absorbed responsibility of revenue bonds from component unit. See Note IV. K.	(10,760)
Accrued interest	(483)
Principal payments of general obligation bonds	<u>39,670</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 31,997</u>

Another element of that reconciliation explains that “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 the governmental funds.” The detail of this \$(36,000) difference is as follows:

Change in compensated absences for year reported as general governmental expenditures	<u>In thousands</u> <u>\$(36)</u>
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### III. Stewardship, compliance, and accountability

#### A. Budgetary information

Annual budgets, as required by state statutes, are adopted on a basis consistent with generally accepted accounting principles for the General fund, all budgeted special revenue funds, the Metro Transit Light Rail enterprise fund and the Metro Transit Bus enterprise fund. The Highway Right-of-way acquisition special revenue fund (a nonmajor fund) does not have a legally adopted annual budget. Budgets for the Environmental Services enterprise fund are prepared in conformity with the “cost allocation” system described in Minnesota Statute 473.517. Under this system, annual revenues are budgeted to equal annual expenses. Variances in revenues are accumulated for working capital and are limited to 5% of the operating expenses. Variances in expenses are accumulated for contingency reserves. All annual appropriations lapse at year-end.

Division staff, starting in February, prepare budgets. These budgets are reviewed by division management and are then submitted to the Regional Administrator’s office for review. Budget discussions begin with the Council in June and the budget is adopted in December. The budget is prepared by division, program, and fund. The legal level of control is division within fund. The only fund that has more than one division is the General fund. The divisions of the General fund are Regional Administration and Community Development. Transfers between funds require approval of the Council. The Council approved several supplemental appropriations during the year, the effects of which were not material.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during subsequent years.

**B. Excess of expenditures over appropriations**

The following nonmajor funds had expenditures in excess of budget for the year ended December 31, 2005:

	<u>Dollars in thousands</u>			<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
<u>Nonmajor special revenue funds</u>	<u>Budget</u>	<u>Budget</u>		<u>Over/(Under)</u>
Livable communities	\$15,400	\$15,400	\$18,079	\$2,679
Transit administration	5,197	5,959	6,484	525
Opt-out	23,643	21,479	23,721	2,242
Rural small urban	3,996	4,186	4,535	349

Expenditures in excess of budget for the livable communities fund were funded by fund balance. Excess expenditures in the transit administration fund were funded by Federal government grants revenues. Expenditures in excess of budget for the opt-out fund came primarily from transfers from the transit administration fund with the remaining amount coming from state revenues. Expenditures in excess of budget for the rural small urban fund were funded by increased fare revenue.

**IV. Detailed notes on all funds**

**A. Cash and investments**

**1. Deposits**

Minnesota statutes require that all Council deposits be protected by insurance, surety bonds or collateral pledged to the Council. Collateral pledged shall be at least ten percent more than the amount of excess deposits. In addition to \$10,000 of petty cash and mutilated coin, the amount of the Council's bank accounts was \$19,603,000; of which \$200,000 was covered by Federal depository insurance (FDIC) and \$19,403,000 was collateralized at least 110% with securities held by the Federal Reserve Bank.

At December 31, 2005, the carrying amount of the MSFC's bank accounts was \$179,000. Bank balances were \$434,000 of which \$100,000 was covered by Federal depository insurance and the remaining \$334,000 was collateralized with securities held by the pledging institution's agent in MSFC's name.

**2. Investments**

Throughout 2005 the Council participated in a securities lending program. State statutes and Council policy permit the Council to enter into securities lending transactions. These are loans of securities to broker/dealers and other entities in exchange for collateral with a simultaneous agreement to return the collateral for the same securities in the future. Loans may be made only to pre-approved borrowers. The Council's securities custodian is the agent in lending the Council's U.S. Government securities for collateral of 102% of the market value of loaned securities. Loaned investments are marked to market daily. If the collateral provided by the borrower falls below 100% of the market value of the loaned investment, the borrower is required to provide additional collateral to bring the collateral to 102% of the current market value. The contract with the trust company does not require the trust company to indemnify the Council if borrowers fail to return the securities, but does provide for the trust company to deliver collateral up to the market value of the loaned securities to the Council. The trust company does not have the ability to pledge or sell collateral securities absent a borrower default. Either the Council or the borrower may terminate all securities loans, on demand.

As of December 31, 2005, there were no securities on loan.

The Council's investment policy addresses certain risks to which it is currently exposed as follows:

*Interest rate risk.* In accordance with its investment policy the Council manages its exposure to declines in fair value. To meet short-term cash flow needs, the Council's investment portfolio will remain sufficiently liquid to enable the Council to meet anticipated cash requirements without the occurrence of significant investment losses. To meet long-term needs, the average duration of the investment portfolio should match the average duration of liabilities, subject to regulatory requirements.

*Credit risk.* Minnesota Statute 118A limits investment instruments purchased by the Council. It is the Council's policy not to invest in reverse repurchase agreements. In the securities lending program, the Council has no credit risk exposure to borrowers because the amounts the Council owes borrowers exceed amounts borrowers owe the Council.

*Concentration of credit risk.* The Council's investment policy does not specifically limit investments in any one issuer, but does require a diversified investment portfolio to avoid the risk of losses resulting from an over-concentration of assets in a specific maturity, issuer, or class of securities.

*Custodial credit risk - deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the Council's deposits may not be returned to it. Refer to Note IV.A.1 for details regarding this risk.

*Custodial credit risk - investments.* For an investment, there is a risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. According to Council policy, with the exception of securities in its futures margin account for hedging diesel fuel consumption, all securities purchased by the Council are held by a third party safekeeping agent appointed as custodian. Of the \$229,679,000 United States Treasury and agency investments, the Council has a custodial credit risk exposure of \$1,982,000 because the related securities are held by a custodial agent in the broker's name.

The Council has no foreign currency exposure.

Several Council investment holdings of specific issuers represent more than 5% of combined cash and investments. These holdings include: (a) Federal Home Loan Bank, (b) Federal Home Loan Mortgage Corporation, (c) Federal National Mortgage Association, and (d) demand deposit accounts (cash) with one account earning 4.20% at year end. The Council had 38.1% of its investments in commercial paper at year-end but the individual holdings constituted less than 5% invested in any one issuer.

# METROPOLITAN COUNCIL

## NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2005

Following is a summary of the fair values of securities at December 31, 2005:

<u>Metropolitan Council:</u>	<u>Credit Risk</u>	<u>Custody Credit Risk</u>	<u>Dollars in thousands</u>		<u>Portfolio</u>
			<u>Par</u>	<u>Fair Value</u>	
U.S. Treasury Securities					
Futures Account, U.S. Treasury Bill	n.a.	Broker Held (a)	\$ 2,000	\$ 1,982	0.5%
Escrow Account, Debt (SLGS and Cash)	n.a.	Escrow (b)	25,027	25,027	6.0%
U.S. Agency Securities:					
Federal Home Loan Bank	Aaa	Custody (b)	113,905	111,106	26.7%
Federal National Mortgage Assn.	Aaa	Custody (b)	41,512	40,626	9.8%
Federal Home Loan Mortgage Corp.	Aaa	Custody (b)	52,000	50,938	12.3%
Certificates of Participation (U.S. GSA)	N.R. (c)	Custody (b)	4,400	4,832	1.2%
Commercial Paper (each <5%)	A1/P1/F1	Custody (b)	159,362	158,277	38.1%
Municipal (each <5 %)	Aaa	Custody (b)	4,500	4,499	1.1%
Escrow Account, Debt (Money Market)	Aaa	Escrow(b)	4,287	4,287	1.0%
Money Market Funds	Aaa	n.a	7,496	7,496	1.8%
Cash for Fuel Hedging	n.a.	Broker Held (d)	(557)	(557)	-0.1%
Cash for Investments	n.a.	Collateralized (e)	17,409	17,409	4.2%
Cash for Operations (f)	n.a.	Collateralized (e)	(10,486)	(10,486)	2.6%
Petty Cash/Coin & Mutilated Coins	n.a.	Council Held	10	10	0.0%
Total Cash and Investments			<u>\$420,865</u>	<u>\$415,446</u>	<u>100.0%</u>
<b><u>Component Units:</u></b>					
<b><u>MSFC:</u></b>					
U.S. Government Securities				\$ 8,126	43.9%
Money Market Fund:				10,188	55.1%
Cash				179	1.0%
Total Cash and Investments				<u>\$18,493</u>	<u>100.0%</u>

(a) Securities held by the Bank of NYS in the broker's name.

(b) Securities held in custody/escrow are in the Council's name.

(c) N.R. = Not Rated.

(d) Held by the broker in the Council's name

(e) Individual balances less than or equal to \$200,000 are FDIC insured. Individual balances greater than \$200,000 are collateralized, with securities held by the Federal Reserve Bank in the Council's name.

(f) Outstanding Checks

# METROPOLITAN COUNCIL

## NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2005

The Council has adopted a simulation model of reporting of its investments and their sensitivity to fluctuation in interest rates to comply with Government Accounting Standards Board Statement No. 40, "Deposit and Investment Risk Disclosures". As presented, assumptions are made of interest rate changes of 50, 100, 150, & 200 basis points; it also assumes that interest rate changes occur on December 31, 2005. The investment portfolio has an average yield of 4.77%, modified duration of 3.72 years, effective duration of 1.97 years and convexity of -.53.

### Estimated Fair Value, Parallel Shift of Yield Curve Dollars in thousands

<u>Metropolitan Council:</u>	<u>+50 Basis Pts.</u>	<u>+100 Basis Pts.</u>	<u>+150 Basis Pts.</u>	<u>+200 Basis Pts.</u>
U.S. Treasury Securities				
Futures Account, U.S. Treasury Bill	\$ 1,979	\$ 1,972	\$ 1,966	\$ 1,959
Escrow Account, Debt (SLGS and Cash)	25,027	25,027	25,027	25,027
U.S. Agency Securities:				
Federal Home Loan Bank	111,712	109,146	106,517	103,920
Federal National Mortgage Assn.	39,769	38,765	37,738	36,722
Federal Home Loan Mortgage Corp.	49,863	48,605	47,315	46,042
Certificates of Participation (U.S. GSA)	4,730	4,611	4,489	4,368
Commercial Paper (each <5%)	158,277	158,277	158,277	158,277
Municipal Bonds (each <5%)	4,478	4,454	4,428	4,403
Escrow Account, Debt (Money Market)	4,287	4,287	4,287	4,287
Money Market Funds	7,496	7,496	7,496	7,496
Cash for Fuel Hedging	(557)	(557)	(557)	(557)
Cash for Investments	17,409	17,409	17,409	17,409
Cash for Operations	(10,486)	(10,486)	(10,486)	(10,486)
Petty Cash/Coin & Mutilated Coins	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>
Total Cash and Investments	<u>\$413,994</u>	<u>\$409,016</u>	<u>\$403,916</u>	<u>\$398,877</u>

## B. Energy Forward Pricing Mechanisms

Pursuant to Minnesota Statute 473.1293, as a budget risk reduction tool, the Council may enter into forward pricing mechanisms (e.g., commodity-type futures, options, contracts, etc.) to manage price variability associated with purchases of Council-consumed energy, e.g., diesel fuel and natural gas, except electricity. Since early 2004, the Council has hedged its diesel fuel consumption (approximately 10 million gallons per year) with Energy Forward Pricing Mechanisms (EFPM). This program's objective is to manage a large portion of Metro Mobility and Metro Transit Bus's exposure to fuel price swings. EFPMs may be comprised of any single or combined use of: futures; options; options on futures; or similarly serving derivative instruments.

In 2005, only heating oil #2 futures contracts (contracts) were utilized. The Council's procedures limit contracts in-place to ninety percent of consumption expected in any one month over a 2-year forward time frame. The initial value of each contract is zero. The price of fuel for any week is based on the price of #2 heating oil as of the previous Friday. When fuel is purchased, contracts are exercised, thereby, effectively tying the fuel price to the price of #2 heating oil as of the date of the contract's creation. For the year, gains of \$2,441,000 were recognized as a reduction in diesel fuel expense. On December 31, 2005, the remaining contracts had \$1,440,000 of unrealized gains with a fair value of \$17,429,000. There is no debt associated with these contracts.

As outlined in Governmental Accounting Standards Board Technical Bulletin 2003-1, there are certain risks attached to this program. Metro Mobility and Metro Transit Bus may face increased costs if: 1) fuel consumption falls below the contract levels, and, 2) the closing value of the contract is below its nominal value.



**METROPOLITAN COUNCIL**

NOTES TO THE FINANCIAL STATEMENTS  
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**C. Receivables**

Receivables for both current and restricted assets, as of the year-end for the Council’s individual major funds and nonmajor funds in aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Dollars in thousands				
	<u>General</u> <u>Fund</u>	<u>Metro</u> <u>Mobility</u>	<u>Debt</u> <u>Retirement</u>	<u>Nonmajor</u> <u>Governmental</u>	<u>Total</u> <u>Governmental</u>
<b><u>Receivables – current</u></b>					
Accounts	\$ 16	\$163		\$ 8	\$ 187
Delinquent taxes	339		\$1,445	441	2,225
Interest	<u>58</u>	<u>23</u>	<u>190</u>	<u>273</u>	<u>544</u>
Total receivables-current	<u>\$413</u>	<u>\$186</u>	<u>\$1,635</u>	<u>\$722</u>	<u>\$2,956</u>
				<b>Metropolitan</b>	
		<b>Metro</b>	<b>Metro</b>	<b>Housing and</b>	<b>Total</b>
	<b>Environmental</b>	<b>Transit</b>	<b>Transit</b>	<b>Redevelopment</b>	<b>Business-</b>
	<b>Services</b>	<b>Bus</b>	<b>Light Rail</b>	<b>Authority</b>	<b>Type</b>
<b><u>Receivables – current (continued)</u></b>					
Accounts	\$3,387	\$5,708	\$79	\$16	\$9,190
Delinquent taxes		63			63
Interest	117	170	11	23	321
Less: allowance for uncollectibles	<u>(245)</u>	<u>(431)</u>	<u>—</u>	<u>—</u>	<u>(676)</u>
Total receivables- current	<u>\$3,259</u>	<u>\$5,510</u>	<u>\$90</u>	<u>\$39</u>	<u>\$8,898</u>
				<b>Metropolitan</b>	
		<b>Metro</b>	<b>Metro</b>	<b>Housing and</b>	<b>Total</b>
	<b>Environmental</b>	<b>Transit</b>	<b>Transit</b>	<b>Redevelopment</b>	<b>Business-</b>
	<b>Services</b>	<b>Bus</b>	<b>Light Rail</b>	<b>Authority</b>	<b>Type</b>
<b><u>Receivables – restricted</u></b>					
Accounts	\$19,612	\$10	\$10		\$19,632
Interest	<u>724</u>	<u>6</u>	<u>9</u>	<u>\$2</u>	<u>741</u>
Net total receivables-restricted	<u>\$20,336</u>	<u>\$16</u>	<u>\$19</u>	<u>\$2</u>	<u>\$20,373</u>

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the governmental funds were as follows (dollars in thousands):

	<b><u>Unavailable</u></b>
Delinquent property taxes receivable (General fund)	\$ 185
Delinquent property taxes receivable (Debt retirement fund)	799
Delinquent property taxes receivable (Other governmental funds)	<u>276</u>
Total deferred/unearned revenue for governmental funds	<u>\$1,260</u>

**D. Property taxes**

Minnesota State Law requires the State of Minnesota Commissioner of Revenue to determine property tax levy limits. The levy limit generally represents the prior year’s levy limit multiplied by the percentage increase in total market value of taxable property. There is no property tax levy limits for the debt service levy.

In 2005, the Council levied \$10,300,000 for the General levy; \$2,803,000 for the Highway Right-of-Way Loan levy; \$8,184,000 for the Livable Communities Demonstration Account levy; \$8,101,000 for Parks and Radio system debt service; and \$36,260,000 in transit debt service levies upon all taxable property within the Twin Cities Metropolitan Area. The Council also levied \$5,000,000 for Livable Communities Tax Base Revitalization, upon taxable property included in the Metropolitan Fiscal Disparities contribution tax pool.

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Council levies are reduced by Market Value Credits (MVC). The MVC is a property tax reduction taken by the counties and is paid directly to the Council by the State of Minnesota.

The following is a summary of the Council's property tax levy limits, levies, MVC's and adjusted levy:

	Dollars in thousands			
	<u>Levy Limit</u>	<u>Council Levy</u>	<u>Less: MVC Credit</u>	<u>Adjusted Levy</u>
Operating levy	\$10,522	\$10,300	\$ (692)	\$ 9,608
Tax base revitalization	5,000	5,000		5,000
Highway right-of-way	2,829	2,803	(189)	2,614
Livable communities	8,259	8,184	(550)	7,634
Parks and radio system debt retirement	8,101	8,101	(544)	7,557
Transit debt retirement	<u>36,260</u>	<u>36,260</u>	<u>(1,141)</u>	<u>35,119</u>
Total	<u>\$70,971</u>	<u>\$70,648</u>	<u>\$(3,116)</u>	<u>\$67,532</u>

## E. Capital assets

### 1. Primary government

Capital asset activity for the year ended December 31, 2005 was as follows:

	Dollars in thousands			
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 0	\$ 215	\$ 0	\$ 215
Construction in progress	<u>399</u>	<u>11,279</u>	<u>—</u>	<u>11,678</u>
Total capital assets, not being depreciated	<u>399</u>	<u>11,494</u>	<u>\$ 0</u>	<u>11,893</u>
Capital assets, being depreciated:				
Vehicles	50,755	5,895	(3,562)	53,088
Equipment	<u>4,512</u>	<u>263</u>	<u>(12)</u>	<u>4,763</u>
Total capital assets, being depreciated	<u>55,267</u>	<u>6,158</u>	<u>(3,574)</u>	<u>57,851</u>
Less accumulated depreciation for:				
Vehicles	16,817	6,747	(2,528)	21,036
Equipment	<u>3,990</u>	<u>326</u>	<u>(9)</u>	<u>4,307</u>
Total accumulated depreciation	<u>20,807</u>	<u>7,073</u>	<u>(2,537)</u>	<u>25,343</u>
Total capital assets, being depreciated, net	<u>34,460</u>	<u>(915)</u>	<u>(1,037)</u>	<u>32,508</u>
Governmental activities capital assets, net	<u>\$34,859</u>	<u>\$10,579</u>	<u>\$(1,037)</u>	<u>\$44,401</u>

During the year, governmental activities received buses totaling \$744,000 transferred from Metro Transit Bus having a net book value of \$353,000. The transferred amounts (\$744,000 in vehicle increases, and \$391,000 of accumulated depreciation) are reflected in the above capital asset activity for the year.

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	Dollars in thousands			Ending Balance
	Beginning Balance	Increases	Decreases	
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 55,577	\$ 9,845	\$ 0	\$ 65,422
Construction in progress	<u>230,087</u>	<u>111,931</u>	<u>(95,390)</u>	<u>246,628</u>
Total capital assets, not being depreciated	<u>285,664</u>	<u>121,776</u>	<u>(95,390)</u>	<u>312,050</u>
Capital assets, being depreciated:				
Buildings and improvements	2,252,419	89,816	(535)	2,341,700
Vehicles	372,893	11,168	(18,660)	365,401
Equipment	<u>97,974</u>	<u>3,250</u>	<u>(261)</u>	<u>100,963</u>
Total capital assets, being depreciated	<u>2,723,286</u>	<u>104,234</u>	<u>(19,456)</u>	<u>2,808,064</u>
Less accumulated depreciation for:				
Buildings and improvements	644,551	73,080	(115)	717,516
Vehicles	146,276	27,766	(18,175)	155,867
Equipment	<u>71,679</u>	<u>7,508</u>	<u>(41)</u>	<u>79,146</u>
Total accumulated depreciation	<u>862,506</u>	<u>108,354</u>	<u>(18,331)</u>	<u>952,529</u>
Total capital assets, being depreciated, net	<u>1,860,780</u>	<u>(4,120)</u>	<u>(1,125)</u>	<u>1,855,535</u>
Business-type activities capital assets, net	<u>\$2,146,444</u>	<u>\$117,656</u>	<u>\$(96,515)</u>	<u>\$2,167,585</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

<b>Governmental activities:</b>	<b>In thousands</b>
General government	\$ 307
Transportation	<u>6,766</u>
Total depreciation expense-governmental activities	<u>\$7,073</u>
<b>Business-type activities:</b>	
Environmental Services	\$ 45,479
Transit Bus	37,578
Transit Light Rail	24,208
Housing	<u>1,089</u>
Total depreciation expense-business-type activities	<u>\$108,354</u>

**2. Discretely presented component unit**

Activity for Metropolitan Sports Facilities Commission for the year ended December 31, 2005 was as follows:

	<b>Dollars in thousands</b>			<b>Ending Balance</b>
	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	
<b><u>Business-type activities:</u></b>				
Capital assets, not being depreciated:				
Land	\$ 8,700	\$ 0	\$ 0	\$ 8,700
Capital assets, being depreciated:				
Buildings and improvements	98,343	833		99,176
Equipment	<u>10,561</u>	<u>864</u>	<u>(29)</u>	<u>11,396</u>
Total capital assets, being depreciated	<u>108,904</u>	<u>1,697</u>	<u>(29)</u>	<u>110,572</u>
Less accumulated depreciation for:				
Building and improvements	76,199	4,271		80,470
Equipment	<u>7,121</u>	<u>928</u>	<u>(23)</u>	<u>8,026</u>
Total accumulated depreciation	<u>83,320</u>	<u>5,199</u>	<u>(23)</u>	<u>88,496</u>
Total capital assets, being depreciated, net	<u>25,584</u>	<u>(3,502)</u>	<u>(6)</u>	<u>22,076</u>
Metropolitan Sports Facilities Commission, capital assets, net	<u>\$34,284</u>	<u>\$(3,502)</u>	<u>\$(6)</u>	<u>\$30,776</u>

**F. Interfund receivables, payables, and transfers**

The outstanding balances between funds mainly result from the time lag between the dates that (1) interfund reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

The composition of interfund balances as of December 31, 2005, is as follows:

<b>Due from/due to other funds</b>		<b>In thousands</b>
<b>Receivable Fund</b>	<b>Payable Fund</b>	
General	Metropolitan Housing & Redevelopment Authority	\$ 2
General	Metro Mobility	1
General	Nonmajor government	2
Metro Mobility	General	135
Debt Retirement governmental	General	12
Metropolitan Housing & Redevelopment Authority	General	9
Nonmajor government	Nonmajor government	873
Metro Transit Bus	Nonmajor government	486
Debt Retirement governmental	Metro Transit Bus	11
Debt Retirement governmental	Nonmajor government	<u>16</u>
Total		<u>\$1,547</u>

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Transfers are primarily used to 1) move general fund revenues--and some non-major fund revenues—to various other funds to comply with legislative mandates, and 2) move revenues from the fund with collection authorization to other funds in accordance with budgetary authorization, including amounts provided as subsidies.

<b>Transfers Out</b>	<b>Dollars in thousands</b>						
	<b>Transfers In</b>						
	General Fund	Debt Retirement	Nonmajor Governmental <sup>1</sup>	Total Governmental	Environmental Services	Metro Transit Bus	Total
General Fund			\$1,275	\$1,275	\$100		\$1,375
Debt Retirement	\$1,768			1,768			1,768
Nonmajor governmental	<u>188</u>	<u>\$257</u>	<u>2,216</u>	<u>2,661</u>	<u>296</u>	<u>\$18,678</u>	<u>21,635</u>
Total Transfers	<u>\$1,956</u>	<u>\$257</u>	<u>\$3,491</u>	<u>\$5,704</u>	<u>\$396</u>	<u>\$18,678</u>	<u>\$24,778</u>

During the year, the Debt Retirement fund (a major fund) transferred to the General fund, \$1,768,000 of excess debt retirement earnings from retired solid waste bonds. Additionally, the Metro Transit Bus enterprise fund transferred capital assets with a net book value of \$353,000 to a non-major governmental fund. The transfer was not recognized in the governmental funds statement of revenues, expenditures and changes in fund balances because there were no current financial resources provided.

**G. Restricted liabilities**

Restricted liabilities as of December 31, 2005, for the Council’s individual major and nonmajor funds are as follows:

	<b>Dollars in thousands</b>			
	Environmental Services	Metro Transit Bus	Metro Transit Light Rail	Total
<b>Restricted liabilities:</b>				
Accounts payable	\$12,717	\$1,992	\$5,693	\$20,402
Accrued interest payable	8,764			8,764
Due to other governments			2,000	2,000
Other		<u>152</u>		<u>152</u>
Net restricted payables	<u>\$21,481</u>	<u>\$2,144</u>	<u>\$7,693</u>	<u>\$31,318</u>

**H. Leases**

**1. Operating leases**

The Council leases building and office facilities, storage facilities, and other operating equipment under non-cancelable operating leases. Total operating lease costs in fiscal year 2005 were General Fund payments of \$1,678,000, Metro Transit Bus enterprise fund payments of \$355,000, Metro Transit Light Rail enterprise fund payments of \$24,000, and Environmental Service enterprise fund payments of \$234,000.

Commitments under operating lease agreements provide for minimum annual rental payments as follows:

<b>Year</b>	<b>Dollars in thousands</b>				
	Governmental Funds	Environmental Services	Metro Transit Bus	Enterprise Total	Total
2006	\$601	\$226	\$265	\$491	\$1,092
2007		164	137	301	301
2008		150	130	280	280
2009		151	112	263	263
2010		75	82	157	157
2011-2014			<u>263</u>	<u>263</u>	<u>263</u>
Total	<u>\$601</u>	<u>\$766</u>	<u>\$989</u>	<u>\$1,755</u>	<u>\$2,356</u>

**2. Capital leases**

**Governmental activities:**

On December 1, 2004, the Council entered into an annual appropriation lease purchase agreement for land and facilities to be renovated thereon. The Council granted a leasehold interest in the land and facilities to a trustee and proceeds from the issuance and sale of Certificates of Participation in the lease purchase agreement provided a portion of the funds to renovate, improve and equip the facilities for use as the Council's administrative headquarters.

The Certificates of Participation are not an obligation of the Council and the lease is subject to non-appropriation by the Council in which event the lease is terminated and there is no obligation of the Council for future rental payments. The Council intends to continue the lease through its entire term.

<u>Year Ending</u>	<u>Dollars in thousands</u>
	<u>Nonmajor Governmental Fund</u>
2006	\$ 533
2007	1,035
2008	1,034
2009	1,033
2010	1,035
2011-2015	5,151
2016-2020	5,132
2021-2025	<u>5,109</u>
Total minimum lease payments	\$20,062
Less amount representing interest	<u>(6,532)</u>
Present value of minimum lease payments	<u>\$13,530</u>

**Business-type activities:**

On October 1, 1999, the Council entered into an eleven-year six-month capital lease for two commuter coach buses. During 2005, the lease was paid early and the coach buses were transferred to the Transit Administration fund (a nonmajor fund).

**I. Long-term obligations**

**1. General obligation debt**

The Council issues general obligation bonds for parks, solid waste, transportation and sewers. General obligation bonds have been issued for both governmental and business-type activities. The Council also issued general obligation bonds for the Metropolitan Radio Board, a component unit that ceased operations in 2005.

The parks and solid waste bonds have been issued for park, acquisition grants and funding the cost of sanitary landfill siting and environmental reviews. The Council's full faith and credit and taxing powers are pledged. The park bonds generally were issued as 20- to 30-year serial bonds, while the solid waste bonds generally were 5- to 15-year serial bonds. Beginning in November of 1994 the Council issued 5-year serial park bonds and intends to issue approximately \$5 million of 5-year park bonds each year to create a park revolving fund.

The transportation bonds are issued for the acquisition of transit vehicles, equipment and facilities. These bonds, backed by the taxing powers of the Council, generally are 20-year serial bonds.

Bonds issued for parks, solid waste and transportation are intended to be repaid by levying property taxes in future years, and a liability is recognized in the government-wide statement of net assets. Bonds issued for sewers are intended to be repaid by charges for wastewater services and a liability is recognized.

The original amount of general obligation bonds issued in prior years was \$596,875,000. During the year, \$38,000,000 general obligation bonds, \$13,285,000 general obligation refunding bonds, and \$7,885,000 in general obligation certificates of indebtedness were issued, along with \$90,405,000 of general obligation sewer bonds and \$24,920,000 of general obligation sewer refunding bonds.

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General obligation bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Dollars in thousands</u>
Governmental activities	2.00 – 5.63%	\$172,975
Governmental activities – refunding	2.50 – 5.00%	34,140
Governmental activities - certificates of indebtedness	4.00 - 4.00%	7,885
Business-type activities	2.00 – 5.00%	136,365
Business-type activities – refunding	2.00 – 5.25%	<u>173,725</u>
Total general obligation bonds		<u>\$525,090</u>

The original amount of Minnesota Public Facilities Authority (PFA) loans drawn down in prior years was \$610,979,000. During the year, \$25,907,000 of Minnesota PFA loans were drawn down.

Public Facilities Authority general obligation backed loans currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Dollars in Thousands</u>
Governmental activities	2.71%	\$ 10,585
Business-type activities	0.00 - 5.38%	<u>515,332</u>
Total Public Facilities Authority loans		<u>\$525,917</u>

The following is a summary of bond transactions of the Council for the year ended December 31, 2005:

<u>Dollars in thousands</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Balance, January 1, 2005	\$212,221	\$776,295
Bonds issued, net of discount/premium	61,135	122,278
PFA drawdown		25,907
Amortization of discount/premium	(531)	(701)
Amortization of deferred amount on refunding		71
Less principal payments	<u>(39,670)</u>	<u>(86,422)</u>
Balance, December 31, 2005	<u>\$233,155</u>	<u>\$837,428</u>

As of December 31, 2005, the annual debt service requirements to amortize all general obligation bonds and loans outstanding, including interest of \$45,867,000 on the governmental activities debt and \$273,940,000 business-type activities debt, are as follows:

<u>Year Ending December 31</u>	<u>Dollars in thousands</u>					
	<u>Governmental Activities</u>			<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$40,025	\$ 9,793	\$ 49,818	\$ 50,795	\$ 31,288	\$ 82,083
2007	36,730	7,616	44,346	49,477	28,063	77,540
2008	38,670	5,888	44,558	54,384	26,628	81,012
2009	22,915	4,474	27,389	45,988	24,813	70,801
2010	17,125	3,596	20,721	45,202	22,962	68,164
2011-2015	44,840	10,219	55,059	237,377	87,486	324,863
2016-2020	18,480	3,691	22,171	228,510	43,748	272,258
2021-2025	<u>6,800</u>	<u>590</u>	<u>7,390</u>	<u>113,689</u>	<u>8,952</u>	<u>122,641</u>
Sub-total	225,585	45,867	271,452	825,422	273,940	1,099,362
Net unamortized:						
Discounts/premiums	7,570		7,570	12,464		12,464
Deferred on refunding				(458)		(458)
Total payments	<u>\$233,155</u>	<u>\$45,867</u>	<u>\$279,022</u>	<u>\$837,428</u>	<u>\$273,940</u>	<u>\$1,111,368</u>

**METROPOLITAN COUNCIL**

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**2. Refunded bonds**

The Council sold three refunding bonds in 2005:

		Dollars in thousands				
<u>Bond Number</u>	<u>Type</u>	<u>Par Value</u>	Present	Debt	<u>Refunded Bond</u>	<u>Bonds Maturities</u>
			<u>Value Savings</u>	<u>Service Reductions</u>		
2005A	Sewer	\$17,395	\$1,359	\$1,527	1996B	2006-2012
2005B	Sewer	7,525	309	523	1999B	2009-2014
2005C	Transit	<u>13,285</u>	<u>776</u>	<u>1,094</u>	2000A	2009-2020
		<u>\$38,205</u>	<u>\$2,444</u>	<u>\$3,144</u>		

**3. Loans payable**

In 2002, the Minnesota Housing Finance Authority issued a loan to the Council in the amount of \$400,000. In 2004, the Minnesota Housing Finance Authority issued an additional loan of \$730,000 and Hennepin County Housing and Redevelopment Authority issued a \$275,000 loan for a total of \$1,405,000. The terms of the loan agreements are 30 years, although they may be extended indefinitely if all the terms of the loan agreement are met.

**4. Revenue Bonds**

On November 1, 1999, the Council, on behalf of the Metropolitan Radio Board, issued \$14,280,000 of Revenue Bonds. The bonds bear interest from 4.10 to 5.50 percent and are being repaid over a 15-year period. Principal and interest are payable from revenues derived from the collection of emergency telephone service fees ("911 Fees"). The proceeds were used to purchase the elements of the first phase of a region-wide public safety radio communications system. On June 30, 2005, the Metropolitan Radio Board ceased operations with the remaining principal and interest payments being transferred to the Council. See Note IV.K. for further discussion.

The following is a summary of revenue bond transactions of the Council for the year ended December 31, 2005:

	Dollars in thousands
Balance, January 1, 2005	\$11,443
Amortization of discount	6
Less principal payment	<u>(810)</u>
Balance as of June 30, 2005, transferred to Metropolitan Council	10,639
Amortization of discount	<u>6</u>
Balance, December 31, 2005	<u>\$10,645</u>

As of December 31, 2005, the annual requirements to amortize all revenue bonds outstanding, including interest of \$3,092,000, are as follows:

<u>Year Ending December 31</u>	Dollars in thousands		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 845	\$ 535	\$ 1,380
2007	890	494	1,384
2008	935	449	1,384
2009	985	402	1,387
2010	1,035	351	1,386
2011-2015	<u>6,070</u>	<u>861</u>	<u>6,931</u>
Sub-total	10,760	3,092	13,852
Less net unamortized discount	<u>(115)</u>		<u>(115)</u>
Balance, December 31, 2005	<u>\$10,645</u>	<u>\$3,092</u>	<u>\$13,737</u>



**5. Current value, flow, and facilities cost credits**

Environmental Services, an enterprise fund, is indebted to various municipalities for equity in treatment works and interceptors in service when the fund acquired the facilities. This liability is a component of due to other governments. The municipalities receive a check in July for the portion of the credit amortized annually plus interest on the unamortized balance at 4%. During 2005, \$441,000 of principal was retired. The unpaid balance was \$1,861,000 at December 31, 2005.

Environmental Services, an enterprise fund, is indebted to the City of St. Paul based on estimated flow numbers. In 1999, the City and the Council agreed to an interim billing arrangement until new meters were installed and working. This liability is a component of due to other governments. In 2004 an agreement was signed with the City of St. Paul to repay them by a reduction in municipal wastewater charges through December 2009. The Council will pay the City of St. Paul principal and interest payments of \$6,250,000. The unpaid principal balance was \$4,613,000 at December 31, 2005.

MSFC created the facilities cost credit to assist the Minnesota Twins, Minnesota Vikings and the University of Minnesota football Gophers in enhancing team revenues and/or reducing event day costs of operations in the Metrodome. Since 1999 the MSFC has issued an annual payment to the Minnesota Twins and the University of Minnesota football Gophers that is equal to the admission tax paid by each team for their events in the Metrodome. At the request of the Minnesota Vikings, the MSFC waived the required rent payment in lieu of the facilities cost credit. Although the facilities cost credit may not exceed admission tax amounts for each team's events, the tax is not waived or pledged to the teams.

**6. Changes in long-term liabilities**

Long-term liability activity for the year ended December 31, 2005 was as follows:

	Dollars in thousands				
<u>Governmental activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds/loans payable:					
General obligation debt	\$206,085	\$59,170	\$(39,670)	\$225,585	\$40,025
Less discounts/premiums	6,136	1,965	(531)	7,570	
Net general obligation debt	<u>212,221</u>	<u>61,135</u>	<u>(40,201)</u>	<u>233,155</u>	<u>40,025</u>
Revenue bonds (see Note IV.K.)		10,760		10,760	845
Less discounts/premiums		(121)	6	(115)	
Net revenue bonds	<u>0</u>	<u>10,639</u>	<u>6</u>	<u>10,645</u>	<u>845</u>
Total bonds/loans payable	212,221	71,774	(40,195)	243,800	40,870
Bond arbitrage	148		(148)	0	
Capital lease	13,530			13,530	
Compensated absences	<u>2,353</u>	<u>1,988</u>	<u>(1,952)</u>	<u>2,389</u>	<u>2,389</u>
Governmental long-term Liabilities	<u>\$228,252</u>	<u>\$73,762</u>	<u>\$(42,295)</u>	<u>\$259,719</u>	<u>\$43,259</u>

	Dollars in thousands				
<u>Business-type activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds/loans payable					
General obligation debt	\$770,612	\$141,232	\$(86,422)	\$825,422	\$50,795
Loans payable	1,405			1,405	
Discounts/premiums	6,034	7,131	(701)	12,464	
Deferred on refunding	<u>(352)</u>	<u>(177)</u>	<u>71</u>	<u>(458)</u>	
Total bonds/loans payable	777,699	148,186	(87,052)	838,833	50,795
Compensated absences	5,542	1,161	(1,159)	5,544	
Due to other governments	7,958	443	(1,927)	6,474	1,529
Accrued claims	18,509	5,437	(6,805)	17,141	8,756
Capital lease obligations	<u>314</u>		<u>(314)</u>	<u>0</u>	
Business-type activity long-term liabilities	<u>\$810,022</u>	<u>\$155,227</u>	<u>\$(97,257)</u>	<u>\$867,992</u>	<u>\$61,080</u>

For governmental activities, capital leases and compensated absences are generally liquidated by the general fund.

**J. Compensated absences**

**1. Primary government**

In 2005, the General fund liability for compensated absences earned but not taken increased from \$2,353,000 to \$2,389,000. This liability is reported in the government-wide statement of net assets. The following summary of changes during 2005 includes \$170,000 in payroll taxes:

	<b>Dollars in thousands</b>
Balance, January 1, 2005	\$2,353
Transferred from Enterprise Funds	20
Leave Earned	1,968
Leave Taken or Paid Off	<u>(1,952)</u>
Balance, December 31, 2005	<u>\$2,389</u>

**2. Discretely presented component unit**

The MSFC separately reports compensated absences and salaries and benefits payable. Long-term activity consists entirely of the compensated absences. The compensated absences for the year ended December 31, 2005 was:

<b>Dollars in thousands</b>				
<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>\$173</u>	<u>\$169</u>	<u>\$(151)</u>	<u>\$191</u>	<u>\$121</u>

**K. Extraordinary Item**

As mentioned in Note I.A.2, the Metropolitan Radio Board ceased operations on June 30, 2005. The Metropolitan Radio Board was, at that time, a component unit of the Metropolitan Council.

As of that date, Metropolitan Council absorbed the remaining future payment liabilities of the previously issued \$14,280,000 Metropolitan Radio Board revenue bonds. Those future bond payments were \$10,760,000 and are reported in "Interest and other charges" in the Statement of Activities. The Statement of Activities reports the Metropolitan Radio Board activity for the six months ended June 30, 2005.

The Statement of Net Assets reports the Metropolitan Radio Board with no balances. Upon ceasing operations on June 30, 2005, the Metropolitan Radio Board transferred the following:

	<b>Dollars in thousands</b>
Transfer to Metropolitan Council	
Assets (reported in Debt retirement fund)	\$ 2,265
Liabilities (future bond payments net of discounts and accrued interest)	<u>(10,935)</u>
Total transfer to Metropolitan Council	(8,670)
Assets transfer to Metropolitan Emergency Service Board (not a component unit of the Metropolitan Council)	<u>578</u>
Total Transfer	<u>(\$8,092)</u>

**V. Other information**

**A. Risk management**

The Council is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; work related injuries to its employees; and natural disasters. The Council both purchases commercial insurance and self-insures for these risks of loss as discussed below. Within the past three fiscal years, no settled claims have exceeded commercial coverage. There have been no significant reductions in insurance coverage from the prior year by major categories of risk.

**1. Liability**

The Council purchases general liability insurance to protect against various liability risks in all divisions of the Council. Metro Transit-Bus recognizes a current liability for incurred, reported claims and a long-term liability for claims incurred but not reported. Claims liabilities are calculated considering recent claim settlement trends including frequency and amount of payouts. Minnesota State Statute 466.04 generally limits the Council's tort exposure to \$300,000 per claim and \$1,000,000 per occurrence for a claim arising on or after January 1, 2000. For claims arising earlier, the limits are \$300,000 per claim and up to \$750,000 per occurrence. In addition, an amount equal to twice these limits applies if the claim arises out of the release or threatened release of a hazardous substance.

**2. Automobile**

The Council purchases auto property insurance for the Metro Transit Bus enterprise fund to cover buses and vehicles for damage other than collision, upset or overturn. The Council administers a self-funded program for other risks associated with automobile liability and physical damage.

**3. Errors and omissions**

The Council self-insures for errors and omissions risk. There were no claims for 2004 or 2005

**4. Property and crime**

The Council purchases property and crime insurance to cover all owned property and identified crime exposures.

**5. Workers' compensation**

Metro Transit Bus has been self-insured for workers' compensation since 1982, MCES since 1993, and the rest of the Council since 1995. Prior to July 1, 1996, MCES used a third party administrator; since that time, the Council has self-administered workers' compensation claims for all divisions. Liabilities are recognized when there is information available that suggests there has been an occurrence in which a probable loss has incurred. Liabilities include an amount for claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. Liabilities for incurred losses to be settled by fixed or reasonably determinable payments over a long period of time are reported at their present value using a discount rate of 6%.

The self-insurance retention limit for Workers' Compensation is \$1,560,000 per single loss. For claims above the retention limit, the Workers' Compensation Reinsurance Association reimburses the Council.

Changes in the balances of workers compensation liabilities during 2004 and 2005 are as follows:

	<b>Dollars in thousands</b>			
	<b>Metro Transit Bus</b>	<b>Metro Transit Light Rail</b>	<b>Environmental Services</b>	<b>Total</b>
<b><u>2004 Balance:</u></b>				
Beginning balance	\$20,550		\$1,245	\$21,795
Current year claims and changes in estimates	2,746	\$156	703	3,605
Payments on claims	<u>(5,896)</u>	<u>      </u>	<u>(996)</u>	<u>(6,892)</u>
Ending balance	<u>\$17,400</u>	<u>\$156</u>	<u>\$ 952</u>	<u>\$18,508</u>
<b><u>2005 Balance:</u></b>				
Beginning balance	\$17,400	\$156	\$ 952	\$18,508
Current year claims and changes in estimates	4,153	708	576	5,437
Payments on claims	<u>(6,079)</u>	<u>      </u>	<u>(725)</u>	<u>(6,804)</u>
Ending balance	<u>\$15,474</u>	<u>\$864</u>	<u>\$ 803</u>	<u>\$17,141</u>

**6. Component Unit**

The MSFC purchases general and umbrella liability insurance to protect against various risks related to, among other, torts; theft of, damage to, and destruction of assets; errors and omissions; work related injuries; and natural disasters. Within the

past three fiscal years, no settled claims have exceeded commercial coverage. The MSFC has added terrorism coverage to its general and umbrella liability policies and purchased a separate terrorism property insurance policy.

**B. Retirement plan**

Metropolitan Council employees are covered by one of two Minnesota State Retirement System (MSRS) retirement plans. The following disclosures are made to comply with GASB Statement 27, "Accounting for Pensions by State and Local Governmental Employers".

**1. General employees plan (GEP) description**

The MSRS-GEP is a cost-sharing multiple employer public employee retirement plan. A majority of the employees of the Council, and MSFC are covered by this defined benefit plan administered by MSRS. MSRS provides retirement benefits, as well as disability benefits to members, and benefits to survivors upon the death of eligible members.

Minnesota Statutes, Chapter 352 establishes MSRS and the plan benefit provisions. MSRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the MSRS plan administrator at:

Minnesota State Retirement System  
60 Empire Drive, Suite 300  
St. Paul, Minnesota 55103-3000

Minnesota Statutes, Chapter 352 sets the rate for employee and employer contributions. Contributions are made to the fund by the employees and the employer, based on a percentage of gross salary. The total required contribution rate was 8.0 percent. The employee and employer each have a required contribution rate of 4.0 percent.

Employer contributions to MSRS (which equaled the required contributions for each year) were:

<u>Year</u>	<u>Dollars in thousands</u>	
	<u>Council</u>	<u>Component Unit</u> <u>MSFC</u>
2003	\$6,726	\$76
2004	6,644	78
2005	6,861	81

**2. Unclassified employees plan (UEP) description**

The MSRS-UEP is a multiple employer defined contribution plan administered by MSRS. Membership is limited to certain specific employees of the Council, and MSFC. The plan is authorized by Minnesota Statutes Chapter 352D and is considered a money purchase plan, i.e. members vest only to the extent of the value of their accounts (contributions plus earnings less administrative expenses). Retirement and disability benefits are available through conversion, at the member's option, to the General Employees Plan provided minimum service requirements are met.

Minnesota Statutes Chapter 352D sets the contribution rates. Contribution rates for 2005 were 4.0 percent for employees, and 6.0 percent for employers. Employer contributions to MSRS (which equaled the required contributions for each year) were:

<u>Year</u>	<u>Dollars in thousands</u>	
	<u>Council</u>	<u>Component Unit</u> <u>MSFC</u>
2003	\$104	\$3
2004	119	3
2005	110	3

**C. Post-employment benefits**

In addition to providing pension benefits, the Council provides certain health care, life insurance and other benefits for certain employees as negotiated in labor contracts.

Substantially all the employees of Metro Transit Bus, an enterprise fund, become eligible for certain health care and life insurance benefits if they reach normal retirement age while working for Metro Transit Bus. Metro Transit Bus recognizes the cost of providing those benefits by expensing the annual insurance premiums, which were \$5,366,000 for 2005, when due.

The number of retirees covered by the plan in 2005 was 830. In addition, \$25,211,000 is earmarked in the enterprise fund to pay future Metro Transit Bus retiree health benefits. All Metro Transit labor agreements negotiated after April 17, 2004 contain language which limits eligibility for these benefits to existing employees. No newly hired employees are eligible.

Substantially all employees of Environmental Services, an enterprise fund, employed prior to December 5, 1996 become eligible for certain health care benefits by meeting one of three eligibility requirements. Employees who retire at the age of 65, and have at least 10 years of continuous employment; or employees who retire prior to age 65, and have at least 25 years of continuous employment; are eligible for insurance benefits based on the current plan for active employees. Employees who retire between the ages of 60 and 65, and have at least 20 years of continuous employment; are eligible to receive 65% of the employer-paid, post-retirement insurance benefits. Environmental Services recognizes the cost of providing these benefits by expensing the insurance premiums when due. The cost of providing these benefits in 2005 was \$1,814,000. The number of retirees receiving benefits in 2005 was 290. In addition, \$17,430,000 is earmarked in the enterprise fund to pay future Environmental Services retiree health benefits. All Environmental Services labor agreements negotiated after December 5, 1996 contain language which limits eligibility for these benefits to existing employees. No newly hired employees are eligible.

The Council provided healthcare and dental benefits of \$72,000 to 11 employees that qualified under the provisions of either a confidential staff labor union agreement, or under provisions of the Council's 1995 and 1999 voluntary separation programs. The Council designated \$1,546,000 in the General Fund for future retiree health benefits.

**D. Sub-grantee programs**

During the year ended December 31, 2005, the Council was involved with the following sub-grantee programs:

**General Fund:**

- Habitat for Humanity (Planning Grants)
- Parks (Maintenance and Operation Grants)

**Non-major governmental funds:**

- Federal Transit Administration (Pass-Through and Study Grants)
- Federal Highway Administration (Pass-through and Study Grants)
- Federal Transit Administration (Capital and Operating Assistance Grant Programs)
- Livable Communities (Metropolitan Development)
- Parks (Capital Improvement)

**Enterprise Funds:**

- Federal Transit Administration (Capital and Operating Assistance Grant Programs)
- Housing and Redevelopment Authority (HUD Shelter Plus Care Program)
- Housing and Redevelopment Authority (HUD Housing Choice Voucher Program)
- Minnesota Housing Finance Agency (Subsidy Grants)
- Miscellaneous Other Housing Programs (Subsidy Grants)

These programs received revenue from federal, state and private grantor agencies for grant expenditures. Expenditures are made from these funds for grants to public and private metropolitan area organizations and individuals as well as for planning, administration and capital improvements.

**E. Commitments and contingencies**

The 1986 Tax Reform Act requires state and local governments to rebate to the Federal Government any earnings from the investment of tax-free debt proceeds, and debt service balances in excess of the interest cost of that debt. Liabilities related to bond proceeds interest earnings are calculated as the proceeds are spent and are paid after passage of various pre-defined anniversary dates. Debt service rebate calculations are performed on an annual basis and any payment due must be made every five years. The Council had no arbitrage rebate liability as December 31, 2005.

As part of its operations, the Council enters into contracts for various purposes including construction projects and transit services, among others. The majority of the Council's contracts are renegotiated annually with terms generally coinciding with the calendar year. However, some of the contracts span several years. Unpaid commitments for transit services totaled approximately \$30.1 million as of December 31, 2005. These commitments will be paid from the Metro Transit Bus enterprise fund. Future commitments for Metro Transit Light Rail enterprise fund contracts of approximately \$8.5 million will be paid from the Metro Transit Light Rail fund. Future commitments for regional transit services are approximately \$164.3 million as of December 31, 2005. These commitments will be paid from Regional Transit special revenue funds. Future commitments for Environmental Services enterprise fund construction contracts totaled approximately \$28 million as of December 31, 2005.

# **METROPOLITAN COUNCIL**

## NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2005

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These commitments will be paid from the Environmental Services enterprise fund. Management fully expects that it will be able to fulfill its contractual obligations for these commitments.

Since January 18, 2000, the Council has been contingently liable for Carver County Housing and Redevelopment Authority Revenue Bonds. The bond issue was for \$2,696,000, payable primarily from the revenues of the Housing Authority, but is also secured by the pledge of the full faith and credit of the City of Chaska, and the Council. The City must reimburse the Council for any money paid by the Council for debt service on these bonds. These bonds have a final maturity on January 1, 2030.

The Council is involved in various litigation, claims, and judgments. The Council is of the opinion the ultimate settlement of these matters will not materially affect the financial statements.

# **REQUIRED SUPPLEMENTARY INFORMATION**

**METROPOLITAN COUNCIL  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005  
IN THOUSANDS**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes	\$ 9,497	\$ 9,497	\$ 9,730	\$ 233
Intergovernmental revenue:				
Federal		83	87	4
State	9,330	9,330	7,611	(1,719)
Local/other	79	79	94	15
Investment income	532	533	830	297
Other	436	436	19	(417)
Total revenues	<u>19,874</u>	<u>19,958</u>	<u>18,371</u>	<u>(1,587)</u>
<b>EXPENDITURES</b>				
Current:				
General government	9,700	10,055	7,613	(2,442)
Intergovernmental:				
Culture and recreation	8,630	8,630	7,042	(1,588)
Debt service:				
Interest and other charges			79	79
Capital outlay	436	436	137	(299)
Total expenditures	<u>18,766</u>	<u>19,121</u>	<u>14,871</u>	<u>(4,250)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,108</u>	<u>837</u>	<u>3,500</u>	<u>2,663</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in		1,956	1,956	0
Transfers out	(1,100)	(1,575)	(1,375)	200
Total other financing sources (uses)	<u>(1,100)</u>	<u>381</u>	<u>581</u>	<u>200</u>
Net change in fund balances	8	1,218	4,081	2,863
Fund balances, beginning	9,940	9,940	9,940	0
Fund balances, ending	<u>\$ 9,948</u>	<u>\$ 11,158</u>	<u>\$ 14,021</u>	<u>\$ 2,863</u>

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



**METROPOLITAN COUNCIL  
BUDGETARY COMPARISON SCHEDULE  
METRO MOBILITY SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005  
IN THOUSANDS**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental revenue:				
Federal	\$ 4,250	\$ 4,250	\$ 4,250	\$ 0
State	22,868	22,916	23,874	958
Investment income	240	240	281	41
Other	3,614	3,763	3,645	(118)
Total revenues	30,972	31,169	32,050	881
<b>EXPENDITURES</b>				
Current:				
Transportation	32,290	31,815	30,392	(1,423)
Debt service:				
Interest and other charges			46	46
Capital outlay		215		(215)
Total expenditures	32,290	32,030	30,438	(1,592)
Excess (deficiency) of revenues over (under) expenditures	(1,318)	(861)	1,612	2,473
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in		1,699		(1,699)
Transfers out		(296)		296
Sale of capital assets			219	219
Total other financing sources (uses)	0	1,403	219	(1,184)
Net change in fund balances	(1,318)	542	1,831	1,289
Fund balances, beginning	13,934	13,934	13,934	0
Fund balances, ending	\$ 12,616	\$ 14,476	\$ 15,765	\$ 1,289

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

# METROPOLITAN COUNCIL

## NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION DECEMBER 31, 2005

### Stewardship, compliance, and accountability

#### . Budgetary information

Annual budgets, as required by state statutes, are adopted on a basis consistent with generally accepted accounting principles (GAAP) for the general fund, all budgeted special revenue funds, and the Metro Transit Bus and Metro Transit Light Rail enterprise funds. Budgets for the Environmental Services enterprise fund are prepared in conformity with the "cost allocation" system described in Minnesota Statute 473.517. Under this system, annual revenues are budgeted to equal annual expenses. Variances in revenues are accumulated for working capital and are limited to 5% of the operating expenses. Variances in expenses are accumulated for contingency reserves. All annual appropriations lapse at year-end.

Division staffs--starting in February--prepare budgets. These budgets are reviewed by division management and are then submitted to the Regional Administrator's office for review. Budget discussions begin with the Council in June and the budget is adopted in December. The budget is prepared by division, program, and fund. The legal level of control is division within fund. The only fund that has more than one division is the General Fund. The divisions of the General fund are Regional Administration and Community Development. Transfers between funds require approval of the Council. The Council approved several supplemental appropriations during the year, the effects of which were not material.

#### B. General Fund - Budget to Actual Comparison by Division

Below are the results of operations at the legal level of control, division budget within fund.

	Dollars in thousands			Variance with Final Budget Over (Under)
	Original Budget	Final Budget	Actual	
Regional Administration	\$ 5,107	\$ 5,025	\$ 3,336	\$ (1,689)
Community Development	13,659	14,096	11,535	(2,561)
Total General Fund	<u>\$ 18,766</u>	<u>\$ 19,121</u>	<u>\$ 14,871</u>	<u>\$ (4,250)</u>

**COMBINING AND INDIVIDUAL  
FUND FINANCIAL STATEMENTS  
AND SCHEDULES**

**Nonmajor Governmental Funds**

**Special Revenue Funds**

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Highway right-of-way acquisition loan fund accounts for taxes and related homestead credits for the loans to governmental units to acquire state highway rights-of-way to avert the conversion of property to uses which would jeopardize later construction.

Livable communities fund accounts for taxes, related market value credits, and solid waste bond proceeds received for the clean-up of polluted sites, revitalization of neighborhoods, and the creation of affordable and life-cycle housing.

Transit administration, opt-out, regular route, and rural small urban funds account for taxes, state appropriations, and federal grants used in defined and legally restricted regional transportation programs within the Metropolitan Council's boundaries.

Other special revenue funds account for specific revenues that are restricted to expenditures for specifically defined and legally restricted land use planning assistance.

**Capital Project Funds**

Capital projects funds are used to account for the acquisition and construction of capital facilities, equipment, and vehicles other than those financed by proprietary funds.

North Mississippi Park fund accounts for the acquisition and betterment of North Mississippi Regional Park land.

Parks and open space grants fund accounts for the funds received from state appropriations and bond sales for the acquisition and development of regional recreation open space.

Solid waste disposal fund accounts for funds from bonds to finance the acquisition of landfill sites and related environmental review costs in the Metropolitan Council's boundary.

Transit fund accounts for funds from bonds and state loans to finance the acquisition of transit vehicles, equipment and facilities.

Administration Building fund accounts for the construction of new office space.

**METROPOLITAN COUNCIL  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2005  
IN THOUSANDS**

	<b>Total Special Revenue</b>	<b>Total Capital Projects</b>	<b>Total Nonmajor Governmental Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 57,268	\$ 23,028	\$ 80,296
Cash with trustee		4,287	4,287
Accounts receivable	8		8
Delinquent taxes receivable	441		441
Interest receivable	192	81	273
Due from other funds	505	368	873
Due from other governmental units	8,919	1,993	10,912
Loans and advances	26,557		26,557
<b>Total assets</b>	<b>\$ 93,890</b>	<b>\$ 29,757</b>	<b>\$ 123,647</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts/contracts/subgrantees payable	\$ 8,111	\$ 5,236	\$ 13,347
Due to other funds	522	855	1,377
Deferred revenue	276		276
<b>Total liabilities</b>	<b>8,909</b>	<b>6,091</b>	<b>15,000</b>
Fund balances:			
Reserved for:			
Grants and loans	57,321	1,315	58,636
Unreserved, designated for:			
Grants and loans	19,688		19,688
Capital projects		22,351	22,351
Unreserved, undesignated	7,972		7,972
<b>Total fund balances</b>	<b>84,981</b>	<b>23,666</b>	<b>108,647</b>
<b>Total liabilities and fund balances</b>	<b>\$ 93,890</b>	<b>\$ 29,757</b>	<b>\$ 123,647</b>

**METROPOLITAN COUNCIL  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS-SPECIAL REVENUE  
DECEMBER 31, 2005  
IN THOUSANDS**

	<b>Highway Right-of-Way Acquisition Loan</b>	<b>Livable Communities</b>	<b>Transit Administration</b>	<b>Opt-Out Transit</b>	<b>Regular Route Transit</b>	<b>Rural Small Urban Transit</b>	<b>Other Special Revenue</b>	<b>Total Special Revenue</b>
<b>ASSETS</b>								
Cash and cash equivalents	\$ 12,791	\$ 36,081		\$ 1,269	\$ 2,680	\$ 1,341	\$ 3,106	\$ 57,268
Accounts receivable			\$ 7		1			8
Delinquent taxes receivable	195	246						441
Interest receivable	44	125			8	4	11	192
Due from other funds			4		501			505
Due from other governmental units			2,502	2,267	3,546	604		8,919
Loans and advances	26,505						52	26,557
Total assets	<u>\$ 39,535</u>	<u>\$ 36,452</u>	<u>\$ 2,513</u>	<u>\$ 3,536</u>	<u>\$ 6,736</u>	<u>\$ 1,949</u>	<u>\$ 3,169</u>	<u>\$ 93,890</u>
<b>LIABILITIES AND FUND BALANCES</b>								
Liabilities:								
Accounts/contracts/subgrantees payable		\$ 1,859	\$ 293	\$ 3,534	\$ 1,628	\$ 797		\$ 8,111
Due to other funds	\$ 3	9	503	2	1	4		522
Deferred revenue	153	123						276
Total liabilities	<u>156</u>	<u>1,991</u>	<u>796</u>	<u>3,536</u>	<u>1,629</u>	<u>801</u>	<u>\$ 0</u>	<u>8,909</u>
Fund balances:								
Reserved for:								
Grants and loans	26,505	30,764					52	57,321
Unreserved, designated for :								
Grants and loans	12,874	3,697					3,117	19,688
Unreserved, undesignated			1,717		5,107	1,148		7,972
Total fund balances	<u>39,379</u>	<u>34,461</u>	<u>1,717</u>	<u>0</u>	<u>5,107</u>	<u>1,148</u>	<u>3,169</u>	<u>84,981</u>
Total liabilities and fund balances	<u>\$ 39,535</u>	<u>\$ 36,452</u>	<u>\$ 2,513</u>	<u>\$ 3,536</u>	<u>\$ 6,736</u>	<u>\$ 1,949</u>	<u>\$ 3,169</u>	<u>\$ 93,890</u>

**METROPOLITAN COUNCIL  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS-CAPITAL PROJECTS  
DECEMBER 31, 2005  
IN THOUSANDS**

	<u>North Mississippi Park</u>	<u>Parks and Open Space Grants</u>	<u>Solid Waste Disposal</u>	<u>Transit</u>	<u>Administration Building</u>	<u>Total Capital Projects</u>
<b>ASSETS</b>						
Cash and cash equivalents		\$ 4,411		\$ 16,144	\$ 2,473	\$ 23,028
Cash with trustee					4,287	4,287
Interest receivable		16		56	9	81
Due from other funds	\$ 368					368
Due from other governmental units		1,988		5		1,993
Total assets	<u>\$ 368</u>	<u>\$ 6,415</u>	<u>\$ 0</u>	<u>\$ 16,205</u>	<u>\$ 6,769</u>	<u>\$ 29,757</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts/contracts/subgrantees payable	\$ 2	\$ 3,637		\$ 60	\$ 1,537	\$ 5,236
Due to other funds		368		487		855
Total liabilities	<u>2</u>	<u>4,005</u>	<u>\$ 0</u>	<u>547</u>	<u>1,537</u>	<u>6,091</u>
Fund balances:						
Reserved for:						
Grants and loans	13	1,302				1,315
Unreserved, designated for:						
Capital projects	353	1,108		15,658	5,232	22,351
Total fund balances	<u>366</u>	<u>2,410</u>	<u>0</u>	<u>15,658</u>	<u>5,232</u>	<u>23,666</u>
Total liabilities and fund balances	<u>\$ 368</u>	<u>\$ 6,415</u>	<u>\$ 0</u>	<u>\$ 16,205</u>	<u>\$ 6,769</u>	<u>\$ 29,757</u>

**METROPOLITAN COUNCIL**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**  
**IN THOUSANDS**

	<b>Total Special Revenue</b>	<b>Total Capital Projects</b>	<b>Total Nonmajor Governmental Funds</b>
<b>REVENUES</b>			
Taxes	\$ 15,377		\$ 15,377
Intergovernmental revenue:			
Federal	8,072		8,072
State	36,183	\$ 5,864	42,047
Local/other	165		165
Investment income	1,868	1,430	3,298
Other	2,106		2,106
Total revenues	63,771	7,294	71,065
<b>EXPENDITURES</b>			
Current:			
Transportation	20,491	398	20,889
Culture and recreation		26	26
Intergovernmental:			
Transportation	24,076	7,539	31,615
Culture and recreation		11,684	11,684
Economic development	9,401		9,401
Environment	6,629		6,629
Housing	1,819		1,819
Debt service:			
Interest and other charges	355	875	1,230
Capital outlay	1,463	15,308	16,771
Total expenditures	64,234	35,830	100,064
Excess (deficiency) of revenues over (under) expenditures	(463)	(28,536)	(28,999)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	3,002	489	3,491
Transfers out	(8,181)	(13,454)	(21,635)
Proceeds from bonds		37,756	37,756
Proceeds from certificates of indebtedness	7,885		7,885
Proceeds from sale of capital assets		55	55
Total other financing sources (uses)	2,706	24,846	27,552
Net change in fund balances	2,243	(3,690)	(1,447)
Fund balances, beginning	82,738	27,356	110,094
Fund balances, ending	\$ 84,981	\$ 23,666	\$ 108,647



**METROPOLITAN COUNCIL**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS-SPECIAL REVENUE**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**  
**IN THOUSANDS**

	<b>Highway Right-of-Way Acquisition Loan</b>	<b>Livable Communities</b>	<b>Transit Administration</b>	<b>Opt-Out Transit</b>	<b>Regular Route Transit</b>	<b>Rural Small Urban Transit</b>	<b>Other Special Revenue</b>	<b>Total Special Revenue</b>
<b>REVENUES</b>								
Taxes	\$ 2,647	\$ 12,730						\$ 15,377
Intergovernmental revenue:								
Federal			\$ 5,648		\$ 2,315	\$ 109		8,072
State	192	560	801	\$ 22,342	8,744	3,544		36,183
Local/other			165					165
Investment income	345	1,175	36		151	42	\$ 119	1,868
Other		100	3		707	1,292	4	2,106
Total revenues	<u>3,184</u>	<u>14,565</u>	<u>6,653</u>	<u>22,342</u>	<u>11,917</u>	<u>4,987</u>	<u>123</u>	<u>63,771</u>
<b>EXPENDITURES</b>								
Current:								
Transportation			4,656	5	11,302	4,528		20,491
Intergovernmental:								
Transportation			360	23,716				24,076
Economic development		9,401						9,401
Environment		6,624					5	6,629
Housing		1,819						1,819
Debt service:								
Interest and other charges	64	235	5		24	7	20	355
Capital outlay			1,463					1,463
Total expenditures	<u>64</u>	<u>18,079</u>	<u>6,484</u>	<u>23,721</u>	<u>11,326</u>	<u>4,535</u>	<u>25</u>	<u>64,234</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,120</u>	<u>(3,514)</u>	<u>169</u>	<u>(1,379)</u>	<u>591</u>	<u>452</u>	<u>98</u>	<u>(463)</u>
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers in		1,000		1,379	444	179		3,002
Transfers out			(8,181)					(8,181)
Proceeds from certificates of indebtedness			7,885					7,885
Total other financing sources (uses)	<u>0</u>	<u>1,000</u>	<u>(296)</u>	<u>1,379</u>	<u>444</u>	<u>179</u>	<u>0</u>	<u>2,706</u>
Net change in fund balances	3,120	(2,514)	(127)	0	1,035	631	98	2,243
Fund balances, beginning	<u>36,259</u>	<u>36,975</u>	<u>1,844</u>	<u>0</u>	<u>4,072</u>	<u>517</u>	<u>3,071</u>	<u>82,738</u>
Fund balances, ending	<u>\$ 39,379</u>	<u>\$ 34,461</u>	<u>\$ 1,717</u>	<u>\$ 0</u>	<u>\$ 5,107</u>	<u>\$ 1,148</u>	<u>\$ 3,169</u>	<u>\$ 84,981</u>

**METROPOLITAN COUNCIL**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS-CAPITAL PROJECTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**  
**IN THOUSANDS**

	<b>North Mississippi Park</b>	<b>Parks and Open Space Grants</b>	<b>Solid Waste Disposal</b>	<b>Transit</b>	<b>Administration Building</b>	<b>Total Capital Projects</b>
<b>REVENUES</b>						
Intergovernmental revenue:						
State		\$ 5,864				\$ 5,864
Investment income		263	\$ 10	\$ 761	\$ 396	1,430
Total revenues	<u>\$ 0</u>	<u>6,127</u>	<u>10</u>	<u>761</u>	<u>396</u>	<u>7,294</u>
<b>EXPENDITURES</b>						
Current:						
Transportation				398		398
Culture and recreation		25	1			26
Intergovernmental:						
Transportation				7,539		7,539
Culture and recreation	152	11,532				11,684
Debt service:						
Interest and other charges	153	43	2	128	549	875
Capital outlay				4,029	11,279	15,308
Total expenditures	<u>305</u>	<u>11,600</u>	<u>3</u>	<u>12,094</u>	<u>11,828</u>	<u>35,830</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(305)</u>	<u>(5,473)</u>	<u>7</u>	<u>(11,333)</u>	<u>(11,432)</u>	<u>(28,536)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	214				275	489
Transfers out		(214)	(445)	(12,795)		(13,454)
Proceeds from bonds		5,958		31,798		37,756
Proceeds from sale of capital assets				55		55
Total other financing sources (uses)	<u>214</u>	<u>5,744</u>	<u>(445)</u>	<u>19,058</u>	<u>275</u>	<u>24,846</u>
Net change in fund balances	(91)	271	(438)	7,725	(11,157)	(3,690)
Fund balances, beginning	<u>457</u>	<u>2,139</u>	<u>438</u>	<u>7,933</u>	<u>16,389</u>	<u>27,356</u>
Fund balances, ending	<u>\$ 366</u>	<u>\$ 2,410</u>	<u>\$ 0</u>	<u>\$ 15,658</u>	<u>\$ 5,232</u>	<u>\$ 23,666</u>

**METROPOLITAN COUNCIL  
BUDGETARY COMPARISON SCHEDULE  
LIVABLE COMMUNITIES SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005  
IN THOUSANDS**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget- Over (Under)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Taxes	\$ 12,602	\$ 12,602	\$ 12,730	\$ 128
Intergovernmental revenue:				
State	500	500	560	60
Investment income	556	556	1,175	619
Other			100	100
Total revenues	<u>13,658</u>	<u>13,658</u>	<u>14,565</u>	<u>907</u>
<b>EXPENDITURES</b>				
Intergovernmental:				
Environment	5,200	5,200	6,624	1,424
Housing	1,700	1,700	1,819	119
Economic development	8,500	8,500	9,401	901
Debt service:				
Interest and other charges			235	235
Total expenditures	<u>15,400</u>	<u>15,400</u>	<u>18,079</u>	<u>2,679</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,742)</u>	<u>(1,742)</u>	<u>(3,514)</u>	<u>(1,772)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,000	1,000	1,000	0
Total other financing sources (uses)	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>0</u>
Net change in fund balances	(742)	(742)	(2,514)	(1,772)
Fund balances, beginning	36,975	36,975	36,975	0
Fund balances, ending	<u>\$ 36,233</u>	<u>\$ 36,233</u>	<u>\$ 34,461</u>	<u>\$ (1,772)</u>

**METROPOLITAN COUNCIL  
BUDGETARY COMPARISON SCHEDULE  
TRANSIT ADMINISTRATION SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005  
IN THOUSANDS**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental revenue:				
Federal	\$ 4,405	\$ 5,000	\$ 5,648	\$ 648
State	616	718	801	83
Local/other	142	142	165	23
Investment income			36	36
Other	99	99	3	(96)
Total revenues	<u>5,262</u>	<u>5,959</u>	<u>6,653</u>	<u>694</u>
<b>EXPENDITURES</b>				
Current:				
Transportation	5,197	5,959	4,656	(1,303)
Intergovernmental:				
Transportation			360	360
Debt service:				
Interest and other charges			5	5
Capital outlay			1,463	1,463
Total expenditures	<u>5,197</u>	<u>5,959</u>	<u>6,484</u>	<u>525</u>
Excess (deficiency) of revenues over (under) expenditures	<u>65</u>	<u>0</u>	<u>169</u>	<u>169</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out			(8,181)	(8,181)
Proceeds from certificates of indebtedness			7,885	7,885
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>(296)</u>	<u>(296)</u>
Net change in fund balances	65	0	(127)	(127)
Fund balances, beginning	<u>1,844</u>	<u>1,844</u>	<u>1,844</u>	<u>0</u>
Fund balances, ending	<u>\$ 1,909</u>	<u>\$ 1,844</u>	<u>\$ 1,717</u>	<u>\$ (127)</u>

**METROPOLITAN COUNCIL  
BUDGETARY COMPARISON SCHEDULE  
OPT OUT SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005  
IN THOUSANDS**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental revenue:				
State	\$ 23,643	\$ 21,479	\$ 22,342	\$ 863
Total revenues	<u>23,643</u>	<u>21,479</u>	<u>22,342</u>	<u>863</u>
<b>EXPENDITURES</b>				
Current:				
Transportation			5	5
Intergovernmental:				
Transportation	23,643	21,479	23,716	2,237
Total expenditures	<u>23,643</u>	<u>21,479</u>	<u>23,721</u>	<u>2,242</u>
Excess (deficiency) of revenues over (under) expenditures	<u>0</u>	<u>0</u>	<u>(1,379)</u>	<u>(1,379)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in			1,379	1,379
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>1,379</u>	<u>1,379</u>
Net change in fund balances	0	0	0	0
Fund balances, beginning	0	0	0	0
Fund balances, ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

**METROPOLITAN COUNCIL  
BUDGETARY COMPARISON SCHEDULE  
REGULAR ROUTE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005  
IN THOUSANDS**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental revenue:				
Federal	\$ 2,959	\$ 2,959	\$ 2,315	\$ (644)
State	7,920	7,700	8,744	1,044
Investment income	49	49	151	102
Other	675	705	707	2
Total revenues	<u>11,603</u>	<u>11,413</u>	<u>11,917</u>	<u>504</u>
<b>EXPENDITURES</b>				
Current:				
Transportation	11,603	11,413	11,302	(111)
Debt service:				
Interest and other charges			24	24
Total expenditures	<u>11,603</u>	<u>11,413</u>	<u>11,326</u>	<u>(87)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>0</u>	<u>0</u>	<u>591</u>	<u>591</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in			444	444
Transfers out		(1,699)		1,699
Total other financing sources (uses)	<u>0</u>	<u>(1,699)</u>	<u>444</u>	<u>2,143</u>
Net change in fund balances		(1,699)	1,035	2,734
Fund balances, beginning	4,072	4,072	4,072	0
Fund balances, ending	<u>\$ 4,072</u>	<u>\$ 2,373</u>	<u>\$ 5,107</u>	<u>\$ 2,734</u>

**METROPOLITAN COUNCIL  
BUDGETARY COMPARISON SCHEDULE  
RURAL SMALL URBAN SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005  
IN THOUSANDS**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental revenue:				
Federal	\$ 69	\$ 69	\$ 109	\$ 40
State	3,149	3,339	3,544	205
Investment income			42	42
Other	778	778	1,292	514
Total revenues	<u>3,996</u>	<u>4,186</u>	<u>4,987</u>	<u>801</u>
<b>EXPENDITURES</b>				
Current:				
Transportation	3,996	4,186	4,528	342
Debt service:				
Interest and other charges			7	7
Total expenditures	<u>3,996</u>	<u>4,186</u>	<u>4,535</u>	<u>349</u>
Excess (deficiency) of revenues over (under) expenditures	<u>0</u>	<u>0</u>	<u>452</u>	<u>452</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in			179	179
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>179</u>	<u>179</u>
Net change in fund balances	0	0	631	631
Fund balances, beginning	<u>517</u>	<u>517</u>	<u>517</u>	<u>0</u>
Fund balances, ending	<u>\$ 517</u>	<u>\$ 517</u>	<u>\$ 1,148</u>	<u>\$ 631</u>

**METROPOLITAN COUNCIL  
BUDGETARY COMPARISON SCHEDULE  
OTHER SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005  
IN THOUSANDS**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Investment income	\$ 51	\$ 51	\$ 119	\$ 68
Other			4	4
Total revenues	<u>51</u>	<u>51</u>	<u>123</u>	<u>72</u>
<b>EXPENDITURES</b>				
Intergovernmental:				
Environment	150	2,650	5	(2,645)
Debt service:				
Interest and other charges			20	20
Total expenditures	<u>150</u>	<u>2,650</u>	<u>25</u>	<u>(2,625)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(99)</u>	<u>(2,599)</u>	<u>98</u>	<u>2,697</u>
Net change in fund balances	(99)	(2,599)	98	2,697
Fund balances, beginning	<u>3,071</u>	<u>3,071</u>	<u>3,071</u>	<u>0</u>
Fund balances, ending	<u>\$ 2,972</u>	<u>\$ 472</u>	<u>\$ 3,169</u>	<u>\$ 2,697</u>



**METROPOLITAN COUNCIL  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
FIDUCIARY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005  
IN THOUSANDS**

	<b>Balance January 1, 2005</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31, 2005</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 28	\$ 1	\$ 0	\$ 29
 <b>LIABILITIES</b>				
Due to participants	\$ 28	\$ 1	\$ 0	\$ 29

**METROPOLITAN COUNCIL  
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
COMPARATIVE SCHEDULES BY SOURCE  
DECEMBER 31, 2005 AND 2004  
IN THOUSANDS**

	<b>2005</b>	<b>2004</b>
Governmental funds capital assets:		
Land	\$ 215	
Vehicles	53,088	\$ 50,755
Equipment	4,763	4,512
Construction in progress	11,678	399
	<b>\$ 69,744</b>	<b>\$ 55,666</b>
Total governmental funds capital assets	<b>\$ 69,744</b>	<b>\$ 55,666</b>

Investments in governmental funds capital assets by source:

General fund	\$ 3,802	\$ 3,666
Special revenue funds	349	377
Capital projects funds	65,593	51,623
	<b>\$ 69,744</b>	<b>\$ 55,666</b>
Total governmental funds capital assets	<b>\$ 69,744</b>	<b>\$ 55,666</b>

**METROPOLITAN COUNCIL**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**SCHEDULE BY FUNCTION AND ACTIVITY**  
**DECEMBER 31, 2005**  
**IN THOUSANDS**

<u>Function and Activity</u>	<u>Land</u>	<u>Vehicles</u>	<u>Equipment</u>	<u>Construction in progress</u>	<u>Total</u>
General government:					
Council			\$ 580	\$ 11,678	\$ 12,258
Information services			3,261		3,261
Total general government	<u>\$ 0</u>	<u>\$ 0</u>	<u>3,841</u>	<u>11,678</u>	<u>15,519</u>
Transportation:					
Metro mobility		8,928	735		9,663
Transit administration	215		187		402
Outside transit providers		44,160			44,160
Total transportation	<u>215</u>	<u>53,088</u>	<u>922</u>	<u>0</u>	<u>54,225</u>
Total governmental funds capital assets	<u>\$ 215</u>	<u>\$ 53,088</u>	<u>\$ 4,763</u>	<u>\$ 11,678</u>	<u>\$ 69,744</u>

**METROPOLITAN COUNCIL  
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY  
FOR THE YEAR ENDED DECEMBER 31, 2005  
IN THOUSANDS**

<u>Function and Activity</u>	<u>Governmental Funds Capital Assets January 1, 2005</u>	<u>Additions</u>	<u>Deductions and Adjustments</u>	<u>Governmental Funds Capital Assets December 31, 2005</u>
General government:				
Council	\$ 985	\$ 11,285	\$ 12	\$ 12,258
Information services	3,094	167		3,261
Total general government	<u>4,079</u>	<u>11,452</u>	<u>12</u>	<u>15,519</u>
Metro mobility	9,062	3,619	3,018	9,663
Transit administration	178	254	30	402
Outside transit providers	42,347	2,327	514	44,160
Total transportation	<u>51,587</u>	<u>6,200</u>	<u>3,562</u>	<u>54,225</u>
Total governmental funds capital assets	<u>\$ 55,666</u>	<u>\$ 17,652</u>	<u>\$ 3,574</u>	<u>\$ 69,744</u>

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**METROPOLITAN COUNCIL  
BONDS/LOANS OUTSTANDING  
AS OF DECEMBER 31, 2005  
IN THOUSANDS**

Issues	Date	Final Maturity Date	Original Issue	Payments Prior Years	Payments Year Ended 12/31/05
<b>GENERAL OBLIGATION BONDS AND LOANS PAYABLE</b>					
G.O. Park Bonds:					
2000B	1-Mar-00	1-Feb-06	\$ 5,300	\$ 2,935	\$ 1,155
2001C	1-Aug-01	1-Feb-06	3,600	1,910	830
2002D	1-Nov-02	1-Feb-07	6,500	1,885	1,490
2003B, Refunding	1-Oct-03	1-Jan-11	7,240		885
2004C	1-Apr-04	1-Feb-09	6,000		2,405
2005D	1-May-05	1-Feb-10	6,000		
Subtotal: G. O. Park Bonds			<u>34,640</u>	<u>6,730</u>	<u>6,765</u>
G.O. Solid Waste Bonds:					
1998B, Refunding	1-May-98	1-Feb-05	2,395	2,005	390
G.O. Radio Bonds:					
1997B	1-May-97	1-Feb-08	3,000	1,600	325
G.O. Transit Bonds:					
1996D	1-Nov-96	1-Feb-17 (a)	15,000	11,445	3,555
1997C	1-May-97	1-Feb-18	14,500	10,860	260
1998A	1-May-98	1-Feb-09	13,500	5,390	1,490
1998D, Refunding	1-Dec-98	1-Feb-13	1,365	735	60
2000A	1-Mar-00	1-Feb-20 (a)	42,000	18,700	2,425
2001B	1-Aug-01	1-Feb-21	44,000	12,860	7,440
2002C	1-Nov-02	1-Feb-22	50,000	7,570	7,965
2002E, Refunding	1-Nov-02	1-Feb-10	11,825	1,780	2,380
2003C, Refunding	1-Sep-03	1-Feb-17	3,355		
2004A	1-Apr-04	1-Feb-24	41,375		5,305
2004F Refunding	1-Nov-04	1-Feb-13	2,910		
2005C	1-May-05	1-Feb-25	32,000		
2005C Refunding	1-May-05	1-Feb-20	13,285		
2005E (Certificates)	15-Jun-05	1-Feb-07	7,885		
Subtotal: G. O. Transit Bonds			<u>293,000</u>	<u>69,340</u>	<u>30,880</u>
Minnesota Public Facilities Authority Loans--Transi (Backed by General Obligation Notes):	12-Mar-99	15-Feb-20	21,025	9,130	1,310
<b>Total Bonds-General Long Term Obligations</b>			<u>\$ 354,060</u>	<u>\$ 88,805</u>	<u>\$ 39,670</u>
G.O.Sewer Bonds:					
1995A	1-Jun-95	1-Jun-15 (a)	\$ 20,000	\$ 6,825	\$ 13,175
1996B, Refunding	1-Apr-96	1-Sep-12 (a)	32,085	10,820	21,265
1996E	1-Nov-96	1-Dec-16 (a)	10,000	2,860	7,140
1999B	1-Jul-99	1-Dec-14	14,000	3,500	525
2001A, Refunding	1-Sep-01	1-Dec-09	31,525	14,925	5,275
2001D	1-Aug-01	1-Dec-16	14,000	2,025	790
2002A, Refunding	1-Sep-02	1-Dec-10	32,395	13,735	6,740
2002B, Refunding	1-Jul-02	1-Dec-16	19,735		530
2003A, Refunding	1-Sep-03	1-Mar-16	121,490	4,355	12,410
2004B	1-Apr-04	1-Dec-23	25,000	100	100
2004E, Refunding	1-Nov-04	1-Dec-07	2,780		1,150
2005A, Refunding	1-Jun-05	1-Sep-12	17,395		
2005B	1-May-05	1-May-25	90,405		
2005B, Refunding	1-May-05	1-May-25	7,525		
Subtotal: G. O. Sewer Bonds			<u>438,335</u>	<u>59,145</u>	<u>69,100</u>
Minnesota Public Facilities Authority Loans--Sewer (Backed by General Obligation Notes):	12-Jul-89	20-Feb-09	40,000	26,050	2,750
	20-Jul-93	20-Feb-14	20,000	6,740	960
	30-Sep-96	20-Aug-16	40,000	12,750	1,850
	3-Oct-97	20-Aug-17	40,000	11,325	850
	31-Dec-98	20-Aug-19	60,000	12,970	935
	27-Jul-00	20-Aug-20	60,000	5,625	1,050
	14-Nov-01	20-Aug-21	75,000	6,400	900
	20-Dec-02	20-Feb-22	100,000	1,000	1,000
	1-Sep-03	20-Feb-16	4,954	347	527
	26-Nov-03	20-Aug-23	100,000		6,500
	20-Oct-04	20-Feb-25	50,000		
	10-Nov-05	20-Feb-25	25,907 (c)		
Subtotal: Minnesota Public Facility Authority Loans--Sewer			<u>615,861</u>	<u>83,207</u>	<u>17,322</u>
<b>Total G.O.Sewer Bonds/Loans Payable</b>			<u>\$ 1,054,196</u>	<u>\$ 142,352</u>	<u>\$ 86,422</u>
<b>Total General Obligation Bonds and Loans Payable</b>			<u>\$ 1,408,256</u>	<u>\$ 231,157</u>	<u>\$ 126,092</u>
<b>REVENUE BONDS (Not tax supported)</b>					
(Radio Board, Series 1999C):	1-Nov-99	1-Feb-15	\$ 14,280	\$ 2,710	\$ 810

(a) Called prior to final maturity

(b) Escrowed.

(c) Of the \$40 million note executed in 2005, only the amount shown was drawn down as of 12/31/05

<b>Bonds/Loans Issued/ Drawn Down in 2005</b>	<b>Bonds/ Loans Outstanding 12/31/2005</b>	<b>Refunded Bonds</b>	<b>Maturing in 2006</b>	<b>Future Maturities</b>
	\$ 1,210		\$ 1,210	
	860		860	
	3,125		1,535	1,590
	6,355		990	5,365
	3,595		1,150	2,445
\$ 6,000	6,000		2,230	3,770
<u>6,000</u>	<u>21,145</u>	<u>0</u>	<u>7,975</u>	<u>13,170</u>
	<u>1,075</u>		<u>340</u>	<u>735</u>
	3,380	\$ 2,860 (b)	260	260
	6,620		1,550	5,070
	570		60	510
	20,875	13,600 (b)	2,425	4,850
	23,700		2,575	21,125
	34,465		8,175	26,290
	7,665		2,500	5,165
	3,355		310	3,045
	36,070		5,955	30,115
	2,910			2,910
32,000	32,000		6,555	25,445
13,285	13,285			13,285
7,885	7,885			7,885
<u>53,170</u>	<u>192,780</u>	<u>16,460</u>	<u>30,365</u>	<u>145,955</u>
	<u>10,585</u>		<u>1,345</u>	<u>9,240</u>
\$ 59,170	\$ 225,585	\$ 16,460	\$ 40,025	\$ 169,100
	\$ 9,975	\$ 7,900 (b)	300	\$ 1,775
	11,325		5,075	6,250
	11,185		820	10,365
	11,920		6,545	5,375
	19,205		1,605	17,600
	104,725		13,240	91,485
	24,800		100	24,700
	1,630		1,140	490
\$ 17,395	17,395		2,340	15,055
90,405	90,405		1,000	89,405
7,525	7,525			7,525
<u>115,325</u>	<u>310,090</u>	<u>7,900</u>	<u>32,165</u>	<u>270,025</u>
	11,200		2,800	8,400
	12,300		1,020	11,280
	25,400		1,900	23,500
	27,825		900	26,925
	46,095		935	45,160
	53,325		1,095	52,230
	67,700		1,000	66,700
	98,000		3,000	95,000
	4,080		480	3,600
	93,500		1,000	92,500
	50,000		4,500	45,500
25,907	25,907			25,907
<u>25,907</u>	<u>515,332</u>	<u>0</u>	<u>18,630</u>	<u>496,702</u>
\$ 141,232	\$ 825,422	\$ 7,900	\$ 50,795	\$ 766,727
\$ 200,402	\$ 1,051,007	\$ 24,360	\$ 90,820	\$ 935,827
\$ 0	\$ 10,760	\$ 0	\$ 845	\$ 9,915

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**METROPOLITAN COUNCIL**

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**STATISTICAL SECTION**



# STATISTICAL SECTION

This part of the Metropolitan Council's 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 Metropolitan Council's overall financial health.

<b>Contents</b>	<b>Page</b>
Financial Trends These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	83-87
Revenue Capacity These schedules contain information to help the reader assess the Council's most significant local revenue source, the property tax.	88-92
Debt Capacity These schedules present information to help the reader assess the affordability of the Council's current levels of outstanding debt and the Council's ability to issue additional debt in the future.	92-100
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the Council's financial activities take place.	101-102
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the Council's financial report relates to the services the Council provides and the activities it performs.	103-105

**Sources:**

Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The Council implemented GASB 34 in 2001; schedules presenting government-wide information include information beginning in that year.

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**METROPOLITAN COUNCIL  
NET ASSETS BY COMPONENT  
LAST FIVE YEARS ENDED DECEMBER 31, 2005  
IN THOUSANDS  
(accrual basis of accounting)**

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Governmental activities					
Invested in capital assets, net of related debt	\$ 14,392	\$ 2,742	\$ 2,910	\$ 3,206	\$ 4,670
Restricted	113,196	119,696	91,617	110,340	84,305
Unrestricted	(130,916)	(120,950)	(102,726)	(138,815)	(85,497)
Total governmental activities net assets	<u>\$ (3,328)</u>	<u>\$ 1,488</u>	<u>\$ (8,199)</u>	<u>\$ (25,269)</u>	<u>\$ 3,478</u>
Business-type activities					
Invested in capital assets, net of related debt	\$ 1,353,995	\$ 1,369,820	\$ 1,284,499	\$ 1,089,774	\$ 888,338
Restricted	31,187	36,239	24,942	26,202	6,661
Unrestricted	77,035	57,429	43,881	64,893	99,631
Total business-type activities net assets	<u>\$ 1,462,217</u>	<u>\$ 1,463,488</u>	<u>\$ 1,353,322</u>	<u>\$ 1,180,869</u>	<u>\$ 994,630</u>
Primary government					
Invested in capital assets, net of related debt	\$ 1,368,387	\$ 1,372,562	\$ 1,287,409	\$ 1,092,980	\$ 893,008
Restricted	144,383	155,935	116,559	136,542	90,966
Unrestricted	(53,881)	(63,521)	(58,845)	(73,922)	14,134
Total primary government net assets	<u>\$ 1,458,889</u>	<u>\$ 1,464,976</u>	<u>\$ 1,345,123</u>	<u>\$ 1,155,600</u>	<u>\$ 998,108</u>

Unaudited

**METROPOLITAN COUNCIL**  
**CHANGES IN NET ASSETS**  
**LAST FIVE YEARS ENDED DECEMBER 31, 2005**  
**IN THOUSANDS**  
**(accrual basis of accounting)**

	2005	2004	2003	2002	2001
<b>Expenses</b>					
Governmental activities:					
General government	\$ 8,263	\$ 9,682	\$ 10,007	\$ 12,606	\$ 12,554
Transportation	89,662	84,197	77,622	71,005	63,199
Culture and recreation	18,752	21,149	30,521	25,675	20,927
Economic development	9,401	7,550	8,036	6,965	6,299
Environment	6,629	2,904	4,516	5,349	5,034
Housing	1,819	524	1,958	2,738	2,788
Interest and other charges	21,152	8,755	8,891	7,298	6,899
Total governmental activities expenses	<u>155,678</u>	<u>134,761</u>	<u>141,551</u>	<u>131,636</u>	<u>117,700</u>
Business-type activities:					
Environmental Services	161,748	161,054	153,373	154,842	149,149
Transit bus	237,695	218,748	226,769	229,342	222,484
Transit light rail	44,620	29,311	15,114	26,241	11,563
Housing	56,198	57,604	56,222	50,398	38,034
Total business-type activities	<u>500,261</u>	<u>466,717</u>	<u>451,478</u>	<u>460,823</u>	<u>421,230</u>
Total primary government expenses	<u>\$ 655,939</u>	<u>\$601,478</u>	<u>\$593,029</u>	<u>\$ 592,459</u>	<u>\$ 538,930</u>
<b>Program Revenues</b>					
Governmental activities:					
Charges for service:	\$ 5,905	\$ 5,525	\$ 4,924	\$ 3,985	\$ 5,299
Operating grants and contributions	42,542	42,411	43,022	27,897	50,586
Capital grants and contributions	13,483	9,578	18,074	8,831	12,648
Total governmental activities program revenues	<u>61,930</u>	<u>57,514</u>	<u>66,020</u>	<u>40,713</u>	<u>68,533</u>
Business-type activities:					
Charges for service					
Environmental services	177,995	160,498	174,747	171,716	168,460
Transit bus	62,342	53,588	65,943	68,847	67,949
Transit light rail	7,516	2,595	14	0	0
Housing	405	570	460	184	96
Operating grants and contributions	126,290	118,413	111,230	111,755	85,865
Capital grants and contributions	13,214	130,792	165,227	218,428	184,225
Total business-type activities program revenues	<u>387,762</u>	<u>466,456</u>	<u>517,621</u>	<u>570,930</u>	<u>506,595</u>
Total primary government program revenues:	<u>\$ 449,692</u>	<u>\$523,970</u>	<u>\$583,641</u>	<u>\$ 611,643</u>	<u>\$ 575,128</u>
<b>Net (Expense)/Revenue</b>					
Governmental activities	\$ (93,748)	\$ (77,247)	\$ (75,531)	\$ (90,923)	\$ (49,167)
Business-type activities	(112,499)	(261)	66,143	110,107	85,365
Total primary government net expense	<u>\$ (206,247)</u>	<u>\$ (77,508)</u>	<u>\$ (9,388)</u>	<u>\$ 19,184</u>	<u>\$ 36,198</u>
<b>General Revenues and Other Changes in Net Assets</b>					
Governmental activities:					
Taxes					
Property taxes	\$ 67,315	\$ 65,013	\$ 66,483	\$ 55,672	\$ 53,736
Market value and other credits	3,158	2,276	3,055	3,914	9,413
Motor vehicle excise tax	31,606	32,384	35,799	15,327	
Other government receipts not restricted to specific programs				280	
Investment earnings	5,574	4,518	2,647	4,936	7,571
Gain on sale of capital assets				91	116
Transfers	(18,721)	(15,831)	(19,536)	(22,385)	(24,099)
Total governmental activities	<u>88,932</u>	<u>88,360</u>	<u>88,448</u>	<u>57,835</u>	<u>46,737</u>
Business-type activities:					
Taxes					
Property taxes				723	60,923
Market value and other credits					12,032
Motor vehicle excise tax	87,463	90,797	88,308	48,311	
Investment earnings	5,045	3,798	3,514	4,708	5,805
Gain on sale of capital assets				6	
Transfers	18,721	15,831	19,536	22,385	24,099
Total business-type activities	<u>111,229</u>	<u>110,426</u>	<u>111,358</u>	<u>76,133</u>	<u>102,859</u>
Total primary government	<u>\$ 200,161</u>	<u>\$198,786</u>	<u>\$199,806</u>	<u>\$ 133,968</u>	<u>\$ 149,596</u>
<b>Changes in Net Assets</b>					
Governmental activities	\$ (4,816)	\$ 11,113	\$ 12,917	\$ (33,088)	\$ (2,430)
Business-type activities	(1,270)	110,165	177,501	186,240	188,224
Total primary government	<u>\$ (6,086)</u>	<u>\$121,278</u>	<u>\$190,418</u>	<u>\$ 153,152</u>	<u>\$ 185,794</u>

Unaudited

**METROPOLITAN COUNCIL  
FUND BALANCES OF GOVERNMENTAL FUNDS  
LAST FIVE YEARS ENDED DECEMBER 31, 2005  
IN THOUSANDS**

(modified accrual basis of accounting)

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
General Fund					
Reserved	\$ 559	\$ 656	\$ 1,325	\$ 474	\$ 1,218
Unreserved	13,462	9,284	8,939	7,602	7,816
Total general fund	<u>\$ 14,021</u>	<u>\$ 9,940</u>	<u>\$ 10,264</u>	<u>\$ 8,076</u>	<u>\$ 9,034</u>
All Other Governmental Funds					
Reserved	\$ 58,906	\$ 68,112	\$ 63,522	\$ 67,626	\$ 61,516
Unreserved, reported in:					
Special revenue funds	43,425	31,591	30,117	13,858	45,225
Debt service funds	76,760	63,904	66,325	57,045	22,790
Capital projects funds	22,351	24,613	(7,740)	41,090	37,971
Total all other governmental funds	<u>\$ 201,442</u>	<u>\$ 188,220</u>	<u>\$ 152,224</u>	<u>\$ 179,619</u>	<u>\$ 167,502</u>

Unaudited

**METROPOLITAN COUNCIL**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS,**  
**LAST FIVE YEARS ENDED DECEMBER 31, 2005**  
**IN THOUSANDS**  
**(modified accrual basis of accounting)**

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
<b>REVENUES</b>					
Taxes	\$ 66,944	\$ 65,916	\$ 64,820	\$ 55,274	\$ 53,678
Intergovernmental revenue:					
Federal	12,409	12,311	9,707	3,249	11,583
State	76,076	74,338	90,245	52,195	60,345
Local/other	259	211	278	631	943
Investment income	5,574	4,518	2,647	4,936	7,867
Other	7,950	5,315	4,645	4,164	5,227
Total revenues	<u>169,212</u>	<u>162,609</u>	<u>172,342</u>	<u>120,449</u>	<u>139,643</u>
<b>EXPENDITURES</b>					
Current:					
General government	7,613	9,190	9,716	12,313	12,159
Transportation	51,281	48,383	46,900	43,467	42,442
Culture and recreation	26	71	143	121	222
Intergovernmental:					
General government					143
Transportation	31,615	29,488	25,994	24,723	19,032
Culture and recreation	18,726	21,078	30,378	25,554	20,705
Economic development	9,401	2,904	4,517	5,349	5,034
Environment	6,629	524	1,958	2,739	2,787
Housing	1,819	7,550	8,036	6,965	6,299
Debt service:					
Principal	39,670	31,855	34,245	22,940	19,290
Interest and other charges	10,555	8,511	8,983	7,233	6,393
Capital outlay	16,908	8,434	21,717	7,220	8,034
Total expenditures	<u>194,243</u>	<u>167,988</u>	<u>192,587</u>	<u>158,624</u>	<u>142,540</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(25,031)</u>	<u>(5,379)</u>	<u>(20,245)</u>	<u>(38,175)</u>	<u>(2,897)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	5,704	7,349	1,585	3,352	3,293
Transfers out	(24,778)	(23,387)	(21,948)	(25,737)	(27,393)
Bonds issued	38,000	47,375		71,550	49,728
Refunding bonds issued	13,285	2,910	10,726		
Certificates of indebtedness issued	7,885				
Capital lease issued		13,464			
Premium on bonds and capital related debt	1,965	3,570			
Payment to refunded bond escrow agent		(10,395)			
Sale of capital assets	274	165	27	169	116
Total other financing sources (uses)	<u>42,335</u>	<u>41,051</u>	<u>(9,610)</u>	<u>49,334</u>	<u>25,744</u>
Net change in fund balances	<u>\$ 17,304</u>	<u>\$ 35,672</u>	<u>\$ (29,855)</u>	<u>\$ 11,159</u>	<u>\$ 22,847</u>
Debt service as a percentage of noncapital expenditures	28.3%	25.3%	25.3%	19.9%	19.1%

Unaudited



**METROPOLITAN COUNCIL  
GENERAL GOVERNMENTAL REVENUES AND  
OTHER FINANCING SOURCES BY SOURCE  
LAST TEN YEARS ENDED DECEMBER 31, 2005 <sup>1</sup>  
IN THOUSANDS**

Year	Taxes			Intergovernmental Revenue			Investment Income		Other Revenue and Financing Sources <sup>3</sup>	Total Revenue and Other Financing Sources
	General Fund	Special Revenue Funds <sup>2</sup>	Debt Service Funds	Federal	State <sup>2</sup>	Local/Other	General & Special Revenue Funds	Debt Service Funds		
1996	\$ 6,791	\$ 64,615	\$ 17,132	\$ 26,885	\$70,166	\$ 753	\$ 1,833	\$ 1,302	\$ 22,254	\$ 211,731
1997	7,353	15,358	19,018	27,305	40,991	814	2,522	1,387	34,389	149,137
1998	7,862	18,263	21,820	28,494	35,990	855	3,912	1,947	35,897	155,040
1999	8,310	19,239	22,018	28,161	45,981	1,541	1,343	467	32,895	159,955
2000	8,167	20,280	22,388	29,497	43,769	1,903	7,439	1,541	28,995	163,979
2001	8,266	21,919	23,493	11,582	51,235	944	4,604	1,315	8,160	131,518
2002	9,821	14,456	30,997	3,249	43,364	631	3,013	886	22,331	128,748
2003	10,363	15,611	38,846	9,707	72,171	278	1,607	839	16,763	166,185
2004	9,709	15,349	40,858	12,311	64,761	211	2,828	1,172	16,099	163,298
2005	9,730	15,377	41,837	12,409	70,212	259	2,979	1,165	36,763	190,731

Unaudited

Notes: <sup>1</sup> Includes general, special revenue, and debt service funds.

<sup>2</sup> Starting 1997 - Property tax revenue and state revenue for the Transit enterprise fund are receipted directly into the enterprise fund rather than transferred from the special revenue fund.

<sup>3</sup> From 1996 to 2000 other revenue and financing sources included transfers from proprietary funds to the general fund for administrative programs.

**METROPOLITAN COUNCIL  
MARKET VALUE AND NET TAX CAPACITY  
VALUE OF TAXABLE PROPERTY  
LAST TEN YEARS ENDED DECEMBER 31, 2005  
IN THOUSANDS (EXCEPT PERCENTAGES)**

<u>Year</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Total</u>		<u>Ratio of Net Tax Capacity Value to Market Value</u>	<u>Total Direct Tax Rate</u>
	<u>Market Value</u>	<u>Market Value</u>	<u>Market Value</u>	<u>Net Tax Capacity Value</u>		
1996	\$ 100,629,058	\$ 1,752,043	\$ 102,381,101	\$ 2,183,504	2.1%	\$ 0.05
1997	107,297,908	1,864,685	109,162,593	2,350,062	2.2	0.04
1998	115,331,420	1,914,553	117,245,973	2,286,012	1.9	0.05
1999	124,696,038	1,970,769	126,666,807	2,270,485	1.8	0.05
2000	135,670,772	2,050,153	137,720,925	2,437,139	1.8	0.05
2001	150,978,503	2,068,362	153,046,865	2,742,161	1.8	0.05
2002	168,702,915	2,101,262	170,804,177	2,124,742	1.2	0.04
2003	211,748,717	2,292,856	214,041,573	2,568,680	1.2	0.03
2004	239,909,253	2,378,888	242,288,141	2,875,255	1.2	0.01
2005	269,969,068	2,431,347	272,400,415	3,214,565	1.2	0.01

Unaudited

Source: State of Minnesota, Department of Revenue.

Note: Net tax capacity is determined by reducing the property market value by various percentages as legislated.

**METROPOLITAN COUNCIL  
PROPERTY TAX RATES AND LEVIES - DIRECT AND OVERLAPPING GOVERNMENTS  
LAST TEN YEARS ENDED DECEMBER 31, 2005  
IN THOUSANDS**

<u>Year</u>	<u>General Fund</u>	<u>Highway Right-of-Way Fund</u>	<u>Special Revenue and Transit Funds</u>	<u>Debt Service Funds</u>	<u>Total Direct Tax Rate</u>	<u>School Districts</u>	<u>Counties</u>	<u>Cities and Townships</u>	<u>Other</u>
1996	\$0.00	\$0.00	\$0.04	\$0.01	\$0.05	\$0.55	\$0.29	\$0.20	\$0.27
1997	0.00	0.00	0.03	0.01	0.04	0.51	0.28	0.24	0.25
1998	0.00	0.00	0.04	0.01	0.05	0.52	0.29	0.21	0.28
1999	0.00	0.00	0.04	0.01	0.05	0.53	0.31	0.22	0.28
2000	0.00	0.00	0.04	0.01	0.05	0.52	0.29	0.22	0.27
2001	0.00	0.00	0.04	0.01	0.05	0.50	0.27	0.21	0.26
2002	0.01	0.00	0.01	0.02	0.04	0.30	0.37	0.33	0.47
2003	0.00	0.00	0.01	0.02	0.03	0.31	0.34	0.29	0.39
2004	0.00	0.00	0.00	0.01	0.01	0.29	0.31	0.28	0.37
2005	0.00	0.00	0.00	0.01	0.01	0.27	0.30	0.27	0.33

Unaudited

Source: State of Minnesota, Department of Revenue.

Note: The Council's basic tax limit is set by state legislation except for debt service. Rates for debt service are set based upon each year's requirements.

**METROPOLITAN COUNCIL  
PRINCIPAL PROPERTY TAX PAYERS  
CURRENT YEAR AND NINE YEARS AGO  
IN THOUSANDS**

*Largest taxpayers in Hennepin and Ramsey counties*

<u>Taxpayer</u>	<u>2005</u>			<u>1996</u>		
	<u>Net Tax Capacity</u>	<u>Rank</u>	<u>Percentage of Total Tax Capacity<sup>1,3</sup></u>	<u>1996 Tax Capacity</u>	<u>Rank</u>	<u>Percentage of Total Tax Capacity<sup>2,3</sup></u>
Xcel Energy / NSP	\$ 10,760	1	0.33%	\$ 4,387	10	0.20%
MOAC Mall Holdings LLC	9,345	2	0.29			
Minnesota Mining & Manufacturing Company	5,361	3	0.17	10,072	2	0.46
Flanagan-AMEX / Heitman Controller-IDS	4,359	4	0.14	7,225	4	0.33
80 South Eighth LLC	3,339	5	0.10			
NWC Limited Partnership	3,079	6	0.10	7,450	5	0.34
Best Buy Co. Inc.	2,748	7	0.09			
Wells Real Estate Funds	2,599	8	0.08			
Concordia Properties	2,487	9	0.08			
First Minneapolis - Hines Co.	2,239	10	0.07			
SI Minn Developers LPS				18,720	1	0.86
601 Second Avenue LTD Partnership				8,830	3	0.40
First National Bank-Minneapolis				6,852	6	0.31
City Center Associates				6,737	7	0.31
Compass Retail				5,177	8	0.24
General Growth Center Companies				5,693	9	0.26
Total	<u>\$ 46,316</u>		<u>1.44%</u>	<u>\$ 81,143</u>		<u>3.72%</u>

Unaudited

Source: Hennepin county property information system (2005)  
Ramsey county property records and revenue (2005)  
Evensen Dodge, Inc. (1996)

- Notes
- <sup>1</sup> Net tax capacity value for 2005 = \$3,214,565
  - <sup>2</sup> Net tax capacity value for 1996 = \$2,183,504
  - <sup>3</sup> Net tax capacity value is determined by multiplying market value by class rates set by Minnesota state law. Between 1996 and 2005, the State of Minnesota reduced the class rates for all classes of properties. The effective class rate for all classes of properties combined was reduced from 2.1% in 1996 to 0.9% in 2005. As a result, net tax capacities have increased at an average annual rate of 1.3% over the ten years while market values increased at an average annual rate of 10.3%.

**METROPOLITAN COUNCIL  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST SEVEN YEARS ENDED DECEMBER 31, 2005  
IN THOUSANDS (EXCEPT PERCENTAGES)**

<u>Year</u>	<u>Total Tax Levy</u>	<u>State Levy Reduction</u>	<u>Net Taxes Levied for the Year</u>	<u>Collected within the Year of the Levy</u>		<u>Collections in Subsequent Years</u>	<u>Total Collections to Date</u>	
				<u>Amount</u>	<u>Percentage of Levy</u>		<u>Amount</u>	<u>Percentage of Levy</u>
1999	\$ 122,844	\$ 18,885	\$ 103,959	\$ 101,237	97.38%	\$ 683	\$ 101,920	98.04%
2000	129,067	21,008	108,059	106,660	98.70	515	107,175	99.18
2001	137,648	21,031	116,617	114,784	98.43	678	115,462	99.01
2002	59,587	3,910	55,677	54,994	98.77	241	55,235	99.21
2003	68,206	3,056	65,150	64,475	98.96	215	64,690	99.29
2004	68,561	2,242	66,319	65,652	98.99	317	65,969	99.47
2005	70,648	3,116	67,532	66,615	98.64		66,615	98.64

Unaudited

**METROPOLIATN COUNCIL**  
**RATIOS OF OUTSTANDING DEBT BY TYPE**  
**LAST TEN YEARS ENDED IN DECEMBER 31, 2005**  
**IN THOUSANDS (EXCEPT PERCENTAGE AND PER CAPITA)**

Fiscal Year	Governmental Activities							Business-Type Activities						
	General Obligation Bonds- Transit	General Obligation Bonds- Parks	General Obligation Bonds- Other	Revenue Bonds- MRB <sup>2</sup>	PFA- Transit Loan <sup>1</sup>	Capital Leases	Total- Government Activities	General Obligation Bonds- Sewer	PFA- Sewer	Capital Leases	Total- Business-Type Activities	Total Primary Government	Percentage of Personal Income <sup>3</sup>	Per Capita <sup>3</sup>
1996	\$ 82,560	\$ 36,645	\$ 2,895			\$ 69	\$ 122,169	\$ 306,680	\$ 271,198	\$ 517	\$ 578,395	\$ 700,564	0.86%	\$ 282.26
1997	84,565	39,915	5,650				130,130	284,565	285,497	456	570,518	700,648	0.80	280.26
1998	85,200	42,280	5,395				132,875	264,085	302,999	410	567,494	700,369	0.73	275.19
1999	68,930	24,870	4,975		\$ 14,961		113,736	222,050	327,470	1,247	550,767	664,503	0.66	257.76
2000	95,530	27,345	4,385		19,039		146,299	169,595	355,248	1,010	525,853	672,152	0.61	254.40
2001	127,180	26,705	3,775		18,655		176,315	160,300	402,504	773	563,577	739,892	0.65	276.60
2002	174,455	27,670	3,145		16,430		221,700	159,205	448,285	648	608,138	829,838	0.72	306.34
2003	152,015	29,405	2,485		14,145		198,050	261,895	419,940	441	682,276	880,326	0.74	321.17
2004	170,490	21,910	1,790		11,895	13,530	219,615	263,865	506,747	376	770,988	990,603	0.78	357.49
2005	192,780	21,145	1,075	\$ 10,760	10,585	13,530	249,875	310,090	515,332		825,422	1,075,297	0.84	388.05

Unaudited

Notes: Details regarding the Metropolitan Council's outstanding debt can be found in the notes to the financial statements.

<sup>1</sup> PFA-Transit Loans are treated as general obligation debt. Loan repayments are similar to general obligation loan repayments.

<sup>2</sup> Includes \$10,760 of revenue bonds issued in behalf of the Metropolitan Radio Board (ceased operations on June 30, 2005).

<sup>3</sup> See the demographic and economic statistics schedule for personal income and population data. All ratios are calculated using personal income and population from prior calendar year.

**METROPOLITAN COUNCIL  
RATIOS OF GENERAL BONDED DEBT OUTSTANDING  
LAST TEN YEARS ENDED DECEMBER 31, 2005  
IN THOUSANDS (EXCEPT PERCENTAGE AND PER CAPITA)**

Fiscal Year	General Bonded Debt Outstanding					Total	Percentage of Actual Taxable Value <sup>1</sup> of Property	Per Capita <sup>2</sup>
	General Obligation Bonds-Transit	General Obligation Bonds-Parks	General Obligation Bonds-Other	General Obligation Bonds-Sewer				
1996	\$ 82,560	\$ 36,645	\$ 2,895	\$ 304,105	\$ 426,205	19.52%	\$ 171.72	
1997	84,565	39,915	5,650	283,275	413,405	17.59	165.36	
1998	85,200	42,280	5,395	264,010	396,885	17.36	155.95	
1999	68,930	24,870	4,975	222,050	320,825	14.13	124.45	
2000	95,530	27,345	4,385	169,595	296,855	12.18	112.36	
2001	127,180	26,705	3,775	160,300	317,960	11.60	118.87	
2002	174,455	27,670	3,145	159,205	364,475	17.15	134.55	
2003	152,015	29,405	2,485	261,895	445,800	17.36	162.64	
2004	170,490	21,910	1,790	263,865	458,055	15.93	165.30	
2005	192,780	21,145	1,075	310,090	525,090	16.33	189.49	

Unaudited

Notes: Details regarding the Metropolitan Council's outstanding debt can be found in the notes to the financial statements. Ratios are calculated using population from prior year.

<sup>1</sup> See market value and net tax capacity value of taxable property value schedule for property value data.

<sup>2</sup> See demographics and economic statistics schedule for population data.

**METROPOLITAN COUNCIL  
 COMPILATION OF OVERLAPPING DEBT <sup>1</sup>  
 FOR THE YEAR ENDED DECEMBER 31, 2005  
 IN THOUSANDS**

Page (1 of 5)

<u>Jurisdiction</u>	<u>Debt Outstanding</u>
<b>Counties:</b>	
Anoka	\$ 108,255
Carver	21,089
Dakota	100,595
Hennepin	455,390
Ramsey	199,647
Scott	69,185
Washington	59,990
Total counties	<u>\$ 1,014,151</u>
<b>School districts:</b>	
SSD #1 Minneapolis	\$ 426,596
SSD #6 South St. Paul	27,030
ISD #11 Anoka	187,372
ISD #12 Centennial	84,945
ISD #13 Columbia Heights	55,935
ISD #14 Fridley	16,650
ISD #15 St. Francis	86,250
ISD #16 Spring Lake Park	21,875
ISD #108 Norwood-Young America	3,155
ISD #110 Waconia	55,080
ISD #111 Watertown-Mayer	35,955
ISD #112 Chaska	180,905
ISD #191 Burnsville	60,265
ISD #192 Farmington	204,427
ISD #194 Lakeville	233,650
ISD #195 Randolph	11,545
ISD #196 Rosemount	190,474
ISD #197 West St. Paul	56,200
ISD #199 Inver Grove Heights	46,955
ISD #200 Hastings	79,690
ISD #252 Cannon Falls	2,070
ISD #270 Hopkins-Golden Valley	85,395
ISD #271 Bloomington	143,860
ISD #272 Eden Prairie	130,035
ISD #273 Edina	122,540
ISD #276 Minnetonka	88,830
ISD #277 Westonka	9,460
ISD #278 Orono	18,895
ISD #279 Osseo	258,270
ISD #280 Richfield	42,305
ISD #281 Robbinsdale	221,010
ISD #282 St Anthony-New Brighton	3,215
ISD #283 St. Louis Park	86,845
ISD #284 Wayzata	85,340
ISD #286 Brooklyn Center	30,400
ISD #424 Lester Prairie	1,035
ISD #621 Mounds View	132,728
ISD #622 North St. Paul-Maplewood-Oakdale	108,105
ISD #623 Roseville	40,175
ISD #624 White Bear Lake	58,410
ISD #625 St. Paul	357,421
ISD #659 Northfield	69,085
ISD #716 Belle Plaine	37,580



**METROPOLITAN COUNCIL  
 COMPILATION OF OVERLAPPING DEBT <sup>1</sup>  
 FOR THE YEAR ENDED DECEMBER 31, 2005  
 IN THOUSANDS**

Page (2 of 5)

<u>Jurisdiction</u>	<u>Debt Outstanding</u>
<b>School districts (continued):</b>	
ISD #717 Jordan	36,170
ISD #719 Prior lake	165,690
ISD #720 Shakopee	114,055
ISD #721 New Prague	77,660
ISD #728 Elk River	242,065
ISD #831 Forest Lake	76,915
ISD #832 Mahtomedi	30,554
ISD #833 South Washington	204,145
ISD #834 Stillwater	51,720
ISD #916 Special Intermediate-Vo Tech	13,560
ISD #2144 Chisago Lakes	39,630
ISD #2397 LeSueur-Henderson	20,760
ISD #2859 Glencoe-Silver Lake	710
Total school districts	<u>\$ 5,271,597</u>
 <b>Cities:</b>	
Afton	\$ 4,000
Andover	32,764
Anoka	8,065
Apple Valley	39,085
Arden Hills	2,395
Bayport	1,235
Belle Plaine	9,640
Bethel	1,965
Birchwood	485
Blaine	32,985
Bloomington	40,610
Brooklyn Center	29,365
Brooklyn Park	69,225
Burnsville	45,171
Carver	10,348
Centerville	6,053
Champlin	19,715
Chanhassen	27,525
Chaska	130,520
Circle Pines	3,255
Cologne	1,100
Columbia Heights	3,825
Coon Rapids	34,161
Corcoran	501
Cottage Grove	28,355
Crystal	13,050
Dayton	5,729
Eagan	29,100
East Bethel	3,309
Eden Prairie	36,972
Edina	68,380
Elko	2,140
Excelsior	460
Falcon Heights	1,865

**METROPOLITAN COUNCIL  
 COMPILATION OF OVERLAPPING DEBT <sup>1</sup>  
 FOR THE YEAR ENDED DECEMBER 31, 2005  
 IN THOUSANDS**

(Page 3 of 5)

<u>Jurisdiction</u>	<u>Debt Outstanding</u>
<b>Cities (continued):</b>	
Farmington	24,720
Forest Lake	15,792
Fridley	13,955
Gem Lake	586
Golden Valley	76,380
Grant	333
Greenfield	11,300
Hamburg	1,290
Ham Lake	4,715
Hastings	44,880
Hilltop	260
Hopkins	20,701
Hugo	17,675
Independence	1,520
Inver Grove Heights	41,932
Jordan	22,114
Lake Elmo	10,400
Lakeland	2,155
Lake St. Croix Beach	431
Lakeville	91,345
Landfall	569
Lauderdale	2,775
Lexington	1,780
Lilydale	3,124
Lino Lakes	27,165
Little Canada	3,800
Long Lake	2,897
Loretto	246
Mahtomedi	2,225
Maple Grove	70,805
Maplewood	56,532
Marine	66
Mayer	7,380
Medina	6,615
Mendota Heights	7,435
Minneapolis	1,349,616
Minnetonka	20,115
Minnetonka Beach	1,286
Minnetrissa	3,815
Mound	22,630
Mounds View	6,161
New Brighton	37,880
New Germany	680
New Hope	14,975
New Market	4,381
New Prague	17,351
Newport	5,134
North St. Paul	13,025
Northfield	58,909
Norwood-Young America	13,400

**METROPOLITAN COUNCIL  
 COMPILATION OF OVERLAPPING DEBT <sup>1</sup>  
 FOR THE YEAR ENDED DECEMBER 31, 2005  
 IN THOUSANDS**

(Page 4 of 5)

<u>Jurisdiction</u>	<u>Debt Outstanding</u>
<b>Cities (continued):</b>	
Oakdale	21,100
Oak Grove	3,476
Oak Park Heights	1,065
Orono	8,555
Osseo	8,240
Plymouth	32,745
Prior Lake	29,245
Ramsey	16,877
Richfield	23,325
Robbinsdale	16,410
Rogers	29,750
Rosemount	29,835
Roseville	13,120
St. Anthony	21,930
St. Bonifacius	4,065
St. Francis	3,720
St. Louis Park	36,245
St. Paul	271,990
St. Paul Park	6,095
Savage	93,143
Shakopee	49,385
Shoreview	12,710
Shorewood	14,755
South St. Paul	14,495
Spring Lake Park	19,455
Spring Park	390
Stillwater	36,280
Vadnais Heights	7,710
Vermillion	710
Victoria	24,177
Waconia	3,520
Watertown	11,082
Wayzata	11,575
West St. Paul	15,261
White Bear Lake	10,530
Woodbury	64,531
Woodland	656
Total cities	<u>\$ 3,876,762</u>
<b>Townships:</b>	
Burns	\$ 79
Columbus	4,465
Dahlgren	31
Hassan	4,625
Laketown	804
Marshan	16
New Market	359
New Scandia	2,495
Ravenna	38

**METROPOLITAN COUNCIL  
 COMPILATION OF OVERLAPPING DEBT <sup>1</sup>  
 FOR THE YEAR ENDED DECEMBER 31, 2005  
 IN THOUSANDS**

(Page 5 of 5)

<b>Jurisdiction</b>	<b>Debt Outstanding</b>
Spring Lake	3,496
Watertown	38
White Bear	8,135
Total townships	\$ 24,581
 <b>Miscellaneous:</b>	
Blaine HRA	\$ 1,000
Bloomington Port Authority	44,635
Brooklyn Park EDA	18,330
Carver County HRA	26,936
Cedar Lake Sewer Sanitary District	2,797
Chanhassen HRA	1,875
Circle Pines HRA	675
Circle Pines Tax Increment	4,810
Columbia Heights Tax Increment	1,985
Coon Rapids Tax Increment	11,035
Dakota County CDA	389,339
Hennepin County Regional Park	56,035
Hennepin Regional Railroad Authority	46,795
Hopkins HRA	13,290
HRA of St. Anthony	1,285
HRA of St. Paul	244,010
Maple Grove HRA	3,495
Metropolitan Airports Commission	2,028,242
Minnesota Municipal Power Agency	179,689
Mound HRA	6,555
North Suburban Hospital District	5,445
Norwood Young America HRA	3,470
Plymouth HRA	15,065
Ramsey-Washington Metro Watershed	1,495
Scott County HRA	25,350
South Washington Watershed	4,980
St. Paul Port Authority	46,634
St. Paul Public Housing Authority	1,300
Vadnais Heights EDA	835
Waconia HRA	9,218
Washington County HRA	55,040
Total miscellaneous	\$ 3,251,645
<b>TOTAL</b>	<b>\$ 13,438,736</b>

Unaudited

Source: County auditors report of outstanding indebtedness of the governmental units

Notes: <sup>1</sup> Jurisdictions in two counties are included if the assessed property value is greater than 50% (home) in one of the seven metropolitan area counties and excluded if it (home) is not. Debt of jurisdiction included using this method is shown at 100%. The error resulting from using this method is significantly less than 1 %

**METROPOLITAN COUNCIL  
LEGAL DEBT MARGIN INFORMATION  
LAST TEN YEARS ENDED DECEMBER 31, 2005  
IN THOUSANDS EXCEPT PERCENTAGE**

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Debt limit	\$ 316,905	\$ 274,635	\$ 300,230	\$ 274,205	\$ 237,685
Total net debt applicable to limit	<u>209,125</u>	<u>199,945</u>	<u>184,375</u>	<u>209,515</u>	<u>176,315</u>
Legal debt margin	<u>\$ 107,780</u>	<u>\$ 74,690</u>	<u>\$ 115,855</u>	<u>\$ 64,690</u>	<u>\$ 61,370</u>
Total net debt applicable to the limit as a percentage of debt limit	<u>65.99%</u>	<u>72.80%</u>	<u>61.41%</u>	<u>76.41%</u>	<u>74.18%</u>

66

Unaudited

Note: Total net debt applicable to limit is the net governmental general obligation debt excluding wastewater debt and refunded bonds. Legal debt margin equals unissued bonding authority for transit, parks and radio.

**METROPOLITAN COUNCIL  
 PLEDGED-REVENUE COVERAGE  
 FOR ONE YEAR ENDED DECEMBER 31, 2005  
 IN THOUSANDS (EXCEPT COVERAGE)**

**Radio Revenue Bonds<sup>1 & 2</sup>**

<b>Year</b>	<b><u>Total Bond Outstanding</u></b>	<b><u>911 Fee Revenue</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Coverage</u></b>
2005	\$ 10,760	\$ 843	\$ 0	\$ 275	3.07

Unaudited

Notes: Detail regarding the outstanding debt can be found in the notes to the financial statements.

<sup>1</sup> Calculation does not include principal. Principal payment was made by component unit. Revenues are generated from State of Minnesota 911 fees and are appropriated based upon required debt service payments for the subsequent year.

<sup>2</sup> Bonds were originally issued in 1999 on behalf of the Metropolitan Radio Board (MRB), in the amount of \$14,280. The MRB ceased operations on June 30, 2005, at which time, the Metropolitan Council assumed the remaining liability.

**METROPOLITAN COUNCIL  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN YEARS ENDED DECEMBER 31, 2005**

<u>Year</u>	<u>Population<sup>1</sup></u>	<u>Personal Income<sup>1</sup> (In Millions)</u>	<u>Per Capita<sup>1</sup> Income</u>	<u>Unemployment Rate<sup>2</sup></u>
1996	2,482,000	\$ 81,509	\$ 28,739	3.00%
1997	2,500,000	87,419	30,760	2.40%
1998	2,545,000	95,327	33,046	1.90%
1999	2,578,000	101,063	34,466	2.10%
2000	2,642,056	109,818	36,840	2.60%
2001	2,674,927	113,012	37,407	3.10%
2002	2,708,916	115,607	37,787	4.10%
2003	2,740,985	119,741	38,836	4.60%
2004	2,771,030	127,365	40,915	4.50%
2005	2,771,030	127,365	40,915	3.80%

Unaudited

Source: <sup>1</sup> U.S. Commerce Department, Bureau of Economic Analysis for the Minneapolis-St. Paul Metropolitan Statistical Area. (1997-2002) other years internally updated.

<sup>2</sup> State of Minnesota, Department of Employment and Economic Development (Seven county area)

**METROPOLITAN COUNCIL  
PRINCIPAL EMPLOYERS  
CURRENT YEAR AND NINE YEARS AGO  
IN THOUSANDS (EXCEPT PERCENTAGE)**

*Employers in Minnesota by number of Minnesota only employees*

<b>Employer</b>	<b>2005</b>			<b>1996</b>		
	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total Employment</b>	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total Employment</b>
State of Minnesota	55	1	3.13%	45	1	2.84%
U. S. Federal Agencies	35	2	1.99	34	2	2.15
University of Minnesota	30	3	1.71	25	4	1.58
Target Corp./Dayton Hudson	24	4	1.37	29	3	1.83
Allina Health Systems	23	5	1.31	19	6	1.20
Wells Fargo Bank Minnesota/Norwest Corp	19	6	1.08	11	8	0.70
Fairview Health Services	19	7	1.08	7	10	0.44
Wal-Mart Stores, Inc.	18	8	1.03	8	9	0.51
3M Co.	16	9	0.91	21	5	1.33
Northwest Airlines Corp.	16	10	0.91	18	7	1.14
Total	255		14.53%	217		13.71%

Unaudited

Source: Business Journal, Book of Lists, February 2005 and August 1996.

Note: Available list covers employment for entire State of Minnesota. Data for seven county area not available.



**METROPOLITAN COUNCIL  
EMPLOYEES BY FUNCTION/PROGRAM  
LAST FIVE YEARS ENDED DECEMBER 31, 2005**

	Full-time Equivalent Employees as of December 31				
	2005	2004	2003	2002	2001
<u>Regional Administration</u>					
Human Resources	33	32	25	26	26
Information Services	66	66	81	81	83
Fiscal/Central Services	25	26	30	28	26
Other	75	74	86	78	79
Total Regional Administration	<u>199</u>	<u>198</u>	<u>222</u>	<u>213</u>	<u>214</u>
<u>Community Development</u>					
Metro HRA	33	32	32	34	33
Other	51	51	60	58	56
Total Community Development	<u>84</u>	<u>83</u>	<u>92</u>	<u>92</u>	<u>89</u>
<u>Environmental Services Division</u>					
Environmental Quality Assurance	121	122	122	128	133
Treatment Services	565	582	594	606	620
Other	15	15	16	21	21
Total Environmental Services Division	<u>701</u>	<u>719</u>	<u>732</u>	<u>755</u>	<u>774</u>
<u>Transportation Division</u>					
Metro Mobility	13	13	13	13	13
Transportation Planning	17	17	17	20	20
Other	13	13	14	14	14
Total Transportation Planning	<u>43</u>	<u>43</u>	<u>44</u>	<u>47</u>	<u>47</u>
<u>Metro Transit Bus</u>					
Drivers	1,413	1,474	1,475	1,592	1,738
Mechanics	432	456	457	469	479
Administration/Clerical	590	683	628	676	673
Total Metro Transit	<u>2,435</u>	<u>2,613</u>	<u>2,560</u>	<u>2,737</u>	<u>2,890</u>
<u>Metro Transit Light Rail</u>					
Drivers	45	45			
Mechanics	51	51			
Administration/Clerical	30	30			
Total Metro Transit	<u>126</u>	<u>126</u>			
Total	<u>3,588</u>	<u>3,782</u>	<u>3,650</u>	<u>3,844</u>	<u>4,014</u>

Unaudited

Source: Metropolitan Council budget department and Metro Transit

Note: Metro Transit-Light Rail began operations in 2004

**METROPOLITAN COUNCIL  
OPERATING INDICATORS BY FUNCTION/PROGRAM  
FOR THE LAST FIVE YEARS ENDED DECEMBER 31, 2005**

<u>Function/Program</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Governmental activities					
Metro Mobility-passenger miles	11,527,114	12,887,085	11,392,031	11,018,524	11,489,543
Metro Mobility-passenger trips	1,104,879	1,153,983	1,125,857	1,088,192	1,010,452
Parks visits to Metro Parks System	33,437,100	30,473,900	30,513,600	30,068,500	29,070,500
Business-type activities					
Wastewater					
Average daily sewage treatment (millions of gallons)	255	255	262	286	286
Transit-bus					
Total route miles	29,979,730	27,113,045	30,969,504	32,291,090	32,207,416
Passenger trips	61,797,145	53,962,653	67,235,776	69,589,375	73,347,859
Transit-light rail					
Total passenger car miles	1,565,965	512,110			
Passengers trips	7,901,668	2,938,777			
Housing					
Metro HRA unit months leased	80,575	80,770	79,617	78,828	76,691

Unaudited

Sources: Various Metropolitan Council Divisions

Note: Transit-light rail began limited operation mid year 2004.

**METROPOLITAN COUNCIL  
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM  
FOR THE LAST FIVE YEARS ENDED DECEMBER 31, 2005  
IN THOUSANDS UNLESS OTHERWISE INDICATED**

<u>Function/Program</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Governmental activities					
Metro Mobility					
Total fleet size	257	245	229	244	243
Number of Parks	77	74	71	70	67
Acres of Regional Parks and Trails open to the public	52,299	50,356	50,276	48,916	48,015
Business-type activities					
Wastewater					
Treatment Plants	8	8	8	8	8
Miles of MCES Interceptors	578	569	569	569	563
Wastewater Treatment Plant Capacities (millions of gallons)	358	358	358	351	351
Transit-bus					
Total fleet size	930	942	982	980	953
Transit-light rail					
Total fleet size	23	22			
Housing					
Metro HRA unit months available	82,709	81,976	82,769	79,428	76,691
Family Affordable Housing Units	150	136	104	40	N/A

Unaudited

Source: Metropolitan Council external and internal reports.

Note: Transit-light rail began limited operation mid year 2004.

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